



2023 Annual Report

Notice to readers

This English-version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.

Jarllytec annual report is available at

Company website: <http://www.jarlly.com>

Taiwan Stock Exchange Market Observation Post System: <http://newmops.twse.com.tw>

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VI. Corporate Website

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Contents

1.	LETTER TO SHAREHOLDERS	5
2.	COMPANY PROFILE	9
2.1	DATE OF INCORPORATION	9
2.2	COMPANY HISTORY	9
3.	CORPORATE GOVERNANCE REPORT	12
3.1	ORGANIZATION	12
3.2	DIRECTORS, SUPERVISORS AND MANAGEMENT TEAM.....	13
3.3	ANNUAL REMUNERATION PAID TO DIRECTORS, SUPERVISORS, GENERAL MANAGERS AND DEPUTY GENERAL MANAGERS	23
3.4	IMPLEMENTATION OF CORPORATE GOVERNANCE.....	28
3.5	INFORMATION REGARDING THE COMPANY’S AUDIT FEE AND INDEPENDENCE.....	77
3.6	ACCOUNTANT REPLACEMENT INFORMATION	90
3.7	CHAIRMAN, GM, AND MANAGER RESPONSIBLE FOR FINANCIAL OR ACCOUNTING AFFAIRS OF THE COMPANY, WHO HAVE WORK IN THE FIRM OF THE CERTIFIED PUBLIC ACCOUNTANT OR ITS AFFILIATED COMPANY	90
3.8	CHANGES IN SHAREHOLDING OF DIRECTORS, SUPERVISORS, AND MANAGERS WHOSE SHARE RATIO EXCEEDS 10% DURING THE MOST RECENT YEAR UNTIL THE PUBLICATION OF THIS ANNUAL REPORT	78
3.9	RELATIONSHIP OF THE TOP 10 SHAREHOLDERS.....	79
3.10	THE INFLUENCE OF THE COMPANY’S OPERATIONAL PERFORMANCE, EARNINGS PER SHARE AND SHAREHOLDERS’ RETURN ON INVESTMENT CAUSED BY THE BONUS SHARES.....	80
4.	CAPITAL OVERVIEW	81
4.1	CAPITAL AND SHARES	81
4.2	HANDLING OF CORPORATE BONDS.....	101
4.3	STATUS OF PREFERRED STOCK	89
4.4	GLOBAL DEPOSITORY RECEIPTS.....	89
4.5	EMPLOYEE STOCK OPTIONS.....	89
4.6	STATUS OF NEW SHARES ISSUANCE IN CONNECTION WITH MERGERS AND ACQUISITIONS RIGHTS	89
4.7	FINANCING PLANS AND IMPLEMENTATION	89
4.8	EXECUTION OF THE CAPITAL UTILIZATION PLAN	89
5.	OPERATIONAL HIGHLIGHTS.....	106
5.1	BUSINESS ACTIVITIES.....	106
5.2	MARKET AND SALES OVERVIEW	99

5.3	HUMAN RESOURCES INFORMATION OF THE MOST RECENT TWO YEARS UNTIL THE PUBLICATION OF THIS ANNUAL REPORT	105
5.4	ENVIRONMENTAL PROTECTION EXPENDITURE	106
5.5	LABOR RELATIONS.....	125
5.6	INFORMATION SECURITY MANAGEMENT	128
5.7	IMPORTANT CONTRACTS	113
6.	FINANCIAL INFORMATION	114
6.1	DISCLOSURE OF IMPORTANT FINANCIAL INFORMATION	114
6.2	FIVE-YEAR FINANCIAL ANALYSIS	118
6.3	SUPERVISORS' OR AUDIT COMMITTEE'S REPORT IN THE MOST RECENT YEAR	122
6.4	CONSOLIDATED FINANCIAL STATEMENTS FOR THE MOST RECENT YEAR (CERTIFIED BY INDEPENDENT AUDITORS)	123
6.5	STANDALONE FINANCIAL STATEMENTS FOR THE MOST RECENT YEAR (CERTIFIED BY INDEPENDENT AUDITORS).....	142
6.6	FINANCIAL DIFFICULTIES FOR THE COMPANY AND ITS AFFILIATES DURING THE MOST RECENT YEAR UNTIL THE PUBLICATION OF THIS ANNUAL REPORT	142
7.	REVIEW AND ANALYSIS OF FINANCIAL CONDITIONS, FINANCIAL PERFORMANCE, AND RISK MANAGEMENT	143
7.1	ANALYSIS OF FINANCIAL STATUS	143
7.2	FINANCIAL PERFORMANCE	144
7.3	ANALYSIS OF CASH FLOW.....	145
7.4	THE IMPACT OF MAJOR CAPITAL EXPENDITURES ON FINANCIAL BUSINESS IN THE MOST RECENT YEAR	146
7.5	REINVESTMENT POLICY IN THE MOST RECENT YEAR, THE MAIN REASONS FOR ITS PROFIT OR LOSS, IMPROVEMENT PLAN AND INVESTMENT PLAN FOR THE NEXT YEAR	146
7.6	ANALYSIS OF RISK MANAGEMENT	147
7.7	OTHER IMPORTANT MATTERS	153
8.	SPECIAL DISCLOSURE	154
8.1	SUMMARY OF AFFILIATED COMPANIES	154
8.2	PRIVATE PLACEMENT SECURITIES IN THE MOST RECENT YEARS:	161
8.3	THE SHARES IN THE COMPANY HELD OR DISPOSED OF BY SUBSIDIARIES IN THE MOST RECENT	161
8.4	OTHER IMPORTANT NOTES	161
8.5	IN THE MOST RECENT YEAR AND AS OF THE DATE OF PUBLICATION OF THE ANNUAL REPORT, ANY EVENT SPECIFIED IN SUBPARAGRAPH 2, PARAGRAPH 3, ARTICLE 36 OF THIS ACT HAS OCCURRED THAT HAS A SIGNIFICANT IMPACT ON SHAREHOLDERS' RIGHTS AND INTERESTS OR THE PRICE OF SECURITIES.....	161

1. Letter to Shareholders

I. Annual summary and future prospects

In the year 2023, amidst ongoing global challenges including international inflationary pressures, escalation of conflicts such as the Ukraine-Russia war, slowdown in the Chinese economy, resurgence of US-China technology disputes, and escalating impacts of climate change, the global economic growth rate in 2023 was lower compared to the previous year. Taiwan's economy faced challenges due to global economic downturn and industrial inventory adjustments, resulting in strong domestic demand but weakened investment and exports. This slowdown in economic momentum posed considerable difficulties to overall operations. Nevertheless, despite the dynamic environment, Megatech remained undeterred and achieved record-breaking revenues in the fiscal year 2023, thanks to the concerted efforts of all employees.

With major smartphone manufacturers progressively introducing foldable phones, Display Supply Chain Consultants (DSCC) estimated a 23% year-on-year increase in foldable smartphone shipments to approximately 15.8 million units in 2023. Among these, the hinge serves as a critical component determining the cost of foldable phones and is responsible for key functionalities affecting consumer experiences such as device lifespan, opening and closing feel, and screen crease depth. With years of deep involvement in the foldable product ecosystem and a solid technological foundation, our company has actively invested in technical development. Presently, significant breakthroughs have been achieved in foldable phone hinge technology, contributing substantially to revenue and becoming a pivotal segment in the company's business landscape.

Looking ahead, with gradual depletion of laptop inventories and favorable conditions amidst easing inflation, the recent surge in the forecasted probability of interest rate cuts in the United States, coupled with the generational shift in Microsoft operating systems to drive system security upgrades among enterprise users, is expected to stimulate demand for laptop replacements. Research institutions anticipate a gradual improvement in laptop market demand in 2024, with a global notebook market expected to experience moderate growth, reaching approximately 172 million units with a year-on-year growth rate of about 3.6%. In this era of digital acceleration, Megatech will seize market trends, continue to develop new products related to hinges, such as foldable tablets and foldable laptops, fully leveraging competitive advantages to pioneer new frontiers.

Our company JARLLYTEC CO., LTD. remains committed to achieving sustainable development goals and actively contributes to environmental, social, and corporate governance efforts. With robust technological development capabilities and numerous accolades in corporate governance, Megatech actively pursues the trend of low-carbon development, continuously investing in and promoting the integration of renewable energy into products to create more business opportunities and innovations, in line with global decarbonization goals. This is our commitment to the planet and future generations, and a concrete action to fulfill our social responsibilities. To achieve this goal, we actively align with international ESG trends, such as joining the Taiwan Climate Alliance and adhering to business alliance codes of conduct. Such strategies ensure our outstanding performance in corporate governance and social responsibility, earning trust and support from customers. We will continue to strive for a better, more environmentally friendly world together.

II. Operational results

(1) Financial performance

Consolidated revenue for the year 2023 was NT\$8.221 billion, a increase of about 17.09% compared to the previous year. Net profit for the current period rose to 535 million due to product combinations and exchange rate fluctuations, a growth of 12.94% compared to the previous year. Basic earnings per share was NT\$8.69.

(2) Budget implementation

As the Company has no public finance prediction in 2023, the budget implementation will not be stated.

(3) Financial revenue and expenditure & profitability analysis

Unit: NT\$ thousand

Item		2023	2022
Financial revenue and expenditure	Operating revenue	8,220,663	7,020,608
	Operating margin	1,483,249	1,403,982
	Operating expenses	892,987	951,282
	Net profit before tax	737,971	724,498
	Net income	535,278	473,968
Profitability	Return on assets (%)	5.75	5.41
	Return on equity (%)	10.87	10.88
	Ratio of income before tax to paid-in capital (%)	111.65	120.50
	Net profit ratio (%)	6.51	6.75
	Earnings per share (NT\$)	8.69	7.88

(4) Research and development

The investment in research and development in 2023 was NT\$223,795 thousand, accounting for approximately 2.72% of total revenue, a increase of NT\$2,852 thousand compared to NT\$220,943 thousand in 2022. The company now mainly focuses on the research and development of laptop hinges, all-in-one computers (AIO PC), LCD monitor stands, video camera hinges, and flexible display hinges. In addition to applications in foldable smartphones, we are also developing flexible hinge mechanisms for other product categories. These flexible hinge mechanisms are expected to undergo verification and enter the market gradually over the next year.

Furthermore, in response to the world's increasing focus on environmental protection, we continue to introduce new materials with higher recycling ratios. By increasing the usage of recycled materials in our products, we aim to reduce carbon emissions and fulfill our corporate social responsibility. Over the long term, Megatech's research and development team closely collaborates with customers, conducting regular product discussions to fully grasp future market trends. This collaboration serves as a guiding principle for our internal research and development efforts. For the internal R&D department, we actively encourage innovative research and new product developments,

apply for patents for new products and technologies, build a sound protection network for patents and intellectual properties, and strengthen product competitiveness.

III. Business plan

(1) Significant management policies

1. High-quality service, excellent management, continuous improvement, sustainable operations.
2. Develop further high precision and high value-added key components and technologies in Taiwan.
3. Flexible operations, distributed production and supply, and uninterrupted operating energy.
4. Sound fiscal management, austerity, and maximizing corporate resources.
5. Continue to invest in research and development, create product differentiation and high-end products, improve operating efficiency, and move forward in the direction of value-adding strategies.
6. Make good use of big data to analyze and make decisions to achieve an intelligent manufacturing process.
7. Implement sustainable management goals.

(2) Sales volume forecast and its basis

The Company has no financial forecasts to be disclosed for the year 2023, therefore, there is no explanation for the expected sales volume and its basis.

IV. Impacts of the external competitive environment, regulation environment and overall business environment

- (1) The Company executes all operations in compliance with relevant laws and regulations, therefore, the regulation environment has made no significant impact to the Company.
- (2) Sound financial position and sufficient funds, along with good credit, enable JARLLYTEC CO., LTD. to maintain continuous supply from the supplier end, securing a favorable position of being the priority. JARLLYTEC CO., LTD. maintains advantageous levels of inventory, sufficient to address urgent orders and unforeseen circumstances, thereby reducing inventory costs and time. With the support of both existing clients and new technologies and patents, as well as steady progress in related products such as AR/VR and surveillance beasts, JARLLYTEC CO., LTD. is poised for a fruitful year of market expansion and double profit in 2024.
- (3) In the overall business environment, following the inventory adjustments in the laptop industry in the years 2022 and 2023, market inventory has stabilized. Furthermore, with Microsoft's plan to cease support for Windows 10 in October 2025, the replacement demand in the commercial market has gradually emerged since the fourth quarter of 2023. It is anticipated that more AI laptops will be introduced to the market in 2023, leading to a slight growth in the manufacturing output of laptops compared to the same period in 2022. Additionally, the shipment volume of liquid crystal monitors is expected to improve slightly, indicating a positive trend in the industry's business climate. At JARLLYTEC Tech, we strive for excellence, dedicating a certain amount of resources to research and development each year. We have achieved remarkable results in acquiring new technologies and patents. Furthermore, we plan to horizontally coordinate and vertically integrate, aiming to reduce costs and optimize all expenditures for the most streamlined business management.

Thanks to all shareholders for the support and trust in Jarlleytec, we will continue to implement corporate governance and pursue sustainable business, create values for our customers, shareholders, employees and the society.

Chairman: Chang, Tai-Yuan
Managerial officer: Chang, Tai-Yuan
Accountant in charge: Chen, Ying-Syuan

2. Company Profile

2.1 Date of Incorporation

July 7th, 2004

2.2 Company History

Jul, 2004	Jarlllytec founded in Wugu Industrial Center in New Taipei City
Dec, 2004	Move to a new building
Dec, 2004	Capital increased with cash to NT\$ 120,000,000
Aug, 2005	Acquired the ISO9001(2000 Edition) Quality Certification from BSMI, MOEA
Aug, 2005	Mass production of high-end LCD monitor hinge
Nov, 2005	Capital increased with cash to NT\$ 250,000,000
Dec, 2005	Won Compal Excellent Partner Award
Feb, 2006	Introduction of Finite Element Method (FEM)
Mar, 2006	Invested in Fu-Qing Jarlly Electronics Ltd. via a third place with the approval of Investment Commission
May, 2006	Invested in Jarlly Technology (Shanghai) Ltd. via a third place with the approval of Investment Commission
Jul, 2006	The design of One Laptop per Child (OLPC) NB hinge completed and patent acquired
Aug, 2006	Invested in Changshu Jarlly Electronics Co., Ltd. via a third place with the approval of Investment Commission
Dec, 2006	Excellent Partner Awards from ASUS, INVENTEC and HANNSPREE
Dec, 2006	Registered as emerging stock with the approval of GTSM
Jan, 2007	Jarlllytec stocks formally traded over the counter
Aug, 2007	Capital increased to NT\$ 409,600,000 by transforming surplus and employee dividend into capital
Dec, 2007	Jarlllytec's application for becoming OTC company approved by the OTC Review Committee by a unanimous vote
Mar, 2008	Capital increased to NT\$459,700,000 by addition of cash and transformation of surplus and dividend.
Mar, 2008	Jarlllytec listed in the OTC market on March 27, 2008
Jun, 2008	Approved by the Investment Review Committee and approved by the third place to invest in Jarlly Electronic Technology (Shanghai) Co., Ltd.
Jun, 2008	ISO14001 (2004 edition) environmental management certification of the Bureau of Standardization, Inspection and Quarantine of the Ministry of Economic Affairs.
Jun, 2008	OHSAS18001 (2007 edition) occupational safety and health management certification by the Bureau of Standards, Inspection and Quarantine of the Ministry of Economic Affairs.
Sep, 2008	The surplus and employee dividends were transferred to NT\$400,000,000.
Nov, 2008	Invested 70% equity of Jmim Precision Industry Co., Ltd.

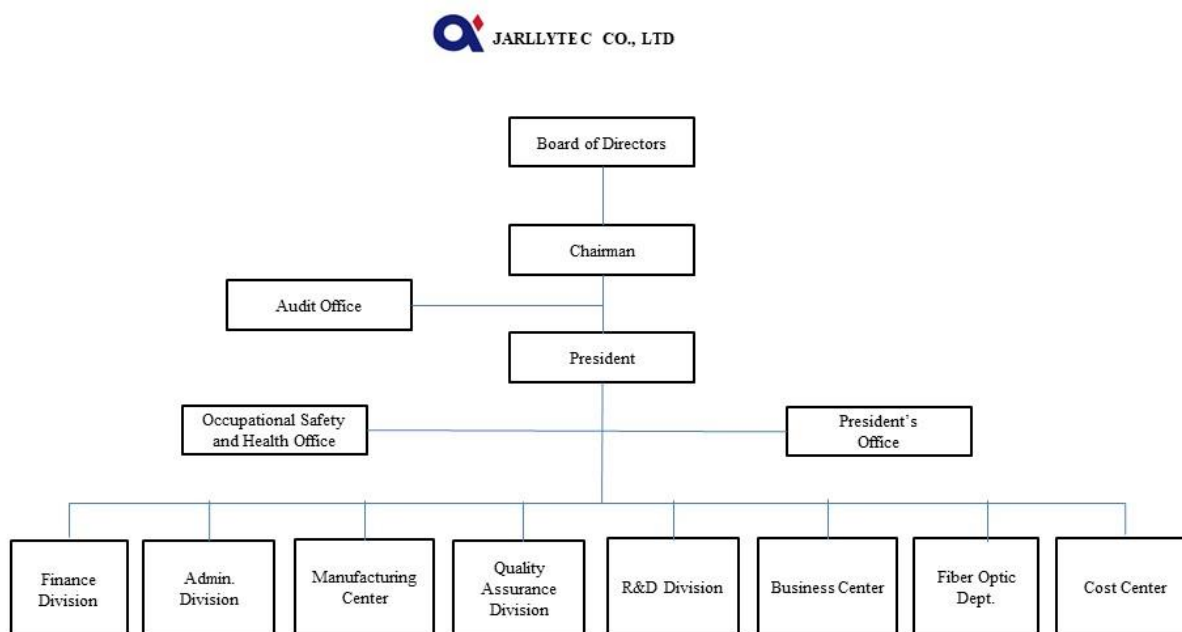
Jan, 2009	LCIE-SNQ IECQ QC080000 Hazardous Substances Process Management System (HSPM) certification.
Feb, 2009	Handling treasury shares to cancel the share capital to NT\$ 482,905,000
Jun, 2009	ISO 9001 (2008 edition) quality management system verification
Aug, 2009	The surplus was transferred to capital increase of NT \$499 million eight hundred and twenty-three thousand nine hundred and eighty.
Sep, 2009	After the conversion of employee stock option certificates, the share capital is NT \$500.589 million nine hundred and eighty.
Mar, 2010	After the conversion of employee stock option certificates, the share capital is five hundred and thirty million one hundred and eighteen thousand nine hundred and eighty new Taiwan dollars.
Jun, 2010	Approved by the Investment Review Committee to invest in Xiamen Jarlly in a third place.
Jun, 2010	After the conversion of employee stock option certificates, the share capital is NT \$530 million, five hundred and twenty-seven thousand, nine hundred and eighty
Sep, 2010	After the conversion of employee stock option certificates, the share capital is five hundred and thirty million seven hundred and twenty-five thousand nine hundred and eighty new Taiwan dollars.
Dec, 2010	Approved by the Investment Review Committee to invest in Chongqing Jarlly in a third place.
Dec, 2010	After the conversion of employee stock option certificates, the share capital is NT \$550 million four hundred and seventy-one thousand nine hundred and eighty.
Feb, 2021	In Appreciation for Recognition of Outstanding Business Partnership Between Hewlett Packard and Jarllytec Co., Ltd. for the HP Sirens of “Consumer Displays”
Apr, 2021	After the conversion of employee stock option certificates, the share capital is NT \$500 million, five hundred and ten thousand and nine hundred and eighty.
Sep, 2021	Finish the project of ultra-small diameter shaft hinge to be line with the need for Ultrabook model design.
Oct, 2021	Successfully develop the mechanism combining the functions of hinge and docking for Pad.
Dec, 2013	Jarllytec passed the EICC audit of Microsoft Corporation.
Jan, 2014	The hinge design of the 360-degree flip laptop is developed and patented.
Oct, 2014	Sell out Jmim Precision Industry Co., Ltd. 70% shareholding.
Nov, 2014	Reinvest 62.5% stake in Jarson Precision Technology Co., Ltd.
Mar, 2015	The hinge design and development of the 360-degree flip notebook with a liftable keyboard has been completed and a patent has been applied for.
Jun, 2016	ISO14001 (2015 version) environmental management system certification of the Metal Industry Research and Development Center.
Jun, 2016	ISO9001 (2015 version) quality assurance certification of the Metal Industry Research and Development Center.
Nov, 2016	Cash capital increase to NT \$605 million, five hundred and ten thousand and nine hundred and eighty.
Feb, 2017	The development and patent application of the thin LCD screen lift bracket is completed.

Mar, 2017	The hinge design and development of the gaming laptop with a raised base has been completed.
Jun, 2017	Jarlllytec Changshu moved to Kunshan and changed its name to Jarlllytec Kunshan
Jan, 2018	Jarlllytec USA, LLC.
Feb, 2018	Buy back a 37.5% stake in Jarson Precision Technology Co., Ltd.
Mar, 2018	Increase the capital of Jarson Precision Technology Co., Ltd. NT\$ 40,070,000.
Jun, 2018	Developed and patented in design of folding phone
Oct, 2018	Manage the cancellation of treasury shares to NT \$601 million, two hundred and ten thousand and nine hundred and eighty.
Feb, 2019	LCIE-SNQ IECQ QC 080000:2017 Hazardous Substances Process Management (HSPM) certification.
Jun, 2019	ISO 45001 (2018 edition) occupational safety and health management certification of the Commodity Inspection Bureau of the Metal Industry Research and Development Center.
Dec, 2019	Increase the capital of Jarson Precision Technology Co., Ltd. NT \$20,000,000.
Dec, 2019	Jarlllytec (Thailand) Co., Ltd.
Apr, 2020	Reinvest Jarwin Investment Co., Ltd.
Jan, 2021	The Shanghai plant was awarded the SGS ISO/IEC 27001:2013 information security management system certification.
Apr, 2021	Jarlllytec (Singapore) PTE. Ltd.
Apr, 2021	Jarlllytec (Vietnam) Co., Ltd.
Apr, 2022	Issued NT\$400 million of 1 st unsecured convertible corporate bonds
Feb, 2023	Approved by the Investment Review Committee to invest in ZheJiang Zhaowang Precision Technology Co. Ltd. in a third place.
Jan, 2024	Issued NT\$800 million of 2nd unsecured convertible corporate bonds
Feb, 2024	Jarllly Technology(Shanghai) Co., Ltd. purchases 100% shares of ZheJiang Jarllly Precision Technology Co., Ltd from Royal Jarllly Holding Ltd..
Feb, 2024	The Company's short-form merger with subsidiary Jarson Precision Technology Co., Ltd.

3. Corporate Governance Report

12/31/2023

3.1 Organization



Department	Job Description
President's Office	<ol style="list-style-type: none"> 1. Responsible to all shareholders according to the resolution of the board of directors. 2. Formulate and promote the company's overall business goals, operating strategies and implementation plans. 3. Approval of major company decisions, project research, strategic planning, command supervision and implementation guidance. 4. Integrate the execution and coordination of the organization's business of each unit. 5. Supervise the planning and implementation of various management policies and systems throughout the company and evaluate the effectiveness of implementation. 6. Regular analysis report and revision of annual operating performance.
Audit Office	Identify deficiencies in the internal control system, assess the effectiveness and efficiency of operations and provide appropriate improvement suggestions to ensure the effectiveness of the internal control system as well as for continuous improvement.
Occupational Safety and Health Office	Responsible for the company's labor safety issues.
Fiber Optic Department	<ol style="list-style-type: none"> 1. Planning and execution of optical fiber business development, quotation and sales. 2. Optical fiber product research and development. 3. Optical fiber raw material procurement and product manufacturing.
Cost Center	<ol style="list-style-type: none"> 1. Inquiry and purchase of raw materials for production. 2. Material planning and inventory management. 3. Product cost control rationalization and manufacturer supervision.

Department	Job Description
	4. Reduce the cost of the company (reduce inventory, reduce production and distribution costs).
Business Center	<ol style="list-style-type: none"> 1. Sales planning and execution. 2. Business development and customer relationship maintenance and customer complaint handling. 3. Order quotation and processing. 4. Market evaluation and reporting.
Research & Development Division	<ol style="list-style-type: none"> 1. Innovation research and development of functions. 2. Solve design problems corresponding to customers. 3. Design and develop new products. 4. Confirmation of mold design and fabrication and process improvement. 5. Manage patent and trademark affairs. 6. Execute the life test and design verification of the new product design stage.
Quality Control Division	<ol style="list-style-type: none"> 1. Planning/execution/auditing/maintenance of quality/HSF system and objectives. (QS) 2. Establishment and maintenance of supplier evaluation and supplier quality management mechanism. (SQA) 3. Establishment and maintenance of quality management mechanism for incoming/process/outgoing. (MQA) 4. Establishment and maintenance of high-precision instrument measurement and calibration management mechanism. (PMC) 5. Establishment and maintenance of ORT reliability testing and verification mechanism for mass-produced products. (RQA) 6. Establishment and maintenance of customer service and delivery quality assurance mechanism. (CQA)
Manufacturing Department	<ol style="list-style-type: none"> 1. Development and manufacture of the company's production plan. 2. Planning and execution of production schedule and confirmation of actual performance. 3. Pre-production evaluation of new products. 4. Select strategic vendor partners and introduce competitive new suppliers. 5. The overall "process quality" of the enterprise is optimized (removal of error costs, elimination of abnormal events). 6. Automatic equipment development and introduction into mass production.
Admin. Department	<ol style="list-style-type: none"> 1. Human resources recruitment planning, employee recruitment and absence, salary management. 2. Planning and implementation of employee education and training business. 3. The management of general affairs and general affairs, the inquiry and purchase of machinery and equipment. 4. Planning, construction, management and maintenance of information systems and networks. 5. Coordinate the use, integration, management and maintenance of the company's computer software, hardware, database and information security for procurement.
Finance Department	<ol style="list-style-type: none"> 1. Analysis and management of financial & tax accounting statements. 2. Budgeting and investment planning and execution. 3. Capital use planning, cost analysis and risk control. 4. Relevant stock operations. 5. Investor services.

3.2 Directors, Supervisors and Management Team

3.2.1 Information of directors and supervisors

Apr 20, 2024

Title	Name	Gender, age	Nationality or place of registration	Date Elected	Term	Date First Elected	Shareholding when elected		Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience	Other Position	Managers who are Spouses or Within Two Degrees of Kinship			Remark (Note)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chairman	Dellson Investment Co., Ltd.	N/A	Taiwan (R.O.C)	07/07/2021	3 Years	06/21/2018	3,392,000	5.64%	3,714,000	6.18%	0	0	0	0	N/A	N/A	N/A			None
Director Representative,	Tai Yuan Chang	Male 61~70	Taiwan (R.O.C)	07/07/2021	3 Years	06/25/2004	711,325	1.18%	711,325	1.08%	470,467	0.71 %	3,864,000	5.85%	Master of Business Administration, EMBA of National Taipei University Chairman of Jarson Precision Technology Co., Ltd.	Gernal Manager of Jarllytec Co., Ltd. Jarwin Investment Co., Ltd. supervisor representative Chairman of Dellson Investment Co., Ltd. Director representative of Smart Hinge Holding Ltd. Director representative of Royal Jarlly Holding Ltd. Director representative of Great Hinge Trading Ltd. Director representative of Jarllytec (Vietnam) Co., Ltd. Director representative of Jarllytec Singapore Pte. Ltd. Chairman of Jarlly Technology(Shanghai) Co., Ltd., Fu-Qing Jarlly Electronics Co., Ltd., Dong Guan Jarlly Electronics Co., Ltd., Jarlly Electronics Technology (Shanghai) Co., Ltd., Kunshan Jarlly Electronics Ltd., Xiamen Jarlly Electronics Co., Ltd. , Jarlly Technology(Chongqing) Co., Ltd., ZheJiang Jarlly Precision Technology Co., Ltd.	Senior Vice President	Hsu, Yao Kun	affinity	Note1
Vice-Chairman	Sunrise Investment Co., Ltd.	N/A	Taiwan (R.O.C)	07/07/2021	3 Years	06/25/2004	6,100,000	10.15%	6,100,000	9.23%	0	0	0	0	N/A	N/A	N/A			N/A

Title	Name	Gender, age	Nationality or place of registration	Date Elected	Term	Date First Elected	Shareholding when elected		Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience	Other Position	Managers who are Spouses or Within Two Degrees of Kinship			Remark (Note)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Director Representative	Liu, Kuang Hua	Male 61~70	Taiwan (R.O.C)	07/07/2021	3 Years	06/25/2004	1,316,000 (Trust property 1,100,000 shares)	2.19%	1,316,000 (Trust property 1,100,000 shares)	1.99%	906,000 (Trust property 700,000 shares)	1.37 %	1,550,000	2.35%	Master of EMBA School of Management, National Taiwan University Taipei University of Marine Technology Inventec Sourcing Manager	Director of Jmim Precision Industry Co., Ltd., Chairman of Sunrise Investment Co., Ltd. Chairman of Jarson Precision Technology Co., Ltd. Chairman of Jarwin Investment Co., Ltd. Independent Director, Audit Committee, Remuneration Committee of AlgolTek, Inc. Director Representative of Jarly Technology(Shanghai) Co., Ltd. Director Representative of Fu-Qing Jarly Electronics Co., Ltd. Director Representative of Dong Guan Jarly Electronics Co., Ltd. Director Representative of Jarly Electronics Technology (Shanghai) Co., Ltd. Director Representative of Kunshan Jarly Electronics Ltd. Director Representative of Xiamen Jarly Electronics Co., Ltd. Director Representative of Jarly Technology(Chongqing) Co., Ltd. Director representative of ZheJiang Jarly Precision Technology Co., Ltd.	None	None	None	None
Director	Young Win Assets Management CO., Ltd.	N/A	Taiwan (R.O.C)	07/07/2021	3 Years	07/07/2021	1,550,000	2.58%	1,550,000	2.35%	0	0	0	0	N/A	N/A	N/A			N/A
Director Representative	Liu, Bo-Liang	Male 61~70	Taiwan (R.O.C)	05/01/2023	3 Years	05/01/2023	0	0%	0	0%	0	0	0	0	Master's degree, Institute of Mainland China, Chinese Culture University Deputy Director of the Police Department of the Ministry of the Interior Kaohsiung City Government Police Chief chief of criminal police	Chairman of Quan'an Technology Property Co., Ltd. Acting Chairman of Kee Tai Properties Co., Ltd. Independent Director of Quang Viet Enterprise Co., Ltd. Representative of legal person director of Shangzhi Asset Development Co., Ltd.	None	None	None	None

Title	Name	Gender, age	Nationality or place of registration	Date Elected	Term	Date First Elected	Shareholding when elected		Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience	Other Position	Managers who are Spouses or Within Two Degrees of Kinship			Remark (Note)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Independent Director	Wu, Sou Shan	Male 71~80	Taiwan (R.O.C)	07/07/2021	3 Years	07/07/2021	0	0	0	0	0	0	0	0	PhD of Department of Finance, Insurance & Real Estate, University of Florida Master's degree of Institute of Management of Science, National Chiao Tung University Bachelor's degree of Department of Accounting and Statistics, National Chung Hsing University Independent director of Yuanta Financial Holding Co., Ltd. (Yuanta Securities Co., Ltd.) Professor and dean of College of Management, Chang Gung University Professor of Chiao Tung University Consultant of State-owned Enterprise Commission, Ministry of Economic Affairs Supervisor of Hua Nan Financial Holding Co. (and permanent in Hua Nan Bank) Chairman of Securities & Futures Institute Chairman of Taipei Exchange	Remuneration Committee, Audit Committee of Jarlytec Co., Ltd. Chair professor at National Taiwan Normal University Independent Director, Audit Committee of Citibank Taiwan Independent Director, Audit Committee, Remuneration Committee of Energenesis Biomedical Co., Ltd. Consultant of Taiwan Institute of Economic Research Supervisor of Private School HSING, HSUEH Foundation	None	None	None	None

Title	Name	Gender, age	Nationality or place of registration	Date Elected	Term	Date First Elected	Shareholding when elected		Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience	Other Position	Managers who are Spouses or Within Two Degrees of Kinship			Remark (Note)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Independent Director	Yang, Shang Hsien	Male 51~60	Taiwan (R.O.C)	07/07/2021	3 Years	07/07/2021	0	0	0	0	0	0	0	0	Department of Accounting, Tamkang University Accountant of Baker Tilly Clock & Co Accountant of Lan-Jai CPAs Firm	Accountant of Cheng Yang CPAs Firm Juristic representative director of YesHealth Agri-Biotechnology Co., Ltd. Independent director of Da Hui Limited Independent director of REPOND Co., Ltd. Supervisor of Chip Hope Co., Ltd. Independent director of Yeedex Electronic Corporation Supervisor of A Shine Biotech Corp. Director of INTER GREAT HOLDINGS LTD.	None	None	None	None
Independent Director	Lee, Chien Ming	Male 51~60	Taiwan (R.O.C)	07/07/2021	3 Years	07/07/2021	0	0	0	0	0	0	0	0	Master of Business Administration, EMBA of National Taiwan University PhD of Department of Science, New York University Tandon School of Engineering Master's degree of Department of Science, Fu Jen Catholic University Bachelor's degree of Department of Science, Fu Jen Catholic University Asia area manager of Ciba Specialty Chemicals Inc. General manager of the subsidiary, View Sonic Group (Sintech Technology Corp./Opti International Corp., Taiwan) Vice general manager of Marketing and Purchasing Departments, Chan Mao Optoelectronics Co., Ltd. Taiwan's General manager of LG Display Co., Ltd. General manager of Asian Chemical Group Division	Vice general manager of TPK Holding Co., Ltd. General manager of TPK Auto Tech (Xiamen) Limited Independent director of UNIC TECHNOLOGY CORP.	None	None	None	None

Title	Name	Gender, age	Nationality or place of registration	Date Elected	Term	Date First Elected	Shareholding when elected		Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience	Other Position	Managers who are Spouses or Within Two Degrees of Kinship			Remark (Note)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Independent Director	Liu, Chun Ying	Female 41~50	Taiwan (R.O.C)	07/07/2021	3 Years	07/07/2021	0	0	0	0	0	0	0	0	Master of Business Administration, EMBA of National Taiwan University Master of Laws, Northwestern University Bachelor's degree of Laws, National Taiwan University Copartner of TSAR & TSAI LAW FIRM	Independent director and audit committee's member of Jarlytec Co., Ltd. Copartner of TSAR & TSAI LAW FIRM Independent Director, Audit Committee, and Compensation Committee of MetaEdge Corporation Juristic representative director of Taiwan Cement Corporation Juristic representative Director of Chinatrust Investment Co., Ltd	None	None	None	None

Note1: If the chairman of the board of directors and the general manager or equivalent (top manager) of the company are the same person, spouses or relatives of each other, they shall state the reasons, rationality, necessity and Countermeasures (for example, increasing the number of independent directors and more than half of the directors shall not be employees or managers). The chairman of the company concurrently serves as the general manager to improve the operation efficiency and the implementation of executive decisions. However, to improve the corporate governance and strengthen the independence of the board of directors, in addition to close and full communication with all directors, the company has increased the number of independent directors, the functions of the board of directors and strengthened the supervision function. The company has the following specific measures:

(1) Set up four independent directors to effectively play the supervision function.

(2) Set up functional committees (salary, remuneration and audit), fully discuss and put forward professional suggestions for the reference of the board of directors to implement corporate governance.

(3) More than half of the members of the board of directors do not concurrently serve as employees or managers.

(4) Every year, each director is arranged to attend courses of external professional institutions to improve the professional ability of directors to improve the operation efficiency of the board of directors. Arrange each director to attend the courses of external professional every institutions year to improve the professional level of directors

3.2.2 Major shareholders of Corporate Shareholders

April 20, 2024

Name of corporate shareholder	Major shareholders of corporate shareholders
Dellson investment Co., Ltd.	Lavish Investment Development Ltd., (13.75%), Tai Yuan Chang (25%), Shu Jin Hsu (25%), Chia Yueh Chang (18.75%), Sung Yueh Chang (17.5%)
Sunrise investment Co., Ltd.	Jumbo Technology Ltd., (100%)
Young Win assets management Co., Ltd.	Kuang Hua Liu (63 %), Wu, Yi Chuan (32%), Liu, Chih Chen (3%), Liu, Pei Yu (2%)

3.2.3 If the principal shareholder of a legal person shareholder is a legal person, its principal shareholder

April 15, 2023

Name of Legal Representative	Shareholders of Legal Representative
Lavish investment development Ltd.	Tai Yuan Chang (50%), Shu Jin Hsu (50%)
Jumbo Technology Ltd.	Kuang Hua Liu (50%), Tai Yuan Chang (50%)

3.2.4 Disclosure of professional qualifications of directors and supervisors and independence of independent directors

Qualification Name	Professional qualifications and experience	Independence analysis	No. of other public companies at which the person concurrently serves as an independent director
Chairman Dellson Investment Co., Ltd. Representative: Chang, Tai - Yuan	1. Board leadership experience (For work experience, see Director Profile on page 14). 2. Professional experience in operational judgment, business management, crisis management, industry knowledge, international market outlook, leadership decision-making. 3. There are no circumstances under Article 30 of the Company Law.	(6)(7)(8)(9)(10)(11)(12)	0
Vice Chairman Sunrise Investment Co., Ltd. Representative: Liu, Kuang - Hua	1. Board leadership experience (For work experience, see Director Profile on page 15). 2. Professional experience in operational judgment, business management, crisis management, industry knowledge, international market outlook, leadership decision-making. 3. There are no circumstances under Article 30 of the Company Law.	(6)(7)(8)(9)(10)(11)(12)	1
Director Young Win Assets Management CO., Ltd. Representatives: Liu, Bo-Liang	1. Professional experience in operational judgment, business management, crisis management, industry knowledge, international market outlook. 2. There are no circumstances under Article 30 of the Company Law. (For work experience, please refer to page 15 for director information)	(2)(6)(7)(8)(9)(10)(11)(12)	1
Independent Director Liu, Chun-Ying	1. Leadership experience of compensation committee, audit committee and board of directors (for work experience, please refer to the information of directors on page 18). 2. Have industry knowledge and legal knowledge. 3. There are no circumstances under Article 30 of the Company Law.	(1)(2)(3)(4)(5)(6)(7)(8)(9)(10)(11)(12)	1
Independent Director Wu, Sou-Shan	1. Leadership experience of compensation committee, audit committee and board of directors (for work experience, please refer to the information of directors on page 16). 2. Knowledge of industry and financial accounting. 3. There are no circumstances under Article 30 of the Company Law.	(1)(2)(3)(4)(5)(6)(7)(8)(9)(10)(11)(12)	2

Qualification Name	Professional qualifications and experience	Independence analysis	No. of other public companies at which the person concurrently serves as an independent director
Independent Director Yang, Shang-Hsien	1. Leadership experience of compensation committee, audit committee and board of directors (for work experience, please refer to the information of directors on page 16). 2. Knowledge of industry and financial accounting. 3. There are no circumstances under Article 30 of the Company Law.	(1)(2)(3)(4)(5)(6)(7)(8)(9)(10)(11)(12)	3
Independent Director Lee, Chien - Ming	1. Leadership experience of compensation committee, audit committee and board of directors (for work experience, please refer to the information of directors on page 17). 2. Knowledge of industry and financial accounting. 3. There are no circumstances under Article 30 of the Company Law.	(1)(2)(3)(4)(5)(6)(7)(8)(9)(10)(11)(12)	1

*The independence of directors and supervisors in the two years before election and during their term of office. (Those who meet the requirements are disclosed in the above table)

- (1) Not an employee of the company or its affiliated enterprises.
- (2) Directors and supervisors who are not directors or supervisors of the company or its affiliated enterprises (except for independent directors set up by the company and its parent company, subsidiaries or subsidiaries of the same parent company in accordance with this law or local laws and regulations).
- (3) Natural person shareholders who are not themselves, their spouses, minor children or who hold more than 1% of the total issued shares of the company in the name of others or who hold the top 10 shares.
- (4) Not the manager listed in (1) or the spouse of the personnel listed in (2) and (3), relatives within the second degree of kinship or immediate blood relatives within the third degree of kinship.
- (5) Directors, supervisors or employees of corporate shareholders who do not directly hold more than 5% of the total issued shares of the company, hold the top five shares, or appoint representatives to act as directors or supervisors of the company in accordance with paragraph 1 or 2 of Article 27 of the company law (except for independent directors set up by the company and its parent company, subsidiaries or subsidiaries of the same parent company in accordance with this law or local laws and regulations).
- (6) Directors, supervisors or employees of other companies who are not directors or have more than half of the voting shares of the company been controlled by the same person (except for independent directors set up by the company or its parent company, subsidiary or subsidiary of the same parent company in accordance with this law or local laws and regulations)
- (7) Directors (directors), supervisors (supervisors) or employees of other companies or institutions who are not the same person or spouse with the chairman, general manager or equivalent position of the company (except for independent directors set up by the company and its parent company, subsidiaries or subsidiaries of the same parent company in accordance with this Law or local laws and regulations).
- (8) Directors (directors), supervisors (supervisors), managers or shareholders holding more than 5% of the issued shares of a specific company or institution that does not have financial or business dealings with the company (except that if a specific company or institution holds more than 20% but less than 50% of the total issued shares of the company and is an independent director set up by the company and its parent company, subsidiary or subsidiary of the same parent company in accordance with this law or the laws and regulations of the local country).
- (9) Professionals, proprietors, partners, directors (directors), supervisors (supervisors), managers and their spouses of sole proprietorships, partnerships, companies or institutions who do not provide audit services for companies or affiliated enterprises or who have received remuneration of less than NT \$500,000 in business, legal, financial, accounting and other related services in the past two years. However, this restriction shall not apply to the members of the salary and Remuneration Committee, the public takeover review committee or the Special Committee on mergers and acquisitions who perform their functions and powers in accordance with the securities and exchange law or the relevant laws and regulations of the enterprise merger and Acquisition Law.
- (10) No spouse or kinship within the second degree with other directors.
- (11) There is no one of the circumstances specified in Article 30 of the company law.
- (12) There is no provision in Article 27 of the company law that the government, legal person or its representative shall be elected.

3.2.5 Diversity and independence of the board of directors

(1) Diversity of the Board of Directors

The structure of the board of directors of the company shall determine the appropriate number of directors with more than five members based on the scale of the company's operation and development and the shareholding of its major shareholders, considering the needs of practical operation. The composition of the board of directors should consider diversification. In addition to the fact that the number of directors who are also managers of the company should not exceed one-third of the number of directors, appropriate diversification policies should be formulated according to their own

operation, operation type and development needs.

When appointing directors, the company not only considers the professional background of the directors themselves, but also one of the crucial factors. The company has 7 directors, of which 4 are independent directors; Among the directors, one independent director is female. The professional background of the members covers management, science and engineering, lawyers, accountants and industrial operators. The members of the board of directors have industrial, academic and knowledge diversified backgrounds and can give professional opinions from different angles, which is of major help to improve the company's business performance and management efficiency.

Among the members of the board of directors, the proportion of directors with employee status is 28.57% and the proportion of independent directors is 57.14%. The company also pays attention to gender equality in the composition of the board of directors. The target of female directors is more than 25%. At present, there are seven directors, including one female director, with a ratio of about 14.29%. The diversity of more board members is as follows:

Item Name	Nationality	Gender	Employee nt in Jarllytec	Age					Term		Operational Judgment	Financial Analysis	Management	Industry Knowledge	Management Risk	Market View	Lead	Decision Making
				31 ~ 40	41 ~ 50	51 ~ 60	61 ~ 70	Over 71	0~3 years	4~6 years								
Chang, Tai Yuan	Taiwan(R.O.C)	Male	V				V				V		V	V	V	V	V	V
Liu, Kuang Hua		Male	V				V				V		V	V	V	V	V	V
Liu, Bo- Liang		Male					V				V		V	V	V	V	V	V
Liu, Chun Ying		Femaale			V					V	V		V	V	V	V	V	V
Wu, Sou Shan		Male						V	V		V	V	V	V	V	V	V	V
Yang, Shang Hsien		Male				V			V		V	V	V	V	V	V	V	V
Lee, Chien Ming		Male				V			V		V	V	V	V	V	V	V	V

(2) Independence of the Board of Directors

The company re-elected directors (including independent directors) in 2021. At present, there are 7 directors in the board of directors, of which 4 are independent directors, accounting for 57.14% of the independent directors. Please refer to "4. Disclosure of Professional Qualifications of Directors and Supervisors and Information Disclosure of Independent Directors' Independence" for the matters stipulated in Items 3 and 4.

3.2.6 Information of the general manager, deputy general manager, associate manager, heads of departments and branches

April 20, 2024

Title	Nationality	Name	Gender	Date of appointment to position	Holding Shares		Relatives hold shares		Under Other's		Experience	Occupation	Title	Name	Relationship	Employee Options	Remark
					Shares	Ratio	Shares	Ratio	Shares	Ratio							
Gernal Manager	Taiwan (R.O.C)	Chang, Tai Yuan	Male	07/07/2004	711,325	1.08%	470,467	0.71%	3,864,000	5.85%	Master of Business Administration, EMBA, Taipei University Chairman of Jarson Precision Technology Co., Ltd.	Chairman of Jarllytec Co., Ltd. Jarwin Investment Co., Ltd. supervisor representative Chairman of Dellson Investment Co., Ltd. Director representative of Smart Hinge Holding Ltd. Director representative of Royal Jarlly Holding Ltd. Director representative of Great Hinge Trading Ltd. Director representative of Jarllytec (Vietnam) Co., Ltd. Director representative of Jarllytec Singapore Pte. Ltd. Chairman of Jarlly Technology(Shanghai) Co., Ltd., Fu-Qing Jarlly Electronics Co., Ltd., Dong Guan Jarlly Electronics Co., Ltd., Jarlly Electronics Technology (Shanghai) Co., Ltd., Kunshan Jarlly Electronics Ltd., Xiamen Jarlly Electronics Co., Ltd., Jarlly Technology(Chongqing) Co., Ltd., ZheJiang Jarlly Precision Technology Co., Ltd.	Senior Deputy General Manager	Hsu, Yao Kun	affinity	None	Note1
Senior Deputy General Manager	Taiwan (R.O.C)	Hsu, Yao Kun	Male	02/01/2005	70,793	0.11%	0	0	0	0	Tsinghua University Jarllytec Sales Manager	General Manager of South China: Fu-Qing Jarlly, Xiamen Jarlly, Dong Guan Jarlly, Director of Fu-Qing Jarlly, Dong Guan Jarlly, Xiamen Jarlly, Jarllytec (Thailand) Co., Ltd.	Gernal Manager	Chang, Tai Yuan	affinity	None	None
Senior Deputy General Manager	Taiwan (R.O.C)	Huang, Chin Ming	Male	07/01/2005	10,220	0.02%	0	0	0	0	Department of Mechanical Engineering, Chinese Culture University Director of Institutional Design of Tatung Company	General Manager of East China: Shanghai Jarlly, Chongqing Jarlly, Shanghai Jarlly Director of Jarlly Electronic Shanghai, Kunshan Jarlly	None	None	None	None	None
Deputy General Manager	Taiwan (R.O.C)	Hung, Chin Fu	Male	07/07/2004	236,764	0.36%	187,116	0.28%	1,100,000	1.66%	Qinyi Engineering College Mechanical Division Qianji Company	Supervisor of Chongqing Jarlly General Manager of Jarllytec (Vietnam) Co., Ltd. Deputy General Manager of Kunshan Jarlly	None	None	None	None	None
Deputy General Manager	Taiwan (R.O.C)	Li, Yung Ta	Male	02/01/2005	14,981	0.02%	0	0	0	0	PhD in Mechanical Engineering, National Taiwan University Shentong Computer Lecturer	None	None	None	None	None	None
Deputy General Manager	Taiwan (R.O.C)	Huang, Shih Hui	Male	07/30/2012	0	0	0	0	0	0	Bachelor of Mechanical Engineering, National Taiwan University Master of Industrial Engineering, Iowa State University Meilong Industrial R&D Manager Ford Liuhe Design and Technology Center Manager	None	None	None	None	None	None

Title	Nationality	Name	Gender	Date of appointment to position	Holding Shares		Relatives hold shares		Under Other's		Experience	Occupation	Title	Name	Relationship	Employee Options	Remark
					Shares	Ratio	Shares	Ratio	Shares	Ratio							
Deputy General Manager	Taiwan (R.O.C)	Chang, Yu Chung	Male	08/01/2021	0	0	0	0	0	0	Bachelor of Industrial Design, Datong University of Technology General Manager of Hanyang Precision, Getac Group Senior Director of Handa Precision, Mitac Group Huayu Group Jiada Precision Business Associate		None	None	None	None	None
Accounting Director	Taiwan (R.O.C)	Chen, Ying Syuan	Female	06/18/2019	4,622	0.01%	0	0	0	0	Master of EMBA School of Management, National Taiwan University of Science and Technology Department of Accounting, Soochow University KPMG Manager	Legal Representative Supervisor of Jarlly Technology(Shanghai) Co., Ltd., Dong Guan Jarlly Electronics Co., Ltd., Jarlly Electronics Technology (Shanghai) Co., Ltd., Kunshan Jarlly Electronics Ltd., Xiamen Jarlly Electronics Co., Ltd., ZheJiang Jarlly Precision Technology Co., Ltd.	None	None	None	None	None

Note11: If the chairman of the board of directors and the general manager or equivalent (top manager) of the company are the same person, spouses or relatives of each other, they shall state the reasons, rationality, necessity and Countermeasures (for example, increasing the number of independent directors and more than half of the directors shall not be employees or managers). The chairman of the company concurrently serves as the general manager to improve the operation efficiency and the implementation of executive decisions. However, to improve the corporate governance and strengthen the independence of the board of directors, in addition to close and full communication with all directors, the company has increased the number of independent directors, the functions of the board of directors and strengthened the supervision function. The company has the following specific measures:

(1) Set up four independent directors to effectively play the supervision function.

(2) Set up functional committees (salary, remuneration and audit), fully discuss and put forward professional suggestions for the reference of the board of directors to implement corporate governance.

(3) More than half of the members of the board of directors do not concurrently serve as employees or managers.

(4) Every year, each director is arranged to attend courses of external professional institutions to improve the professional ability of directors to improve the operation efficiency of the board of directors. Arrange each director to attend the courses of external professional every institutions year to improve the professional level of directors

3.3 Annual remuneration paid to directors, supervisors, general managers and Deputy General Managers

3.3.1 Remuneration of Directors and Independent Directors

Dec 31st 2022 Unit: NT\$ thousand

Title	Name	Remuneration to directors								Sum of A+B+C+D and ratio to net income		Remuneration received by directors for concurrent service as an employeeec								Sum of A+B+C+D+E+F +G and ratio to net income		Remuneration received from investee enterprises other than subsidiaries or from the parent company
		Base Compensation (A)		Retirement pay and pension (B)		Director profitsharing compensation (C)		Expenses and perquisites (D)				Salary, rewards, and special disbursements (E)		Retirement pay and pension (F)		Employee profit-sharing compensation (G)						
		The company	All Consolidat ed entities	The company	All Consolidat ed entities	The company	All Consolida ted entities s	The comp any	All Consolidat ed entities s	The company	All Consolidated entities	The company	All Consolidat ed entities	The company	All Consolida ted entities	The company		All Consolidated entities		The company	All Consolidat ed entities	
Chairman	Dellson Investment Co., Ltd.	4,209	4,728	141	141	9,225	9,225	6	6	13,580 2.54%	14,100 2.63%	4,641	5,363	199	199	222	0	222	0	18,642 3.48%	19,884 3.71%	0
Representative	Chang, Tai Yuan																					
Vice-Chairman	Sunrise Investment Co., Ltd.																					
Representative	Liu, Kuang Hua																					
Director	Young Win Assets Management CO., Ltd.	1,320	1,320	0	0	2,565	2,565	30	30	3,915 0.73%	3,915 0.73%	0	0	0	0	0	0	0	0	3,915 0.73%	3,915 0.73%	0
Representative	Liu, Chih Chen																					
Independent Director	Liu, Chun Ying																					
	Wu, Sou Shan																					
	Yang, Shang Hsien																					
	Lee, Chien Ming																					
1. The remuneration policy, system, standard and structure of independent directors and the relationship with the amount of remuneration paid according to the responsibilities, risks, investment time and other factors. In Chapter 6, Article 22, if the company has a profit in the year, it shall allocate no more than 2% as the director's remuneration. However, when the company still has accumulated losses, it should reserve the amount in advance to make up for it. And in accordance with the company's "Board of Directors" Performance Evaluation Method" to evaluate the degree of participation in the company's operations and the value of its contribution (for example: interaction with the management team, understanding of the company's industry.), taking into account domestic and foreign industry standards to provide reasonable remuneration, the relevant performance assessment and the rationality of the remuneration are reviewed by the Remuneration Committee and the Board of Director s and the remuneration system will be reviewed in a timely manner according to the actual operating conditions and relevant laws and regulations. 2. Except as disclosed in the above table, the remuneration received by the directors of the company for providing services to all the companies in the financial report in the most recent year (such as serving as a consultant for the parent compar companies in the financial report/reinvestment enterprises that are not employees of the company): None.																						

Note 1: Directors' remuneration refers to the amount of directors' remuneration distributed by the board of directors in 2024.

Note 2: The Company has not issued employee stock option certificates or restricted new shares of employee rights.

Note 3: It is based on the amount of employee remuneration distributed by the board of directors in 2024 and estimated based on the ratio of the distribution amount in 2023s.

Remuneration scale

Range of Remuneration	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The company	All Consolidated entities	The company	All Consolidated entities
Under NT\$1,000,000	Liu, Chun Ying, Wu, Sou Shan, Yang, ShangHsien, Lee, Chien Ming Young Win Assets Management CO., Ltd. Representative: Liu, Chih Chen, Liu, Bo-Liang	Liu, Chun Ying, Wu, Sou Shan, Yang, ShangHsien, Lee, Chien Ming Young Win Assets Management CO., Ltd. Representative: Liu, Chih Chen, Liu, Bo-Liang	Liu, Chun Ying, Wu, Sou Shan, Yang, ShangHsien, Lee, Chien Ming, Young Win Assets Management CO., Ltd. Representative: Liu, Bo-Liang	Liu, Chun Ying, Wu, Sou Shan, Yang, ShangHsien, Lee, Chien Ming, Young Win Assets Management CO., Ltd. Representative: Liu, Bo-Liang
NT\$ 1,000,000 ~ NT\$2,000,000	,	,	Young Win Assets Management CO., Ltd. Representative: Liu, Chih Chen,	Young Win Assets Management CO., Ltd. Representative: Liu, Chih Chen,
NT\$2,000,000 ~ NT\$3,500,000	-	-	-	-
NT\$3,500,000 ~ NT\$5,000,000	Dellson Investment Co., Ltd. Representative: Chang, Tai Yuan	Dellson Investment Co., Ltd. Representative: Chang, Tai Yuan	-	-
NT\$5,000,000 ~ NT\$10,000,000	Sunrise Investment Co., Ltd. Representative: Liu, Kuang Hua	Sunrise Investment Co., Ltd. Representative: Liu, Kuang Hua	Dellson Investment Co., Ltd. Representative: Chang, Tai Yuan Sunrise Investment Co., Ltd. Representative: Liu, Kuang Hua	Dellson Investment Co., Ltd. Representative: Chang, Tai Yuan Sunrise Investment Co., Ltd. Representative: Liu, Kuang Hua
NT\$10,000,000 ~ NT\$15,000,000	-	-	-	-
NT\$15,000,000 ~ NT\$30,000,000	-	-	-	-
NT\$30,000,000 ~ NT\$50,000,000	-	-	-	-
NT\$50,000,000 ~ NT\$100,000,000	-	-	-	-
Over NT\$100,000,000	-	-	-	-
Total amount of person	8	8	8	8

3.3.2 Remuneration of Management team

The company set up an audit committee on June 21, 2018 to replace the functions and powers of supervisors, so this disclosure is not applicable.

3.3.3 Compensation paid to President and Vice-President

Title	Name	Salary(A)		Retirement pay and pension (B)		Rewards and special disbursements (C)		Employee profit-sharing compensation (D)				Sum of A+B+C+D and ratio to net income (%)		Remuneration received from investee enterprises other than subsidiaries or from the parent company
		The company	All Consolidated entities	The company	All Consolidated entities	The company	All Consolidated entities	The company		All Consolidated entities		The company	All Consolidated entities ts	
								Cash	Stock	Cash	Stock			
General Manager	Chang, Tai Yuan	13,039	15,178	833	833	5,310	5,310	3,630	0	3,630	0	22,812 4.26%	24,951 4.66%	0
Senior Deputy General Manager	Hsu, Yao Kun													
Senior Deputy General Manager	Huang, Chin Ming													
Deputy General Manager	Hung, Chin Fu													
Deputy General Manager	Li, Yung Ta													
Deputy General Manager	Huang, Shih Hui													
Deputy General Manager	Chang, Yu Chung													
Chief Financial Officer	Hsu, Pei Wen													

*1: It is the amount of employee compensation approved by the board of directors in 2023 and estimated according to the ratio of distribution amount in 2023.

*2: The company has not issued employee stock option certificates or new shares restricting employees' rights.

*3: Financial Officer Hsu, Pei Wen retired on 2024/3/31.

Remuneration scale

Range of Remuneration	Name of President and Vice President	
	The company	All Consolidated entities
Under NT\$1,000,000	-	-
NT\$1,000,000~NT\$2,000,000	-	-
NT\$2,000,000~NT\$3,500,000	Hsu, Pei Wen, Hung, Chin Fu, Huang, Shih Hui, Hsu, Yao Kun, Huang, Chin Ming, Chang, Yu Chung	Hsu, Pei Wen, Hung, Chin Fu, Huang, Shih Hui, Hsu, Yao Kun, Li, Yung Ta , Chang, Yu Chung
NT\$3,500,000~NT\$5,000,000	Chang, Tai Yuan, Li, Yung Ta,	Chang, Tai Yuan, Huang, Chin Ming,
NT\$5,000,000~NT\$10,000,000	-	-
NT\$10,000,000~NT\$15,000,000	-	-
NT\$15,000,000~NT\$30,000,000	-	-

Range of Remuneration	Name of President and Vice President	
	The company	All Consolidated entities
NT\$30,000,000~NT\$50,000,000	-	-
NT\$50,000,000 ~NT\$100,000,000	-	-
Over NT\$100,000,000	-	-
Total amount of person	8	8

3.3.4 Name of the manager who allocates employee remuneration and distribution

Dec 31st 2023 Unit: NT\$ thousand

Title	Name	Amount in stock	Amount in cash	Total	As a % of net profit
General Manager	Chang, Tai-Yuan	0	4,186	4,186	0.78%
Senior Deputy General Manager	Hsu, Yao Kun				
Senior Deputy General Manager	Huang, Chin Ming				
Deputy General Manager	Hung, Chin Fu				
Deputy General Manager	Li, Yung Ta				
Deputy General Manager	Huang, Shih Hui				
Deputy General Manager	Chang, Yu Chung				
Chief Financial Officer	Hsu, Pei Wen				
Director	Hsu, Ching Chih				
Accounting Director	Chen, Ying Hsuan				

*In the series, fill in the amount of employee remuneration (including stock and cash) approved by the board of directors to distribute to managers in the most recent year. If it is impossible to estimate, the proposed distribution amount for this year will be calculated based on the proportion of the actual distribution amount of last year. Net profit after tax refers to the net profit after tax of the most recent year; if IFRS has been adopted, net profit after tax refers to the net profit after tax of the individual or individual financial report of the most recent year.

Note 1: The amount of employee remuneration distributed by the board of directors in 2024 is estimated based on the ratio of the amount distributed in 2023.

Note 2: Financial Officer Hsu, Pei Wen retired on 2024/3/31.

3.3.5 Compare and explain the proportion of the total remuneration paid to the directors, supervisors, general manager and deputy general manager of the company and all companies in the consolidated statements in the net profit after tax of individual or individual financial reports in the last two years, and explain the policy, standard and combination of remuneration, procedures for setting remuneration, and the relationship with business performance and future risks.

- (1) Analysis of the proportion of the total remuneration paid to the directors, supervisors, general manager and deputy general manager of the company by the company and all companies in the consolidated statements in the net profit after tax of individual or individual financial reports in the last two years

Unit: NT\$ thousand

Title	2022				2023			
	Total remuneration		Net profit after tax (%)		Total remuneration		Net profit after tax (%)	
	The company	All Consolidated entities	The company	All Consolidated entities	The company	All Consolidated entities	The company	All Consolidated entities
Director* ¹	22,844	24,208	4.82	5.11	22,558	23,799	4.21	4.45
Supervisor ^{*2}	-	-	-	-	-	-	-	-
General Manager and Deputy General Manager ^{*3}	25,555	27,533	5.39	5.81	22,812	24,951	4.26	4.66

In 2023, after-tax net income will grow. The basis for directors' remuneration and employee remuneration will not be much different from that in 2022, resulting in a slight decrease in the proportion of after-tax net income compared with 2022.

*1: The total remuneration includes remuneration, retirement pension, directors' remuneration, business execution expenses, salaries of concurrent employees, bonuses, special expenses, retirement pension and employee remuneration.

*2: The total remuneration includes remuneration, remuneration and business execution expenses; Jarllytec set up an audit committee to replace the supervisor on June 21, 2018.

*3: The total remuneration includes salary, retirement pension, bonus and special expenses and employee remuneration.

- (2) The company's policies, standards and combination of remuneration, the procedures for setting remuneration and the relationship with business performance and future risks.

The salary structure of the company is divided into salary, year-end bonus and employee compensation (variable salary). The higher the rank, the higher the responsibility for the company's business performance, so the higher the proportion of variable salary.

The payment policy of the company to the directors is clearly stipulated in Article 22 of Chapter VI of the articles of association. If the company makes profits in the year, it shall allocate no more than 2% as the directors' remuneration. However, if the company still has accumulated losses, the amount to be made up shall be reserved. In accordance with the company's "performance evaluation measures of the board of directors", evaluate its participation in the operation of the company and the value of its contribution (such as the interaction with the management team, the understanding of the company's industry.), consider the industry standards at home and abroad and give reasonable remuneration. The relevant performance evaluation and remuneration rationality are reviewed by the salary and Remuneration Committee and the board of directors and timely review the remuneration system according to the actual business conditions and relevant laws and regulation.

The remuneration of the general manager and deputy general manager includes salary, bonus, employee remuneration. the salary structure includes principal salary, grade bonus, supervisor bonus, food allowance, professional bonus. the board of directors authorizes the chairman to consider the nature and responsibilities of his work and consider his educational background, experience, skills, potential development KPI performance evaluation results and whether there are risk events causing the company's negative image (such as improper internal management, malpractice.) and other factors. The amount of employee remuneration shall be based on the total amount of annual EPS performance allocation. After the resolution of the board of directors and the report of the shareholders' meeting, the remuneration payable to individual employees shall be determined according to the employee's work performance, seniority, grade and special contribution. In addition, the company also considers the changes in the global economy and industrial prosperity, estimates the company's future operation development, profit situation and operation risk and makes appropriate adjustments.

3.4 Implementation of Corporate Governance

3.4.1 The operation of the board of directors

The Board of Directors has held 5 meetings in the last year (A) and the attendance of directors is as follows:

Title	Name	No. of meetings attended in person (B)	No. of meetings attended in proxy	In-person attendance rate (%) [B/ A]	Remark
Director	Dellson Investment Co., Ltd. Representative: Chang, Tai Yuan	5	0	100%	07/07/2021 re-elected

Title	Name	No. of meetings attended in person (B)	No. of meetings attended in proxy	In-person attendance rate (%) [B/ A]	Remark
Director	Sunrise Investment Co., Ltd. Representative: Liu, Kuang Hua	5	0	100%	07/07/2021 re-elected
Director	Young Win Assets Management CO., Ltd. Representative: Liu, Chih Chen	2	0	100%	05/01/2023 dismissal
Director	Young Win Assets Management CO., Ltd. Representative: Liu, Bo-Liang	3	0	100%	05/01/2023 elected
Independent Director	Liu, Chun Ying	5	0	100%	07/07/2021 re-elected
Independent Director	Wu, Sou Shan	5	0	100%	07/07/2021 elected
Independent Director	Yang, Shang Hsien	5	0	100%	07/07/2021 elected
Independent Director	Lee, Chien Ming	5	0	100%	07/07/2021 elected

Other items to be recorded were as follows

- I. In case of any of the following circumstances in the operation of the board of directors, the date of the board of directors, the period, the content of the proposal, the opinions of all independent directors and the company's handling of the opinions of independent directors shall be stated:

- (1) The matters listed in article 14-3 of the securities and exchange law.

Please refer to IV. Operation of Corporate Governance (XI) Important Resolutions of the Board of Directors.

- (2) In addition to the previous matters, other matters resolved at the board meeting with objections or reservations of independent directors and records or written statements: None

- II. The implementation of the director's recusal of the interest proposal shall state the name of the director, the content of the proposal, the reasons for the recusal of interest and the circumstances of participation in voting

Date	Name	Contents	Reasons for the recusal of interest and the circumstances of participation in voting
08/10/2023	Chang, Tai Yuan	Discuss the company's 2022 annual manager's employee compensation cash distribution.	Director Chang, Tai Yuan also serves as the general manager, but because he did not receive employee remuneration in 2022, he has no interest and does not need to avoid interests. The case was approved

Date	Name	Contents	Reasons for the recusal of interest and the circumstances of participation in voting
			by the chairman after consultation with all the directors present without objection.

III. period, evaluation scope, method and evaluation content of the board of directors' self (or peers) evaluation and fill in the attached table on the implementation of the board of directors' evaluation:

The Board of Directors evaluates the implementation

Evaluation cycle	Evaluation period	Scope of evaluation	Method of evaluation	Evaluation content
Once pre year	1/1/2023~12/31/2023	Compensation Committee , Audit Committee and Board of Directors,	Internal self-assessment , member self-assessment	<p>Contents of the performance evaluation of the board of directors:</p> <p>(1) Participation in the company's operations</p> <p>(2) Improve the decision-making quality of the board of directors</p> <p>(3) Composition and structure of the board of directors</p> <p>(4) Election of Directors and Continuing Education</p> <p>(5) Internal control</p> <p>Contents of performance evaluation of individual board members:</p> <p>(1) Mastering the company's goals and tasks</p> <p>(2) Cognition of Directors' Responsibilities</p> <p>(3) Participation in the company's operations</p> <p>(4) Internal relationship management and communication</p> <p>(5) Professional and continuing education of directors</p> <p>(6) Internal control</p> <p>Contents of functional committee performance evaluation:</p> <p>(1) Participation in the company's operations</p> <p>(2) Cognition of the responsibilities of the functional committee</p> <p>(3) Improve the decision-making quality of functional committees</p> <p>(4) Composition and member selection of functional committees</p> <p>(5) Internal control</p>

At the end of each year, the executive unit collects relevant information on the activities of the board of directors, fills out the "Board of Directors Performance Evaluation Self-evaluation Questionnaire" and "Functional Committee Performance Evaluation Self-evaluation Questionnaire" in Attachment 1, and distributes Attachment 3 "Board members (self or peers) Assessment Self-

assessment Questionnaire” for directors to fill out, and finally the coordinating executive unit collects the data uniformly, In accordance with the scoring standards of the evaluation indicators in Article 7 of the performance evaluation method of the board of directors of the company, record the evaluation result report, and report to the Board of Directors.

On January 24, 2024, the company submitted the performance evaluation of the year 2023 annual Compensation Committee, Audit Committee and the board of directors to the remuneration committee for evaluation, and the result was excellent and submitted to the board of directors for approval.

IV. Goals for strengthening the functions of the board of directors in the current year and the most recent year (such as setting up an audit committee, improving information transparency.) and evaluation of their implementation

i. Set up a compensation committee

The Company's Remuneration Committee was established on December 27, 2021. There are 3 members and at least two meetings are held every year. The members of the Remuneration Committee, in a professional and objective position, discuss the Company's remuneration policy and remuneration policy for directors and managers. The system is evaluated and recommendations are made to the board for reference in its decision-making.

ii. Executive training

The annual training of directors of the company complies with the regulations of the competent authority. For details of the training courses, please refer to the Public Information Observatory/Corporate Governance/Directors and Supervisors Attending (present) the board of directors and training.

iii. Improve information transparency

To improve information transparency, the company immediately announces important resolutions on the public information observatory after the meeting of the board of directors; the company's website also announces relevant measures to protect shareholders' rights and interests and improve investors' understanding and recognition of the company. In addition, in the 7th Corporate Governance Evaluation of the Securities and Foundation, the company was listed as the top 5% company in the evaluation results.

iv. Improve the operational efficiency and decision-making ability of the board of directors

To implement corporate governance, clearly define performance goals and improve the function and operational efficiency of the board of directors, the company passed the resolution of the board meeting on October 26, 2012 to formulate the company's "performance evaluation method for directors and supervisors" and 2019, August On the 8th, the board meeting passed a resolution to formulate the company's "Board of Directors Performance Evaluation Measures". In addition, in response to the amendments to laws and regulations,

on December 30, 2020, the board of directors meeting passed a resolution to amend the relevant provisions and the performance of the board of directors shall be regularly evaluated every year according to the regulations.

v. Set up an audit committee

on June 21, 2018. The audit committee consists of 4 independent directors, 2 of whom are financial experts. Regularly convene the audit committee before the board of directors on a quarterly basis to review the company's internal control system and the implementation of internal audits and major financial business practices and communicate with the Certified Public Accountant to supervise the company's operations and risk control.

3.4.2 Operation of the Audit Committee

The Audit Committee held 5 meetings in the last year (A), and the attendance of independent directors is as follows:

Title	Name	No. of meetings attended in person (B)	No. of meetings attended in proxy	In-person attendance rate (%) [B/ A]	Remark
Independent Director	Liu, Chun Ying	5	0	100%	07/07/2021 Re-election
Independent Director	Wu, Sou Shan	5	0	100%	07/07/2021 New appointment
Independent Director	Yang, Shang Hsien	5	0	100%	07/07/2021 New appointment
Independent Director	Lee, Chien Ming	5	0	100%	07/07/2021 New appointment

Other matters to be recorded:

I. The annual work focusses of the Audit Committee:

The Audit Committee of the Company consists of 4 members from all independent directors. The Audit Committee is held in front of the board of directors on a quarterly basis to review the company's internal control system and the implementation of internal audit and major financial business practices and communicate with the Certified Public Accountant to supervise the company's operations and risk control. A total of 5 times in 2023 Meeting. The main review contents of the audit committee of the company are as follows:

1. Formulate or amend the internal control system in accordance with Article 14-1 of the Securities and Exchange Law.
2. Evaluation of the effectiveness of the internal control system.
3. Prescribe or amend the procedures for handling major financial and business acts of acquiring or disposing of assets, engaging in derivative commodity transactions, lending funds to others, or endorsing or providing guarantees for others in accordance with Article 36-1 of the Securities and Exchange Act.
4. Matters involving the interests of directors themselves.
5. Significant asset or derivative product transactions.
6. Significant capital loan, endorsement or guarantee.
7. Raising, issuing or private placement of equity securities.
8. Appointment, dismissal or compensation of Certified Public Accountant.
9. Appointment and dismissal of financial, accounting or internal audit supervisors.
10. The annual financial report signed or stamped by the chairman, manager and accounting supervisor and the second quarter financial report which must be verified and certified by an accountant.
11. Other major matters stipulated by the company or the competent authority.

II. In the case of any of the following circumstances in the operation of the audit committee, the date of the board of directors, the period, the content of the

proposal, the results of the audit committee's resolutions and the company's handling of the audit committee's opinions shall be stated:

1. Matters listed in Article 14-5 of the Securities and Exchange Act.
2. Except for the previously mentioned matters, other matters that have not been approved by the Audit Committee but have been approved by more than two-thirds of all directors.

Date	Proposal content and follow-up	SEC § 14-5	Resolutions
02/03/2023	1. The company plans to invest in the Zhejiang MIM factory through a third overseas company.	V	None
	The result of the resolution of the Audit Committee (February 3, 2023): After consultation by the chairman of all the attending members, the proposal was passed without objection.		
	The company's handling of the audit committee's opinion: None.		
03/13/2023	1. The Company's 2022 individual financial statements and consolidated financial statements.	V	None
	2. Discuss the company's 2022 earnings distribution.	V	None
	3. Evaluate the independence of the company's certified accountants.	V	None
	4. Plans to adopt the company's 2022 "Internal Control System Statement".	V	None
	5. Acknowledge the company's 2022 business report.	V	None
	6. Jarlly Technology(Chongqing) Co., Ltd. and Kunshan Jarlly Electronics Ltd. which are 100% reinvested by the company, plan to each apply to the bank for the renewal of the foreign debt quota of US\$2 million, and the company will endorse them.	V	None
	The result of the resolution of the Audit Committee (March 13, 2023): After consultation by the chairman of all the attending members, the proposal was passed without objection.		
	The company's handling of the audit committee's opinion: None.		
05/05/2023	1. The company's consolidated financial statements for the first quarter of 2023.	V	None
	2. Revise Jarlly Technology(Chongqing) Co., Ltd. and Kunshan Jarlly Electronics Ltd. which are 100% reinvested by the company, plan to each apply to the bank for the renewal of the foreign debt quota of US\$2 million, and the company will endorse them.	V	None
	3. It is planned to terminate early. The company's fourth audit committee and board of directors resolution on August 9, 2022 approved the company's 100% reinvestment of Zhaowang Technology (Shanghai) Co., Ltd., which plans to apply for a foreign debt quota of US\$8 million from the bank. contract renewal case and cancel the company's endorsement guarantee.	V	None
	4. Jarlly Technology(Shanghai) Co., Ltd. which is 100% reinvested by the company, plans to apply to the bank for the renewal of the foreign debt quota of US\$8 million (or equivalent foreign currency), and the company will endorse it.	V	None
	5. The company plans to increase capital investment in Jarwin Investment Co., Ltd. by NT\$30,000,000.		
	6. Royal Jarlly Holding Ltd. which is 100% reinvested by the company, plans to increase the capital of Jarlytec (Thailand) Co., Ltd. by THB\$44,992 thousand (or the equivalent in foreign currency).		
	The result of the resolution of the Audit Committee (May 5, 2023): After consultation by the chairman of all the attending members, the proposal was passed without objection.		
	The company's handling of the audit committee's opinion: None.		

Date	Proposal content and follow-up	SEC § 14-5	Resolutions
08/10/2023	1. The company's consolidated financial statements for the second quarter of 2023.	V	None
	2. Plan to set the capital increase base date for the company's first domestic unsecured conversion of corporate bonds to be converted into new shares in the second quarter of 2023.	V	None
	The result of the resolution of the Audit Committee (August 10, 2023): After consultation by the chairman of all the attending members, the proposal was passed without objection.		
	The company's handling of the audit committee's opinion: None.		
11/10/2023	1. The company's consolidated financial statements for the third quarter of 2023.	V	None
	2. Plan to set the capital increase base date for the company's first domestic unsecured conversion of corporate bonds to be converted into new shares in the third quarter of 2023.	V	None
	3. Plan to approve the company's 2024 audit plan.	V	None
	4. Revise the company's consolidated comprehensive budget for 2023.	V	None
	5. The company plans to increase its capital by 100% and transfer the investment to Jarllytec (Vietnam) Co., Ltd. to US\$8 million.	V	None
	6. Jarllytec (Vietnam) Co., Ltd., which is 100% reinvested by the company, plans to apply for a foreign debt quota of US\$4 million from the bank.	V	None
	7. Jarlly Technology(Shanghai) Co., Ltd. a 100% reinvestment of the company, received a new capital loan of RMB 10 million from Kunshan Jarlly Electronics Ltd.	V	None
	8. The company plans to merge briefly with Jarson Precision Technology Co., Ltd. a 100% reinvested company.	V	None
	9. The company plans to issue the second domestic unsecured conversion corporate bonds.	V	None
	The result of the resolution of the Audit Committee (August 9, 2022): After consultation by the chairman of all the attending members, the proposal was passed without objection.		
	The company's handling of the audit committee's opinion: None.		

- III. The implementation of the independent director's withdrawal of the interest-related proposal, the name of the independent director, the content of the proposal, the reason for the withdrawal of interest and the voting situation: None
- IV. Communication between independent directors and internal audit supervisors and accountants (should include major matters, methods and results of communication on the company's financial and business status.): The company regularly invites accountants to participate in the audit committee to review financial statements with directors. In addition, the internal audit supervisor also provides independent directors audit report materials and reports the implementation of audit business according to regulations. The independent directors will also communicate in ways such as oral discussions or e-mails on the company's financial and business conditions in a timely manner based on their professional and industrial experience and provide constructive suggestions, which will benefit the company.

3.4.3 Corporate Governance – Implementation Status and Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Summary description	
1. Does the company establish and disclose the Corporate Governance Best-Practice Principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”?	✓		The company has passed the resolution of the board of directors on March 29, 2010 to formulate the company's "Corporate Governance Code" and in response to the revision of laws and practical operational needs, the relevant provisions have been revised by the resolution of the board of directors on May 11, 2022. Code is enforced. All operations are managed in accordance with this code and so far there are no major differences. In addition, this code has been disclosed on the public information observatory and the company's website.	None
2. Shareholding structure & shareholders' rights (1) Does the company establish an internal operating procedure to deal with shareholders' suggestions, doubts, disputes and litigations, and implement based on the procedure? (2) Does the company possess the list of its major shareholders as well as the ultimate owners of those shares? (3) Does the company establish and execute the risk management and firewall system within its conglomerate structure? (4) Does the company establish internal rules against insiders trading with undisclosed information?	✓ ✓ ✓ ✓		(1) The company passed the resolution of the board of directors on November 5, 2020 to formulate the "Standard Operating Procedures for Handling Shareholders' Suggestions and Doubts" and established a spokesperson system to manage related matters in accordance with regulations. The stock agency department of Fengjin Securities is dedicated to handling issues such as shareholder suggestions or disputes. (2) In accordance with the provisions of Article 25 of the Securities Exchange Act, the company shall report the changes in the shares held by insiders (directors, supervisors, managers and major shareholders holding more than 10% of the shares) monthly and keep abreast of the actual control of the company at any time. List of substantial shareholders and ultimate controllers of substantial shareholders. Stock affairs agency : SinoPac Securities Co., Ltd. Transfer Agency Department , Tel : (02) 2381-6288 (3) The rights and responsibilities of personnel, assets and financial management between the company and its affiliated companies are clear and independent and "subsidiary monitoring and operating measures" have been formulated and monthly financial and business management reports of subsidiaries are obtained and a risk control mechanism for subsidiaries is implemented. In addition to the independent operation of each affiliated company, the company has also established "Transaction Procedures for Group Enterprises, Specific Companies and Related Persons". (4) The company's employees, managers, directors and other personnel, in addition to complying with the "Securities and Exchange Law", the company also has a "ethical code of conduct", "internal material information processing and prevention of insider trading management procedures" and "integrity In order to prevent others from engaging in insider trading, relevant personnel shall not use the unpublished information they have learned to	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and reasons
	Yes	No	Summary description	
			engage in insider trading, nor shall they disclose it to others. The company passed the resolution of the board of directors on August 9, 2011 to revise the "Internal Material Information Processing and Prevention of Insider Trading Management Operation Procedures", adding that directors are not allowed to report 30 days before the announcement of the annual financial report and 15 days before the announcement of the quarterly financial report. The company notified directors and insiders on April 14, 2023, July 17, 2023, and October 11, 2023 that they shall not announce the first quarter, second quarter, and third quarter financial reports of 2023 fifteen days before the announcement. Trading stocks during closed periods. Directors and insiders were notified on February 1, 2024 that they are not allowed to trade stocks during the closed period of 30 days before the announcement of the 112 annual financial report. This year, a total of 15 people and 30 hours of relevant education and promotion were provided to directors and managers. The course content included laws and regulations related to insider trading, vesting rights and shareholder changes.	
3.Composition and Responsibilities of the Board of Directors (1)Does the Board develop and implement a diversified policy for the composition of its members? (2)Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee? (3)Does the company establish a standard to measure the performance of the Board, and implement it annually? (4)Does the company regularly evaluate the independence of CPAs?	✓ 	✓ 	(1) The company has formulated the "Corporate Governance Code". Article 20 of the company's "Corporate Governance Code" stipulates the diversity policy of the board of directors. For the company's board diversity policy, specific management objectives and implementation, please refer to the annual report "II. Information on Directors, General Manager, Deputy General Managers, Assistant Managers, Heads of Departments and Branches (2) On December 27, 2021, the Board of Directors passed the "Organization Regulations of the Remuneration Committee" and established the Remuneration Committee, which will be held at least twice a year. The current term is July 7, 2021 to July 6, 113. In addition, on March 8, 2018, the Board of Directors approved the "Organization Regulations of the Audit Committee" and after the new independent director was elected at the shareholders' meeting on June 21, 2018, an audit committee was set up and held at least once a quarter. The term of office is 2021 July 7, 2024 to July 6, 2024. There are currently no plans to add other functional committees. (3) The company has discussed and approved by the Remuneration Committee on September 26, 2010 and passed the "Measures for the Performance Management of Directors and Supervisors" by the resolution of the board of directors on October 26, 101. In addition, in response to the revision of laws and regulations and the actual operation needs, it was discussed and approved by the Salary Committee on August 8, 2019 and the "Measures for the Performance Evaluation of the Board of Directors" was approved by the resolution of	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and reasons
	Yes	No	Summary description	
			<p>the board of directors on August 8, 2019. In addition to the amendments to laws and regulations, in 2020 On December 30, the board meeting resolved to amend the relevant provisions and the performance of the board of directors shall be regularly assessed every year in accordance with the regulations.</p> <p>At the end of each year, the executive unit collects relevant information on the activities of the board of directors, fills out the "Board of Directors Performance Evaluation Self-evaluation Questionnaire" and "Functional Committee Performance Evaluation Self-evaluation Questionnaire" in Attachment 1, and distributes Attachment 3 "Board members (self or peers) Assessment Self-evaluation Questionnaire” for the directors to fill out, and finally the coordinating executive unit collects the data in a unified manner, records the assessment results and reports to the board of directors in accordance with the scoring standards of the evaluation indicators in Article 7 of the Company’s Board of Directors Performance Evaluation Measures. On January 24, 2024, the company submitted the performance evaluation of the year 2023 annual remuneration committee, audit committee and the board of directors to the remuneration committee for evaluation, and the result was excellent and submitted to the board of directors for approval.</p> <p>(4) The company's board of directors regularly evaluates the independence of the appointed accountants every year in accordance with the company's "Corporate Governance Code". On March 13, 2012, the audit committee and the board of directors evaluated the independence of the certification accountants appointed by the company, Xu Mingfang and Zhuang Junwei of Anhou Jianye United Accountants Firm, who were entrusted to perform the verification and certification work of the 2012 financial statements, in accordance with the fourth chapter of the Accountant Law Article 17 and the content of "Integrity, impartiality, objectivity and independence" in the Bulletin No. 10 of the Professional Ethics for Accountants of the Republic of China are used to formulate independence assessment items, and refer to the 13 indicators of the Audit Quality Index (AQI) of Anhou Jianye United Accounting Firm. , after the evaluation results, it meets the company's independence evaluation standards, and the accounting firm issued an independence statement letter. It is confirmed that the accountant has no other financial interests or business relationships with the company except for fees for visas and financial and tax cases. The accountant's family members do not violate the independence requirements. With reference to the AQI indicator information, it is confirmed that the accountant and the firm have the best experience and experience in auditing. The number of training hours is better than the</p>	

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and reasons																		
	Yes	No	Summary description																			
			<p>average level in the industry, and the evaluation results meet the company's independence evaluation standards.</p> <p>Note: Criteria for assessing the independence of accountants</p> <table><tr><th>Evaluation Items (Summary lists important evaluation items)</th><th>Result</th><th>Independent</th></tr><tr><td>Accountant without continuous certified service for seven years</td><td>Yes</td><td>Yes</td></tr><tr><td>There is no direct or material indirect financial interest relationship between the accountant and the company</td><td>Yes</td><td>Yes</td></tr><tr><td>The accountant has not accepted any gifts or gifts of excellent value from the company and its directors, supervisors and managers</td><td>Yes</td><td>Yes</td></tr><tr><td>Accountants do not receive any business-related commissions</td><td>Yes</td><td>Yes</td></tr><tr><td>The accountant issues a statement of independence</td><td>Yes</td><td>Yes</td></tr></table>	Evaluation Items (Summary lists important evaluation items)	Result	Independent	Accountant without continuous certified service for seven years	Yes	Yes	There is no direct or material indirect financial interest relationship between the accountant and the company	Yes	Yes	The accountant has not accepted any gifts or gifts of excellent value from the company and its directors, supervisors and managers	Yes	Yes	Accountants do not receive any business-related commissions	Yes	Yes	The accountant issues a statement of independence	Yes	Yes	
Evaluation Items (Summary lists important evaluation items)	Result	Independent																				
Accountant without continuous certified service for seven years	Yes	Yes																				
There is no direct or material indirect financial interest relationship between the accountant and the company	Yes	Yes																				
The accountant has not accepted any gifts or gifts of excellent value from the company and its directors, supervisors and managers	Yes	Yes																				
Accountants do not receive any business-related commissions	Yes	Yes																				
The accountant issues a statement of independence	Yes	Yes																				
4. Whether the TWSE/TPEx listed company has a qualified and appropriate number of corporate governance personnel, and designates a corporate governance supervisor to be responsible for corporate governance-related affairs (including but not limited to providing directors and supervisors with information needed to perform business, assisting directors and supervisors to comply with laws and regulations, Handle matters related to the meetings of the board of directors and shareholders' meeting according to law, make minutes of the board of directors and shareholders' meetings, etc.)?	✓		<p>On August 8, 2018, the Remuneration Committee and the Board of Directors resolved to appoint a corporate governance supervisor to implement corporate governance and strengthen the functions of the board of directors. The director of corporate governance has been in charge of finance and stock affairs in a public company for more than three years. He is the top executive responsible for corporate governance-related affairs, and the stock affairs unit is responsible for reporting directly to him. The main responsibilities are</p> <ol style="list-style-type: none">1. Handle matters related to the meetings of the board of directors and shareholders' meeting according to law.2. Prepare the minutes of the board of directors and shareholders' meetings.3. Assist directors in their appointment and continuing education.4. Provide the information required by the directors to execute their business.5. Assist directors to comply with laws and regulations.6. Report to the board of directors the results of its examination of whether the qualifications of independent directors comply with relevant laws and regulations at the time of nomination, election and during their tenure.7. Handle matters related to the change of directors.	None																		

Evaluation Item	Implementation Status				Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and reasons	
	Yes	No	Summary description			
			8. Other matters stipulated in the company's articles of association or contract, etc.. In 2022, the director of corporate governance completed 12 hours of training, and the status of the training is as follows			
			Date for attending continuing education	Hosted By	Course Title	Hours
			10/24/2023	Accounting Research And Development Foundation	Common deficiencies in "Financial Report Review" and practical analysis of important internal control regulations	6
			12/4/2023	Accounting Research And Development Foundation	Promote sustainable development of enterprises through risk management	6
5. Does the company establish a communication channel and build a designated section on its website for stakeholders (including but not limited to shareholders, employees, customers, and suppliers), as well as handle all the issues they care for in terms of corporate social responsibilities?	✓		The company's website (http://www.jarlly.com) has a "Investors Relations", which has corresponding windows for business management and operational projects. Stakeholders (including shareholders, employees, customers and suppliers) can directly contact, communicate and coordinate with the corresponding window. In addition, there is an "Investor Corner" on the website, which regularly discloses various business, financial information and valuable information for investors' reference and implements the spokesperson system to fully understand the company. Financial and business status, in line with company policies and needs to release information on weekdays. The spokesperson for 2023 will be Chief Financial Officer Hsu, Pei Wen, and the spokesperson for 2024 will be changed to Associate Manager Chen, Ying-Syuan. In 2023, the acting spokesperson will be Li Xue ling, Assistant Manager of the General Management Office. In 2024, the acting spokesperson will be changed to Deputy General Manager Chang, Yu Chung.			None
6. Does the company appoint a professional stock agency to oversee the affairs of the shareholders' meeting?	✓		The company has appointed YongFeng Gold Securities Share Agency Department to manage the affairs of the shareholders' meeting.			None
7. Information Disclosure (1)Does the company have a corporate website to disclose both financial standings and the status of corporate governance?	✓		(1) The company has set up an "Investors Relations" on the company's website (http://www.jarlly.com) to regularly disclose various business and financial information for investors' reference. In addition, the company has disclosed on the company's website important regulations such as fund lending and endorsement guarantee procedures,			None

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and reasons
	Yes	No	Summary description	
<p>(2) Does the company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?</p> <p>(3) Does the company announce and file the annual financial report within two months after the end of the fiscal year and announce and file the financial report for the first, second and third quarters and the operating conditions of each month before the specified deadline?</p>	✓	✓	<p>procedures for acquiring or disposing of assets and other important regulations and internal audit operations.</p> <p>(2) The company has designated a special person in the stock affairs office to be responsible for the collection and disclosure of company information and has implemented a spokesperson system to fully understand the company's financial and business conditions and to cooperate with the company's policies and needs to release information on weekdays. In addition, the relevant content of the corporate briefing session has been placed on the "Public Information Observatory" and the company's website. The spokesperson for 2023 will be Chief Financial Officer Hsu, Pei Wen, and the spokesperson for 2024 will be changed to Associate Manager Chen, Ying-Syuan. In 2023, the acting spokesperson will be Li Xue ling, Assistant Manager of the General Management Office. In 2024, the acting spokesperson will be changed to Deputy General Manager Chang, Yu Chung.</p> <p>(3) The company announces and submits financial reports and monthly operating conditions to the competent authority within the time limit stipulated by laws and regulations, and there is no case of early announcement.</p>	
<p>8. Is there any other important information to facilitate a better understanding of the company's corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?</p>	✓		<p>(1) Employee rights and employee care For employee rights and employee care, please refer to "V. Operation Overview V. Labor Relations" in the annual report.</p> <p>(2) succession planning In the planning of the company's successor, in addition to having the ability to work, the successor must have the same values as the company, and the values must be consistent with the company. Personality traits must include leadership, interpersonal relationships, communication skills, innovation, and integrity. Integrity, commitment and earning the trust of customers. At present, the company is proceeding according to the succession plan. The former chairman Liu retired as the vice chairman, temporarily assisting the new chairman Zhang Taiyuan, who will also serve as the general manager for a short time. Within 5 years, depending on the company's development needs, one of the five current vice presidents and special assistants will be selected to succeed the general manager. Jarlly Group's training model for senior management successors is divided into four modules: management ability, professional ability, personal development plan, and job rotation. The planning time for each module is about 1-1.5 years. Through professional ability Training, so that trainees integrate and use to develop decision-making and judgment ability. Jarlly Culture is willing to give priority to employees who are ready internally. Unless there is</p>	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and reasons
	Yes	No	Summary description	
			<p>still no suitable candidate at that time, the company will find a suitable professional manager to take the position.</p> <p>(3) Intellectual property management plan and implementation The company's intellectual property management plan and implementation were reported to the board of directors on January 24, 2024. Jarlytec continues to focus on the R&D and development of "hubs". This year, it continues the results of 2022, that is, it actively develops in "notebook computer hubs (NB Hinge)", "all-in-one computers (AIO PC)", "liquid crystal displays (LCD)" Monitor) Stand", "Video Camera Hub", "Flexible Screen Folding Hub" and other products to expand application categories; on the other hand, we also continue to improve the research and development of intellectual property management plans, in addition to according to the "2023 Regular Meeting of Shareholders" The important operating policies shown in the Meeting Minutes, and follow the commitments listed in the "Social Responsibility Management Manual" formulated by the company, that is, "obeying the law, putting prevention first, continuous improvement, and worker participation" as the implementation policy, and more In addition to the existing ISO 9001 quality management system in 2023, the ISO 27001 information security system will also be introduced to form a second layer of protection in addition to the security measures of traditional entity control to strengthen the protection of business secrets of smart knowledge results. The following is a brief description of the current situation, countermeasures and implementation results in three phases regarding patent, trademark and copyright management operations in intellectual property:</p>	

Evaluation Item	Implementation Status						Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Summary description				
				Patent Management	trademark	Book Management	
			situation	Due to the saturation of the market for products such as LCD monitors and notebook computers, the slowdown in the replacement of old products with new ones, and the fact that there are still many uncertainties in the world at this stage, in order to respond to changes in the external environment, in addition to the original products , towards developing more "hub" new products and diversifying product lines. Under the global environmental protection trend of energy conservation and carbon reduction, the official patent agencies of Taiwan (TW) and Mainland China (CN) have successively promoted paperless electronic operations.	The original company website has been in use for a long time. In order to cope with the company's groupization and marketing, the content and layout of the website were updated this year. Under the global environmental protection trend of energy conservation and carbon reduction, official patent agencies such as Taiwan (TW) and Mainland China (CN) have successively promoted paperless electronic operations.	In order to continuously manage the results of the work and integrate internal and external resources to achieve the important operating policies announced by the shareholders' meeting, and in line with international ESG trends, the company's structure is adjusted through the management system and the overall competitiveness is enhanced.	

Evaluation Item	Implementation Status						Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and reasons
	Yes	No	Summary description				
			Countermeasures	(1)Patent search analysis: <input type="checkbox"/> •Competition patent monitoring <input type="checkbox"/> •Expansion of existing product categories and new products (2) Patent application: <input type="checkbox"/> •Encourage patent proposals for molded products from each factory area <input type="checkbox"/> •Apply for patents on R&D results and new technology structures <input type="checkbox"/> •Expand the product types of "hub" patent layout (3) Electronic control of patent procedures: <input type="checkbox"/> •Comply with official electronic policies for registration <input type="checkbox"/> •Use existing software systems and information platforms <input type="checkbox"/> •Convert paper files into electronic files for storage	(1) Trademark application, acquisition and maintenance at each base: <input type="checkbox"/> Group Logo <input type="checkbox"/> The group’s English name is Jarlly <input type="checkbox"/> The group’s English name is Jarllytec (2) The use and presentation of trademark rights shall uniformly highlight the group’s logo and English name. (3) Electronic trademark certificates are processed in accordance with official electronic policies	(1) Management of writing results <input type="checkbox"/> •Internal networking and information platform <input type="checkbox"/> •Design control operating procedures <input type="checkbox"/> •Documented information control operating procedures <input type="checkbox"/> •Education and training control procedures <input type="checkbox"/> •Knowledge management program <input type="checkbox"/> •Information Security Management Manual (2) Integrate internal networking and information platforms <input type="checkbox"/> •Internal network control <input type="checkbox"/> •Information platform control	

			Implementation results	<p>(1) Patent search analysis, risk warnings and avoidance suggestions during the product development period, and patent searches for expanded product categories and new products; the patent search data were compiled into 26 types (total 300 in total) of "hub" patent structure searches. Reports are uploaded to the internal information platform for internal viewing and reference.</p> <p>(2) The patent approval authority and proposal system are for each factory to follow; patent bonuses are submitted every quarter to reward proposal staff.</p> <p>(3) The existing ERP establishes a database, regularly maintains and counts the number of patents, and controls it through the internal network and information platform. As of 2023/12/22, a total of 1,028 patent certificates have been issued, and 501 rights have been terminated.</p>	<p>(1) We have applied for trademarks in Taiwan, Mainland China, Thailand, Vietnam and other bases to protect the brand reputation and image and prevent unscrupulous companies from counterfeiting.</p> <p>(2) Cooperate with TW and CN official electronic operations to obtain official patent documents in a paperless manner, reducing paper printing and mailing.</p> <p>(3) The group's logo and English name will be displayed on the group's website, various presentations, various software, physical sample surfaces, etc., which will facilitate diversified marketing promotions and deepen the group's brand reputation and image.</p>	<p>(1) The "Document Management Center" cooperates with the ISO 27001 information security system to control the "hub" research and development results. A total of 5183 engineering design drawings have been produced and stored in the internal network.</p> <p>(2) Every year, competitive or manufactured design and development projects (Note*) are regularly selected and compiled into R&D results reports. A total of 70 copies have been produced, which are successively stored in the internal information platform for control.</p> <p>(Note*: The operating overview of the annual report mentions "new products and services planned to be developed".)</p> <p>(3) A total of 1,312 manpower training materials for internal and external education and training are stored on the</p>		
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				<p>In Taiwan (TW), mainland China (CN), the United States (US) and other places, there are 527 existing valid patent rights (520 patents in Taipei factory/6 patents in Shanghai factory/1 patent in Fuqing factory), leading the industry; 43 patent applications are still official Under review (42 pieces from Taipei factory/1 piece from Fuqing factory).</p> <p>(4) Description of the progress of electronic patent documents:</p> <ul style="list-style-type: none"> <input type="checkbox"/> •Handle TW and CN official electronic operations, obtain official patent documents in a paperless manner, and reduce paper printing and mailing. <input type="checkbox"/> •Cooperate with the ISO 27001 system to digitize internal patent documents, convert paper folders into electronic file storage, and free up space for sample display to contribute to the sustainable development goals of energy conservation and carbon reduction. 		internal network platform.		
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Evaluation Item	Implementation Status					Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and reasons		
	Yes	No	Summary description					
				<input type="checkbox"/> •Continue to improve internal patent process control operations to support the development and operation goals of other factories.				
			Accordingly, through the existing internal networking and information platform, combined with ISO 27001 information security system control, an informationized sharing of the above-mentioned work results and management methods is formed, allowing internal personnel of the group to log in and browse at any time to learn, as a mechanism for training and strengthening functions. , thereby improving business performance and competitiveness. (4) Maintain good relationship and interaction with investors, suppliers and stakeholders The company upholds the principle of fairness and openness to all shareholders. In addition to convening shareholders' meetings every year in accordance with the provisions of the Company Law and related laws and regulations, shareholders are encouraged to actively participate in the proposals and questions of shareholders' meetings, and the positions of spokespersons and acting spokespersons are set up to properly handle shareholders' Suggestions. In addition, special personnel are designated to be responsible for the collection and disclosure of company information, and to handle information announcement reporting matters at the public information observation station in accordance with relevant regulations, and to maintain smooth communication channels with banks, employees, investors, and stakeholders of business-related companies. And respect and safeguard their legitimate rights and interests, and provide sufficient information so that they can make judgments and make decisions on the company's operating and financial conditions. The company also has a good relationship with suppliers, and implements business in accordance with the principle of good faith to maintain the stability of cost and supply. (5) Status of directors' training The directors of the company take advanced training every year in accordance with laws and regulations. For detailed training courses, please refer to Public Information Observatory/Corporate Governance/Directors and Supervisors Attending (listing) Board of Directors and Training Status.					

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and reasons
	Yes	No	Summary description	
			<p>(6) Implementation of consumer protection or customer policy: The company has a special person to deal with customer complaints.</p> <p>(7) In order to implement corporate governance, in addition to establishing effective internal control, the company has also introduced an independent director system, relying on the professional experience of independent directors, and has formulated detailed board meeting procedures in accordance with laws and regulations. The company has purchased directors, supervisors and important staff liability insurance for directors, and reported the relevant insurance situation to the board of directors on November 10, 2023.</p> <p>(8) The company passed the board of directors on March 11, 2014 to formulate the ethical code of conduct. In addition, in response to the operational needs of the company's 2018 establishment of an audit committee to replace the supervisor, the board of directors resolved to revise relevant provisions on March 12, 2019. , and submitted the report of the shareholders' meeting on June 18, 2019, which has been disclosed on the public information observation station and the company's website.</p>	
9. Please explain what has been improved on the results of the corporate governance evaluation issued by the Corporate Governance Center of Taiwan Stock Exchange Corporation Limited in the most recent year and propose priority enhancements and measures for those that have not yet improved.	✓		<p>In the 10th Corporate Governance Evaluation of the Company (evaluation year: 2023), there were 17 indicators for unscored items. At present, the following indicators are being improved and prioritized. The improvement situation is explained as follows:</p> <p>Evaluation indicator 1.2: Whether the company has formulated written specifications for financial business-related operations with related parties. The content should include management procedures for transactions such as purchasing and selling goods, acquiring or disposing of assets, and relevant major transactions should be submitted to the board of directors for approval and the shareholders' meeting for approval. or report?</p> <p>Improvement situation: It is expected to add "Operational Standards Related to Financial Business Between Related Parties" in 2024</p>	None

3.4.4 Disclose of company remuneration committee, it shall disclose its composition and operation.

(1) Compensation Committee Members

April 20, 2023

Qualification Name	Professional qualifications and experience	Independence analysis	No. of other public companies at which the person concurrently serves as an independent director
Independent Director Liu, Chun Ying	1. Leadership experience of compensation committee, audit committee and board of directors (for work experience, please refer to the information of directors on page 18). 2. Have industry knowledge and legal knowledge. 3. There are no circumstances under Article 30 of the Company Law.	(1)(2)(3)(4)(5) (6)(7)(8)(9)(10)	1
Independent Director Wu, Sou Shan	1. Leadership experience of compensation committee, audit committee and board of directors (for work experience, please refer to the information of directors on page 16). 2. Have industry knowledge and financial accounting knowledge. 3. There are no circumstances under Article 30 of the Company Law.	(1)(2)(3)(4)(5) (6)(7)(8)(9)(10)	2
Independent Director Yang, Shang Hsien	1. Leadership experience of compensation committee, audit committee and board of directors (for work experience, please refer to the information of directors on page 16). 2. Have industry knowledge and financial accounting knowledge. 3. There are no circumstances under Article 30 of the Company Law.	(1)(2)(3)(4)(5) (6)(7)(8)(9)(10)	3

Note: Independence of each member in the two years prior to election and during the term of office. (Conformities are disclosed in the table above).

- (1) Non-employees of the company or its affiliates.
- (2) Non-directors and supervisors of the company or its affiliated companies (except if the company and its parent company, subsidiaries or subsidiaries of the same parent company are independent directors established in accordance with this Act or the laws of the local country, this is not the case.)
- (3) Non-person shareholders who are not themselves and their spouses, minor children, or other natural person shareholders who hold more than 1% of the company's total issued shares or hold the top ten shares in the name of others.
- (4) Spouses, relatives within the second degree of kinship, or lineal relatives within the third degree of kinship, not the managers listed in (1) or the persons listed in (2) and (3).
- (5) Directors of corporate shareholders who do not directly hold more than 5% of the total issued shares of the company, who hold the top five shares, or who designate a representative to serve as a director or supervisor of the company in accordance with Paragraph 1 or Paragraph 2 of Article 27 of the Company Law, Supervisors or employees (except if the independent directors of the company and its parent company, subsidiaries or subsidiaries of the same parent company act concurrently with each other in accordance with this Act or the laws of the local country, this does not apply).
- (6) Directors, supervisors or employees of other companies whose directors, supervisors or employees of other companies are controlled by the same person (except for the company or its parent company, subsidiary company, or a child of the same parent company) Independent directors established by the company in accordance with this Act or local laws and regulations are not limited to each other.)
- (7) A director (director), supervisor (supervisor) or employee of another company or institution that is not the same person or spouse as the chairman, general manager or equivalent of the company (but if it is the company and its parent company), subsidiaries or subsidiaries of the same parent company where

independent directors established in accordance with this Act or the laws of the local country serve concurrently with each other, this is not the case).

- (8) Non-directors (directors), supervisors (supervisors), managers or shareholders holding more than 5% of the shares of a specific company or institution that has financial or business dealings with the company (but if a specific company or institution holds the issued shares of the company, More than 20% of the total, but not more than 50% and the independent directors of the company and its parent company, subsidiaries or subsidiaries of the same parent company are established in accordance with this Act or the laws of the local country.
- (9) Non- professionals, sole proprietors, partnerships, companies or institutions who are not professionals, sole proprietors, partnerships, companies or institutions that provide auditing services for companies or affiliated companies or whose accumulated remuneration in the last two years does not exceed NT\$ 500,000 in business, legal, financial, accounting and other related services Business owners, partners, directors (council), supervisors (supervisors), managers and their spouses. However, this does not apply to the members of the Compensation Committee, Public Takeover Review Committee, or Special Committee on Mergers and Acquisitions who perform their functions in accordance with the Securities and Exchange Act or the Mergers and Acquisitions Act.
- (10) There is no one of the conditions in Article 30 of the Company Law.

(2) Information on the operation of the Remuneration Committee

A. There are 3 members of the compensation committee of the company .

B. The term of office of the current members : From July 7, 2021 to July 6, 113, the salary and remuneration committee held 2 meetings in the most recent year (2023). The qualifications and attendance of the members are as follows:

Title	Name	No. of meetings attended in person (B)	No. of meetings attended in proxy	In-person attendance rate (%) [B/ A]	Remarks
Convener	Liu, Chun Ying	2	0	100%	07/07/2021 New appointment
Committee Member	Wu, Sou Shan	2	0	100%	07/07/2021 New appointment
Committee Member	Yang, Shang Hsien	2	00	100%	07/07/2021 New appointment

Other mentionable items:

1. Responsibilities of the Compensation Committee:

The committee shall, with the attention of good managers, faithfully perform the following functions and powers and submit its recommendations to the board of directors for discussion:

- (1) Regularly review the organizational rules of the Remuneration Committee and propose amendments.
- (2) To formulate and regularly review the annual and long-term performance goals and policies, systems, standards and structures of the company's directors and managers.
- (3) Regularly evaluate the achievement of the performance goals of the directors and managers of the company and set their salaries.

2. The meeting date, period, resolutions, resolution results of the compensation committee in the last year and the company's handling of the compensation committee's opinions:

Date	Proposal Content	Result	Remuneration Committee
03/13/2023	1. Discuss the company's 2022 annual board performance evaluation plan. 2. Discuss the company's 2022 director's remuneration and employee remuneration distribution plan.	All the members present passed the case without objection	All the directors shall approve the proposed board of directors present without objection
08/10/2023	1. Discuss the company's 2022 manager's employee compensation cash payment	All the members present passed	All the directors shall approve the

	2. Discuss the 2024 work plan of the company's salary and compensation committee	the case without objection	proposed board of directors present without objection
<p>3. If the board of directors declines to adopt or modifies a recommendation of the remuneration committee, it should specify the date of the meeting, session, content of the motion, resolution by the board of directors, and the Company's response to the remuneration committee's opinion (eg., the remuneration passed by the Board of Directors exceeds the recommendation of the remuneration committee, the circumstances and cause for the difference shall be specified): None.</p> <p>4. Resolutions of the remuneration committee objected to by members or subject to a qualified opinion and recorded or declared in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion should be specified: None.</p>			

3.4.5 Promotion of Sustainable Development – Implementation Status and Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Summary description	
1. Does the company establish a governance structure to promote sustainable development and set up a resolute (part-time) unit to promote sustainable development, which is authorized by the board of directors to manage senior management and the supervision of the board of directors?	✓		The company strictly abides by international conventions and established a Corporate Social Responsibility Implementation Committee in 2017, which will be renamed the Sustainable Development Committee in 2023 to promote the governance structure of sustainable development. The Sustainability Committee, chaired by the Chairman, formulates the company's ESG vision and strategy, and establishes a Sustainability Office to lead the ESG working groups composed of senior managers from various departments, namely the "Environmental Sustainability Group", "Social Sustainability Group" and "Social Sustainability Group". Co-Prosperity Group" and "Corporate Governance Group". The ESG working group cooperates with the Sustainability Development Office to formulate implementation guidelines for various ESG projects and reports its progress and results to the Sustainability Development Committee. The Sustainability Office is mainly responsible for integrating ESG-related matters, including ESG working group resource integration, cross-departmental communication, etc. The Sustainability Committee formulates management standards based on various operational risk assessments and operates through internal audit and internal control mechanisms to ensure compliance with relevant laws. Regarding the environment, the Sustainability Office sets the group's sustainability goals, such as carbon reduction paths, proportion of renewable energy usage, participation in international initiatives, etc. For energy conservation in the factory, the heads of various departments jointly discuss energy-saving plans, launch them, and continue to track the progress of the project. In terms of social and governance, the company holds labor-management communication meetings every quarter, and regularly reviews work rules, such as working hours system, salary and benefits,	There are no major differences yet. Although the company has not yet compiled a sustainability report, it has set up "Corporate Social Responsibility" on the company's website (http://www.jarlly.com) to disclose corporate social responsibility-related information for investors' reference.

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and reasons
	Yes	No	Summary description	
			employee health, education and training, etc., to ensure that employees’ appointment and dismissal conditions comply with legal regulations. Regularly every year (most recently in Report of the Board of Directors on January 24, 2024) will report its implementation status (for example, the implementation status of the education, training and complaint system) to the Board of Directors. After listening to the report, the Board of Directors will review the relevant implementation content and direction, and supervise the management team to make adjustments when necessary. Internal and external education and training related to ESG sustainable development are held every year (for example: ESG trend analysis, climate change risk identification, integrity management, corporate governance, accounting systems and internal control and other related courses). In terms of the complaint system, the company has an "Operational Procedure for Complaints and Personal Rights Protection". The public website has a complaint acceptance telephone number and a report mailbox as channels for complaints. You can make complaints through the telephone and mailbox or to the general management office, audit office or financial department. Respond to appeals.	
2. Does the company conduct risk assessments on environmental, social and corporate governance issues related to company operations in accordance with the principle of materiality and formulate relevant risk management policies or strategies? (Note 2)	✓		<p>1. This disclosed information covers the company’s sustainability performance at its major locations from January 2020 to December 2023. The risk assessment boundary includes important global operating locations and subsidiaries, and the coverage is the same as the annual sustainability report, including operating locations in Taiwan, Mainland China, etc.</p> <p>2. Based on the principle of materiality, the company conducts risk assessments on environmental, social and corporate governance issues related to the company's operations, and identifies seven major issues. Based on the products, services and related impacts, the assessment occurs within the boundary of the value chain.</p>	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and reasons		
	Yes	No	Summary description			
			3. The company's sustainable development committee holds regular meetings every year, inviting environmental, social and corporate governance responsible committee members and working group members to discuss the company through risk identification, risk analysis, risk assessment, risk response, and risk monitoring. Regarding current operational risks and emerging risks, the relevant risk management policies and response strategies are formulated as follows and reported to the board of directors once a year:			

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and reasons
	Yes	No	Summary description	
			<div>Society</div> <div>supply chain management</div> <p>1. Suppliers are our most important partners. In order to improve the sustainability of the supply chain, we work closely with our suppliers to create a win-win industrial chain. 2. Establish responsible and transparent supply chain management, work with suppliers to promote the procurement of green materials, require suppliers to respect labor human rights, adopt environmentally responsible manufacturing procedures and have a safe working environment, etc., and through annual Audits ensure suppliers comply with the company's code of conduct.</p>	
			<div>Employee Rights and Labor Relations</div> <p>1. Labor-management relations play a key role in the sustainable development of enterprises. Stable labor-capital relations can help improve production efficiency, reduce labor conflicts, and thus promote the steady development of enterprises. 2. The company formulates a clear labor relations policy, commits to abide by local labor regulations and international labor standards, protects the basic rights and benefits of employees, and is committed to establishing an open, fair and transparent labor communication channel mechanism.</p>	
			<div>Corporate Governance</div> <div>Integrity management</div> <p>1. Committed to achieving the goals of sustainable development and actively making efforts in environmental, social and corporate governance. 2. Actively pursue low-carbon development trends, continue to invest in and promote the application of renewable energy in products, and create more business opportunities and innovation to meet global carbon reduction goals.</p>	

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and reasons
	Yes	No	Summary description	
			<div>economic performance</div> <div> <p>1. Sustained and steady profitability is one of the important factors for the sustainable operation of a company, and it also enables the company to implement goals such as environmental sustainability, social welfare and employee care, and creating maximum benefits for shareholders.</p> <p>2. We disclose financial performance in compliance with legal requirements.</p> <p>3. Analyze and interpret profit sources and optimize financial resources through sustained and steady profits.</p> </div>	
Environmental issues (1) Has the company established an appropriate environmental management system according to its industrial characteristics? (2) Is the company committed to improving the utilization efficiency of various resources and using recycled materials with minimal impact on the environment? (3) Has the company assessed the current and future potential risks and opportunities of climate change to the company and taken measures to address climate-related issues? (4) Has the company counted the greenhouse gas emissions, water consumption and total weight of waste in the past two years and formulated policies for energy conservation and carbon reduction, greenhouse gas reduction, water reduction or other waste management?	✓ ✓ ✓ ✓		(1) In June 2008, it won the ISO14001 (2004 version) environmental management system certification from the Standards and Inspection Bureau of the Ministry of Economic Affairs and the OHSAS18001 (2007 version) occupational safety and health management system certification from the Standards and Inspection Bureau of the Ministry of Economic Affairs; in January 2009, it won the LCIE-IECQ QC 080000:2012 Hazardous Materials Process Management System (HSPM) certification; in February 2010, it was awarded the ARES-IECQ QC 080000: 2017 Hazardous Materials Management System (HSPM) certification again (validity period 2020/12/03~2023/12/02, certification date: 2009/01/12); won the AFNOR-IECQ QC 080000: 2017 Hazardous Materials Management System (HSPM) certification in February 2024 (validity period 2024/02/22~2027/02/21, certification date: 2009/01/12); in June 2019, it won the ISO45001 (2018 version) occupational safety and health management certification from the Bureau of Standards and Inspection of the Ministry of Economic Affairs; in May 2022, it again passed the ISO14001 (2015 version) environmental management system certification from the Metal Industry Research and Development Center (validity	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and reasons
	Yes	No	Summary description	
			<p>period: 2022/06 /05~2025/06/04), and ISO45001 (2018 edition) occupational safety and health management certification (validity period: 2022/05/30~2025/05/29). In 2023, it passed the ISO14064-1 greenhouse gas inventory standard certification issued by SGS Taiwan Inspection Technology Company, and will conduct inspections in accordance with this standard every year starting from 2023.</p> <p>(2) To fulfill the social responsibility of protecting the global environment, the company develops relevant processes and technologies to reduce the use of harmful substances in electronic and electrical equipment and requires suppliers to provide raw materials that meet environmental protection requirements. At present, all products of the company fully comply with the European Union. The use of hazardous substances in electronic and electrical equipment is restricted and the RoHS2.0 directive is prohibited, so that the recycling and disposal of waste electronic and electrical equipment meets environmental protection requirements. In 2021, the realized amount of recycled waste is NT3,000.</p> <p>(3) In accordance with the TCFD, CDP, and ISO 14001 structures, the company evaluates the risks and opportunities that climate change poses to the company every year. After completing the latest environmental assessment at the end of 2022, the issue of greenhouse gas inventory and reduction will be proposed. Since 2018, the company has also begun to conduct an inventory of the current situation of climate change and put forward improvement suggestions based on the TCFD and CDP disclosure platforms every year, including direct or indirect impacts caused by extreme weather, or the impact of regulations or market demands, as well as other social challenges. The risks and opportunities caused by the company's operating activities were analyzed, and the latest inventory was completed in August 2023. The company formulates target management plans based on previous analysis results every year, and regularly tracks and reviews</p>	

Evaluation Item	Implementation Status					Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and reasons																	
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			<p>the progress of each target. It has ensured that the target is 100% achieved by December 2023.</p> <p>(4) energy-saving and carbon-reducing mechanism has been incorporated into ISO14064-1, ISO14001 & ISO45001 greenhouse gas inventory standards, environmental and occupational safety and health management policies, and has taken into account environmental and hazard risk assessments to formulate energy-saving and carbon-saving control measures. The company's main source of carbon emissions is electricity. In order to reduce carbon emissions, the energy consumption value and frequency conversion function of the air-conditioning equipment purchased are taken into consideration. Electrical equipment such as lamps have been replaced with energy-saving labels. Since 2017, lamps have been replaced with energy-saving labels. LED flat panel lights will gradually replace old lighting equipment and be included in the annual green energy and carbon reduction target plan. In 2022, all lighting fixtures will be replaced with energy-saving LED lights (100%), and all newly purchased air conditioners will use energy-saving inverter models. . The goal is to reduce carbon emissions by 1% every year starting from 2023. The first inspection of the Taipei factory will be in 2022, and the second inspection of the Taipei factory will be in 2023. The greenhouse gas emission data in 2022 will be obtained from the ISO 14064-1 inspection statement in September 2023, and the greenhouse gas emission data in 2023 is planned to be Inspection will be carried out in July 2024. The Taipei plant will achieve the 1% carbon reduction target in 2023.</p> <table><tr><th>Emission values by category</th><th>Year</th><th>Scope 1</th><th>Scope 2</th><th>SUM</th><th>NOTE</th></tr><tr><td rowspan="2">greenhouse gas emissions (metric tons CO2e/year)</td><td>2022</td><td>59.13</td><td>555.84</td><td>614.96</td><td>Taipei</td></tr><tr><td>2023</td><td>61.98</td><td>548.64</td><td>610.62</td><td>Taipei</td></tr></table>				Emission values by category	Year	Scope 1	Scope 2	SUM	NOTE	greenhouse gas emissions (metric tons CO2e/year)	2022	59.13	555.84	614.96	Taipei	2023	61.98	548.64	610.62	Taipei
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			<p>Water management has fully begun to replace old equipment in 2022 (the replacement rate reaches 95%, and water-saving equipment will be given priority in the continuous replacement of equipment). Taiwan factories and mainland factories give priority to equipment with water-saving standards. Faucets and toilets with the China Water Efficiency Label can achieve the purpose of water conservation without affecting the original tap water consumption habits, fulfilling social responsibilities and responding to the global water shortage issue. The water consumption target is reduced by 1% in 2023. The water consumption statistics are as follows. The Taipei plant will reach the 1% water consumption reduction target in 2023.</p> <table><tr><th>Year</th><th>water (metric tons/year)</th><th>Note</th></tr><tr><td>2022</td><td>7,005.86</td><td>Taipei</td></tr><tr><td>2023</td><td>70,937.74 (6,109.61)</td><td>Taipei and China(Taipei)</td></tr></table> <p>Waste management - Our company's waste is all non-hazardous industrial waste, and the statistical quantities are as follows:</p> <table><tr><th>Year</th><th>Non-hazardous industrial waste (metric tons/year)</th><th>Note</th></tr><tr><td>2022</td><td>18.97</td><td>Taipei</td></tr><tr><td>2023</td><td>273.93 (17.80)</td><td>Taipei and China(Taipei)</td></tr></table> <p>The implementation method for waste reduction is waste classification, recycling and reuse management, and the waste output is reduced by about 1%. The target is to reduce by 1% every year in the future. The statistical quantities are as follows:</p>	Year	water (metric tons/year)	Note	2022	7,005.86	Taipei	2023	70,937.74 (6,109.61)	Taipei and China(Taipei)	Year	Non-hazardous industrial waste (metric tons/year)	Note	2022	18.97	Taipei	2023	273.93 (17.80)	Taipei and China(Taipei)	
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2023	26.7 (7.20)	Taipei and China(Taipei)											
4. Social Issues (1) Does the company formulate relevant management policies and procedures in accordance with relevant laws and international human rights conventions?	✓		<p>(1)Jarllytec bases abide by local laws and regulations, and support the "United Nations Universal Declaration of Human Rights (UDHR)" and are committed to pursuing compliance with international human rights standards, including the "International Code of Human Rights", "International Labor Organization Core Convention Standards", and the "Ten Points of the United Nations Global Covenant" Principles" and strictly implement the "Responsible Business Alliance and its Code of Conduct (RBA)" to respect workers' human rights and labor rights. To implement the human rights policy specifically, we have established a sustainable development committee to follow the Responsible Business Alliance and its Code of Conduct. Develop a social responsibility management manual, conduct identification and assessment every year, and formulate annual management goals. Through the promotion and audit of the committee, reporting and correction are continued. Stakeholders can convey and communicate through various confidential channels, and relevant documents must also be save. The specific plans are as follows:</p> <p>1. Organize social responsibility education and training for suppliers every year.</p> <p>2. Provide at least 3 hours of education and training for employees on the Code of Conduct of the Responsible Business Alliance and labor safety and health work.</p> <p>3. Set up an employee complaint hotline and mailbox, which will be accepted by the management unit</p>	None									

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			<p>4. Hold 4 labor-management meetings every year.</p> <p>5. Prohibition of forced labor, reasonable and legal working hours, and clear salary payment details.</p> <p>6. Explain the company's operating conditions and other measures to shareholders and investors at the legal briefing to implement the labor human rights policy. The rights and obligations of the company's labor and management parties are handled in accordance with the company's work rules. The labor-management relationship is harmonious and there are no major labor disputes and losses.</p> <p>Human Rights Concerns and Practices</p> <table><tr><td></td><td>ban child labor</td><td>Prohibition of forced labor</td></tr><tr><td>Normative approach</td><td><ul style="list-style-type: none">• Corporate Social Responsibility Handbook• Employee Recruitment and Appointment Procedures</td><td><ul style="list-style-type: none">• Corporate Social Responsibility Handbook● Employee Recruitment and Appointment Procedures</td></tr><tr><td>Status statement</td><td>Establish a recruitment process with a specific review mechanism to avoid the occurrence of child labor appointments.</td><td>None.</td></tr></table> <table><tr><td></td><td>Eliminate illegal discrimination</td><td>Safe and Healthy Work Environment</td></tr><tr><td>Normative approach</td><td><ul style="list-style-type: none">• Corporate Social Responsibility Handbook● Employee Recruitment and Appointment Procedures</td><td><ul style="list-style-type: none">● Health Check Control Procedures● Human Factors Evaluation Management Program● Hazard Identification and</td></tr></table>		ban child labor	Prohibition of forced labor	Normative approach	<ul style="list-style-type: none">• Corporate Social Responsibility Handbook• Employee Recruitment and Appointment Procedures	<ul style="list-style-type: none">• Corporate Social Responsibility Handbook● Employee Recruitment and Appointment Procedures	Status statement	Establish a recruitment process with a specific review mechanism to avoid the occurrence of child labor appointments.	None.		Eliminate illegal discrimination	Safe and Healthy Work Environment	Normative approach	<ul style="list-style-type: none">• Corporate Social Responsibility Handbook● Employee Recruitment and Appointment Procedures	<ul style="list-style-type: none">● Health Check Control Procedures● Human Factors Evaluation Management Program● Hazard Identification and	
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			<table><tr><td></td><td></td><td>Risk Assessment Regulatory Procedures</td></tr><tr><td>Status statement</td><td>There are no different selection criteria for the selection of qualified personnel due to various identities.</td><td>Continuously improve the working environment and promote health promotion activities based on the physical examination forms of new employees, the health examination forms of current employees, and the human factors engineering evaluation report.</td></tr></table>			Risk Assessment Regulatory Procedures	Status statement	There are no different selection criteria for the selection of qualified personnel due to various identities.	Continuously improve the working environment and promote health promotion activities based on the physical examination forms of new employees, the health examination forms of current employees, and the human factors engineering evaluation report.				
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Human Rights Education and Training													
Every year, the company promotes education and training on topics such as prohibition of forced labor, prohibition of child labor, anti-discrimination, and anti-harassment in accordance with the code of conduct of the business alliance. According to statistics, a total of 519 person-times and a total of 512.5 hours of training were conducted in 2023 to implement the promotion of human rights policies.													

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	Yes	No	Summary description	
(2) Does the company formulate and implement reasonable employee welfare measures (including remuneration, vacation and other benefits.) and appropriately reflect business performance or results in employee remuneration?	✓		(2) Employee compensation The company's year-end bonus system is allocated to all colleagues after considering the company's operating conditions and annual performance appraisals to encourage all colleagues to work together towards the company's goals. Employee remuneration is calculated in accordance with the company's articles of association, and the company's profit for the current year is not less than 2%.	None
(3) Does the company provide employees with a safe and healthy working environment and conduct regular safety and health education for employees? career development training program for employees?	✓		Employee welfare measures The company has established an employee welfare committee to plan and provide high-quality benefits for colleagues, such as: employee travel subsidies, life arts and cultural activities, birthday gifts, wedding gifts, maternity gifts, funeral allowances, etc. In addition, it also provides free health examination plans for colleagues , preferential car purchase plans for colleagues and other benefits.	
(4) Does the Company established effective career development training programs for employees?	✓		Regarding the vacation system, on the basis of the fixed two-day weekly rest, special vacation days are provided in accordance with the law. When colleagues need to take a long leave due to childcare, serious injury or accident, etc., they can also apply for leave without pay to balance personal and family care needs.	
(5) Regarding issues such as customer health and safety, customer privacy, marketing and labelling of products and services, does the company follow relevant regulations and international standards and formulate relevant policies and appeal procedures for the protection of consumers or customers’ rights and interests?	✓		Business performance is reflected in employee remuneration The company participates in market salary surveys and adjusts salaries every year based on market salary levels, economic trends and personal performance to maintain overall salary competitiveness. In 2023, the company's Taiwan region includes supervisory and non-supervisory positions, and the average annual salary increase will be 3%.	
(6) Has the company formulated a supplier management policy, requiring suppliers to follow relevant norms on issues such as environmental protection, occupational safety and health, or labor rights and their implementation?	✓		(3) The company has won the Metal Industry Research and Development Center ISO14001 (2015 version) environmental management system certification, ISO45001 (2018 version) occupational safety and health management system certification, and won the AFNORLCIE-SNQ IECQ QC 080000: 2017 Hazardous Materials Process Management	

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			<p>(HSPM) system certification. Therefore, the protection and management measures for the working environment and employees' personal safety and health have reached the legal level. In 2023, the company had a total of 0 occupational accidents involving 0 employees (accounting for approximately 0.0% of the number of employees, a decrease of 0.2% compared to 2011), 0 fires, and 0 casualties (accounting for approximately 0.0% of the number of employees). Workplace and public safety are issues that the company attaches great importance to. Fire drills and industrial safety education and training are held regularly every year. Occupational disasters and traffic safety are promoted to new employees, and employees' emergency response capabilities are strengthened through practical drills and course promotions. and self-safety management capabilities. We also arrange regular inspections of safety protection equipment and fire-fighting facilities by personnel and professional manufacturers to ensure that the equipment can function properly when emergencies occur and ensure the safety of colleagues.</p> <p>In addition, the company is committed to promoting tobacco hazard prevention and health promotion and establishing an excellent healthy working environment. In January 2022, the National Health Administration of the Ministry of Health and Welfare once again assessed compliance and issued the "Healthy Workplace Certification-Health Promotion Seal". Relevant personnel are also designated to participate in safety and health training, and special operation health inspections are carried out regularly for colleagues in special operations to improve the safety and health of the labor working environment. In addition, the company aims to improve the physical and mental health of its employees, encourages employees to develop exercise habits, and unites colleagues through the establishment of club activities. It will participate</p>	

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			<p>in 5 road running activities in 2023 to improve the physical and mental health of employees.</p> <p>(4) The company focuses on product quality improvement and employees' R&D and innovation capabilities and encourages employees to participate in activities such as quality technician certification, domestic and foreign technical seminars., in addition to cultivating employees' professional functions, further expand employees' international vision and grasp industry market trends and market trends. technical skills. Educational training covers: new personnel training, professional function training, supervisor ability training and general training.</p> <p>(5) The company's products are regulated by environmental safety and health, HSF, RBA social responsibility regulations and industry standards and there are special personnel and e-mail mailboxes to deal with relevant issues related to consumer rights complaints to ensure that when customer complaints occur, they can be dealt with as soon as possible. We have established a customer complaint control program and through the cause analysis and improvement of customer complaints, we can prevent similar incidents from happening again.</p> <p>(6) The company has established "External Supply Process Management Procedures" and "External Supply Process Management Measures". When selecting new suppliers, they will be required to sign the "Environmental Quality Assurance Letter" and decide to conduct an on-site evaluation. Process quality (QPA) and Hazardous Substance Process Management (HSF) are evaluated. After the evaluation records are sorted out by the quality assurance unit, they are delivered to the evaluation team for judgment and sent to the relevant units and the supplier to know and continue to follow up for the evaluation. Identify missing items, respond to improvement evidence within a time limit and then conduct regular audits on the classification of qualified suppliers to reduce</p>	

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			<p>environmental impact. Since 2019, the ISO 45001 occupational safety and health management system and the implementation of the CSR corporate social responsibility system have been implemented and the implementation of human trafficking prevention regulations has been increased, requiring all suppliers to sign and comply to ensure the basic rights and interests of laborers. In addition, the terms of the contract between the company and the supplier state that within the contract period, if either party is unable to perform the content and conditions of the contract for reason (including force majeure), it can notify the other party in writing and after both party’s sign and agree, which terminates the contract. Supplier evaluation management is as follows,</p> <table><tr><td>Supplier evaluation</td><td><p>1. Relevant units may search for new suppliers and make samples for trial due to task requirements; after the demand unit initially confirms that it has the supply capacity and willingness to cooperate, the demand unit shall submit a supplier evaluation application form to the quality assurance unit for proceeding. Formal evaluation.</p><p>2. All new suppliers must pass the supplier QSA & QPA assessment of relevant units and comply with the supplier code of conduct in order to obtain the company's supplier qualifications.</p><p>3. Suppliers must sign the purchase contract/Integrity Commitment/Environmental Protection Guarantee/Supplier Social Responsibility Commitment/REACH SVHC Questionnaire/Confidentiality Contract.</p><p>4. Existing cooperative suppliers will also conduct annual audits and evaluations on delivery quality to ensure quality stability.</p></td></tr><tr><td>Supplier audit</td><td><p>1. The quality assurance unit receives the new supplier evaluation schedule and notifies relevant units to set up an audit team before the audit to track and improve the deficiencies in the supplier audit, jointly improve quality and technology, improve processes, improve yields, and strengthen environmental</p></td></tr></table>	Supplier evaluation	<p>1. Relevant units may search for new suppliers and make samples for trial due to task requirements; after the demand unit initially confirms that it has the supply capacity and willingness to cooperate, the demand unit shall submit a supplier evaluation application form to the quality assurance unit for proceeding. Formal evaluation.</p> <p>2. All new suppliers must pass the supplier QSA & QPA assessment of relevant units and comply with the supplier code of conduct in order to obtain the company's supplier qualifications.</p> <p>3. Suppliers must sign the purchase contract/Integrity Commitment/Environmental Protection Guarantee/Supplier Social Responsibility Commitment/REACH SVHC Questionnaire/Confidentiality Contract.</p> <p>4. Existing cooperative suppliers will also conduct annual audits and evaluations on delivery quality to ensure quality stability.</p>	Supplier audit	<p>1. The quality assurance unit receives the new supplier evaluation schedule and notifies relevant units to set up an audit team before the audit to track and improve the deficiencies in the supplier audit, jointly improve quality and technology, improve processes, improve yields, and strengthen environmental</p>	
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	Yes	No	Summary description	
			<p>Supplier audit</p> <p>protection. Safety and health performance.</p> <p>2. The quality assurance unit of existing suppliers will select the top six defective suppliers based on the IQC spot inspection results from January to December of the previous year. The quality assurance unit will arrange the audit schedule for the current year and carry out on-site audits.</p> <p>3. In addition to the six previously mentioned non-performing suppliers, select suppliers with seven to twenty defective rankings, and use the results of the manufacturer's self-evaluation on a written checklist as the basis for evaluation. The frequency is once a year, and the evaluation results are implemented according to the grade.</p>	
			<p>Supplier training</p> <p>1. The company will hold supplier conferences or audit training groups from time to time to effectively improve environmental protection, safety and health performance through different types of guidance and communication, and comply with international environmental standards.</p> <p>2. The course includes explanations of environmental issues such as environmental sanitation, employee health, environmental laws and regulations, business ethics and conflict minerals.</p>	
			<p>Supplier Forum and Recognition</p> <p>1. The company evaluates and commends outstanding suppliers every year. In addition to conveying the manufacturers' sustainable development concepts and goals for the company, the company also specifically praises manufacturers with excellent quality.</p> <p>2. The commendation meeting mainly focuses on annual recognition of suppliers with outstanding performance and outstanding contributions in four major aspects: quality improvement, cost reduction, ensuring delivery, and joint sustainable development.</p>	
5. Does the company refer to the internationally accepted report preparation standards or guidelines to prepare reports such as sustainability reports that disclose non-	✓		The company released its first sustainability report in August 2023, which was compiled using GRI Standards, the internationally accepted reporting guideline, to explain the	There are no major differences yet.

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and reasons
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financial information of the company? Has the previous disclosure report obtained the assurance or assurance opinion of the third-party verification unit?			<p>promotion and performance of sustainable development policies, including operating performance, corporate governance, product responsibility, and sustainability. Demonstration of the environment, employee care and welfare, creating a safe workplace and social participation. The indicators disclosed in the report mainly focus on the Taiwan headquarters and factories of Zhaoli Technology Industrial Co., Ltd. and the factories in mainland China. The economic performance indicators are disclosed as entities in the consolidated statements, including the company and its subsidiaries.</p> <p>The statistical data disclosed in the report are derived from the company's own statistics and surveys. If there are any estimates, they will be noted in the relevant chapters. The sources of relevant financial data are all prepared in accordance with the International Financial Reporting Standards (IFRSs) approved and issued by the Financial Supervisory Commission and the Financial Reporting Standards for Securities Issuers, and have been verified and certified by Anhou Jianye United Accounting Firm. , publicly released financial report information.</p>	
<p>6. If the company has its own sustainable development code in accordance with the "Code of Practice for the Sustainable Development of Listed OTC Companies", please describe the differences between its operation and the prescribed code: On January 20, 2017, the company passed the resolution of the board of directors to formulate the "Social Responsibility Management Manual". At present, there is no major difference between the implementation and operation of corporate social responsibility and the code stipulated.</p>				
<p>7. Other valuable information helpful to understand the implementation of the promotion of sustainable development: The company strives to promote diversity, inclusion and gender equality. We implement diversity in employment, fairness in remuneration and promotion opportunities, and ensure that employees will not be discriminated against because of race, gender, religious belief, age, political orientation or any other factors protected by applicable laws and regulations. discriminated against, harassed or treated unfairly. We attach great importance to the diversity of employees and give priority to employees with disabilities. The number of employees far exceeds 1.5 times the number stipulated in the "Law on the Protection of the Rights and Interests of the Disabled" (5 people should be hired by law, but 9 people are actually employed). The specific implementation status is as follows 1. Clearly define the relevant human resources system of the company, announce the relevant policies and measures of anti-discrimination and anti-harassment in the work rules, recruitment management procedures, social responsibility management manual, promotion and salary adjustment system, and announce it on the company's internal website. 2. In 2023 years, more than 50% of the company's female workers.</p>				

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3. Propaganda and complaint channels for workplace bullying and sexual harassment prevention and control every year.				
4. Hiring second-time employed women and new residents.				
5. Excessive employment of persons with disabilities.				
6. Organize gender equality education and training.				
7. Set up a breastfeeding (collection) room, which can be used safely by employees who need to breastfeed (collection).				
Multivariate indicator category		Proportion of employees		
Women account for the total workforce		53.03		
handicapped		1.76		
less than 30 years old		14.1		
30-50 years old		68.5		
over 50 years old		17.4		
From 2016 to 2020, the company has won the top 5% companies in the OTC corporate governance evaluation for five consecutive years, providing equal employment opportunities and setting up a caring team to give back to the society on a regular basis every year and organize caring public welfare activities, such as: donating to various nurseries, assisting the hospital Tong, subscribed for the products of the Autistic Children Social Welfare Foundation and the Social Welfare Foundation, co-organized blood donation activities with the Taipei Blood Donation Center. and actively participated in the "clean production", "energy saving and energy saving" promoted by the New Taipei City Government. Carbon, Green Production", "No Tobacco Harm", "Labor Health" and other activities.				
In 2023 During the donation activity, a total of 180,000 yuan was raised, which was donated to the Taiwan Children and Family Support Foundation-New Taipei City Private Datong Kindergarten, and subscribed to the Xinlu Foundation-New Taipei City Ciyou Sheltered Workshop, and the Autistic Children Social Welfare Foundation- A total of 149,328 yuan of Aiken Lohas factory products are included. Co-organized a blood donation event with the Taipei Blood Donation Center and raised a total of 31,500ml in 2023				



3.4.6 Climate-related information for listed OTC companies

1. Implementation of climate-related information

1. Describe the board and management's oversight and governance of climate-related risks and opportunities.	<p>The company follows the Task Force on Climate-Related Financial Disclosures (TCFD) to identify climate-related risks and opportunities. On climate issues, the company's board of directors is the highest supervisory unit, coordinating the overall climate strategy and supervising the implementation of the sustainable development committee. Climate-related risk management scenarios. The Sustainability Committee regularly reviews environmental, social and corporate governance risk assessments, including but not limited to issues related to climate change, to promote operations, identify major risks and opportunities, and develop response and adaptation strategies. It is organized by the Sustainability Committee at least once a year. The Development Committee reports to the Board of Directors the company's implementation results and plans on issues related to sustainable climate change.</p>														
2. Describe how the identified climate risks and opportunities affect the company's business, strategy and finances (short-term, medium-term, long-term).	<p>The company refers to the Task Force on Climate-Related Financial Disclosures (TCFD) guidelines to conduct analysis of the company's potential risks and the possibility of risk occurrence, based on factors such as asset durability, potential risks, and the industrial sectors and regions in which it operates. , evaluate various short, medium and long-term risks (short-term: 1 to 3 years, medium-term: 1 to 3 years, long-term: 5 to 10 years) and opportunities, and publicly disclose the potential threats to the company's future operations in the annual sustainability report report. The company plans to expand the assessment aspect in the future, and evaluate risks and opportunities on a graded basis. Based on the "possible probability of occurrence" and "impact impact", a risk and opportunity matrix diagram is drawn for judgment. The results are expected to be divided into three categories: low, medium and high. Risk levels and define priorities of risks and opportunities. For risks classified as medium or high, list them as major risks and further develop preventive measures and improvement plans.</p> <p>Climate change financial impact analysis (risk)</p> <table> <tr> <th>climate change risks</th><th>Impact time course</th><th>financial impact</th><th>response plan</th></tr> <tr> <td>typhoon</td><td>short term</td><td>Typhoons will cause problems such as operational disruptions, affecting employees' lives, and suppliers interrupting the supply of components. Associated recovery costs and product delivery delays will increase administrative costs and reduce sales.</td><td>Follow emergency response guidelines when affected by typhoons.</td></tr> <tr> <td>average temperature rise</td><td>long term</td><td> <ul style="list-style-type: none"> Employees suffering from heat stroke or other health </td><td> <ul style="list-style-type: none"> Continuously perform equipment maintenance and </td></tr> </table>			climate change risks	Impact time course	financial impact	response plan	typhoon	short term	Typhoons will cause problems such as operational disruptions, affecting employees' lives, and suppliers interrupting the supply of components. Associated recovery costs and product delivery delays will increase administrative costs and reduce sales.	Follow emergency response guidelines when affected by typhoons.	average temperature rise	long term	<ul style="list-style-type: none"> Employees suffering from heat stroke or other health 	<ul style="list-style-type: none"> Continuously perform equipment maintenance and
climate change risks	Impact time course	financial impact	response plan												
typhoon	short term	Typhoons will cause problems such as operational disruptions, affecting employees' lives, and suppliers interrupting the supply of components. Associated recovery costs and product delivery delays will increase administrative costs and reduce sales.	Follow emergency response guidelines when affected by typhoons.												
average temperature rise	long term	<ul style="list-style-type: none"> Employees suffering from heat stroke or other health 	<ul style="list-style-type: none"> Continuously perform equipment maintenance and 												

			<p>conditions can reduce work efficiency and reduce sales.</p> <ul style="list-style-type: none"> Sustained high temperatures may increase demand for electricity, affect production efficiency, reduce sales and increase operating costs. 	<p>power consumption monitoring to maintain stable power consumption</p> <ul style="list-style-type: none"> Strengthen the education and training of personnel in handling emergency incidents caused by disasters. 	
	Total greenhouse gas control and carbon tax and carbon fee	long term	According to the "Climate Change Response Act" proposed by the Environmental Protection Agency passed in 2023, a mechanism for levying a "carbon fee" will be established. It is expected to be levied in 2024 and implemented in phases. Therefore, the company may incur "carbon fees" in operating costs in the future.	<ul style="list-style-type: none"> Set carbon reduction goals At present, we purchase energy-saving products and promote energy-saving, and fully use environmentally friendly refrigerants. Set a goal to reduce carbon emissions by at least 1% every year. 	
	Customer behavior changes	long term	In response to the global trend of net-zero emissions and reduced environmental impact, customers are switching to lower-carbon raw materials and products that reduce environmental impact, or are requiring companies to provide products and services with more transparent environmental-related information. If existing products and services fail to meet the needs of the low-carbon market, sales may decrease and revenue may decrease, affecting the company's financial planning.	<ul style="list-style-type: none"> Use more efficient modes of transportation. Low-carbon production processes and products and services that reduce environmental impact. Provide customized services to customers. Replace old, energy-intensive equipment. Actively seek talents for low-carbon transformation and train employees to enter the era of low-carbon transformation. 	
	Increasing concerns	long term	Goodwill risks related to climate	Increase green manufacturing	

	and negative feedback from stakeholders		change: In response to climate change, products with high carbon emissions cannot meet the expectations of stakeholders, and they will face negative public opinion and reduce customer trust and satisfaction, which will affect corporate reputation, cause customer loss and reduce sales.	and green innovation to enhance corporate green image.
Climate change financial impact analysis (opportunities)				
	climate change risks	Impact time course	financial impact	response plan
	Efficient production management	long term	There are no strict requirements to control product packaging materials, resulting in increased packaging costs. There are fewer automated processes, resulting in higher labor costs.	<ul style="list-style-type: none"> • Control product packaging and reduce the use of packaging materials. • Increase automated processes.
	Develop and/or increase low carbon goods and services	long term	Failure to develop and design low-energy products and improve manufacturing processes has resulted in increased product raw material costs and increased electricity bills.	<ul style="list-style-type: none"> • Develop green products and initiate the use of raw material recycling mechanisms, such as recycling and reusing plastic parts, castings and iron parts, to reduce costs and produce low-energy-consuming products. • Plan to purchase wastewater recycling equipment to reduce water resources and production costs.
	ESG investment improves company market value and image	long term	investor willingness	<ul style="list-style-type: none"> • Committed to product development and designed in accordance with environmental protection

				<p>standards, the product manufacturing process uses raw materials that are free of harmful substances and can be recycled and reused, reducing energy requirements in the process, and participating in social welfare to achieve sustainable operations and enhance corporate image.</p> <ul style="list-style-type: none"> Invest in ESG sustainability plans, establish a sustainable development committee for joint implementation, strengthen communication with stakeholders and strengthen company risk management contingency measures. 	
3. Describe the financial impact of extreme climate events and transition actions.	<p>For the Company's assessment of the potential financial impact of extreme climate and transition actions, please see the Climate Change Financial Impact Analysis (Risk) and Climate Change Financial Impact Analysis (Opportunity) tables in the preceding paragraph. Regarding the transformation action level, the Company actively plans to conduct ISO 14064 greenhouse gas inventories at global operating locations, and obtains verification reports from third-party verification units. It also plans energy conservation, carbon reduction, green electricity introduction and other projects to achieve low-carbon transformation goals.</p>				
4. Describe how climate risk identification, assessment and management processes are integrated into the overall risk management system.	<p>The Company follows the Task Force on Climate-Related Financial Disclosures (TCFD) to identify climate-related risks and opportunities. The company's board of directors is the unit with the highest responsibility for climate risk management. It regularly reports the implementation and results of climate risk management to the board of directors through the sustainable development committee every year, and supervises the implementation of climate-related risk management. The Sustainability Committee is affiliated to the Board of Directors and assists the Board of Directors in reviewing the implementation of risk management. As a functional committee directly under the board of directors, the Sustainability Development Committee has a working group of the Sustainability Development Committee, whose members are composed of heads and representatives of various departments and business units. The Working Group of the Sustainability Committee conducts comprehensive assessment and analysis of various risks and opportunities including climate every year, develops response and adaptation strategies, and produces an enterprise risk management report to submit to the Sustainability Committee.</p>				

5. If scenario analysis is used to assess resilience to climate change risks, the scenarios, parameters, assumptions, analysis factors and main financial impacts used should be explained.	Currently, scenario analysis is not used to assess climate change risks. In the future, it will be developed and considered based on the company's climate change impact.
6. If there is a transformation plan to manage climate-related risks, describe the content of the plan, and the indicators and goals used to identify and manage physical risks and transformation risks.	For the company's transformation plan for climate-related risks, please see the preceding paragraph 3. Describing the financial impact of extreme climate events and transformation actions.
7. If internal carbon pricing is used as a planning tool, the basis for setting the price should be stated.	Internal carbon pricing is not currently used as a planning tool and will be developed and considered in the future based on the company's impact on climate change.
8. If climate-related goals are set, information such as the activities covered, greenhouse gas emission scope, planning schedule, annual achievement progress, etc. should be explained; if carbon offsets or renewable energy certificates (RECs) are used to achieve relevant goals, information such as Explain the source and quantity of carbon reduction credits or the quantity of renewable energy certificates (RECs) being redeemed.	The company has set a climate-related goal to reduce carbon emissions by at least 1% every year. In the future, depending on the company's impact on climate change, we will consider purchasing carbon offsets or renewable energy certificates (RECs) to accelerate carbon reduction results.

1-1 Company greenhouse gas inventory and confirmation status in the last two years

Basic information of the company <input type="checkbox"/> Capital of NT\$10 billion or more, iron and steel industry, or cement industry <input type="checkbox"/> Capital of NT\$5 billion or more but less than NT\$10 billion <input checked="" type="checkbox"/> Capital of less than NT\$5 billion	Minimum required disclosure under the Sustainable <input checked="" type="checkbox"/> Inventory for parent company only <input type="checkbox"/> Inventory for all consolidated entities <input type="checkbox"/> Assurance for parent company only <input type="checkbox"/> Assurance for all consolidated entities
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Scope 1	Total emissions (Metric tons CO ₂ e)	Intensity (Metric tons CO ₂ e / NT\$ 1 million)	Assurance body	Description of assurance status
2022 Parent Company	59.13	0.0085(7,000 1 million)	SGS	Comply with ISO14064-1:2018
2023 年 Parent Company	61.98	0.0075(8,220 1 million)	-	
合計	121.11	0.0080(15,220 1 million)		
Scope 2	Total emissions (Metric tons CO ₂ e)	Intensity (Metric tons CO ₂ e / NT\$ 1 million)	Assurance body	Description of assurance status
2022 年 Parent Company	555.84	0.0794(7,000 1 million)	SGS	Comply with ISO14064-1:2018
2023 年 Parent Company	548.64	0.0667(8,220 1 million)	-	
合計	1,104.48	0.0726(15,220 1 million)		

The 2023 greenhouse gas emission data is scheduled to be verified in July 2024.

3.4.7 Ethical Corporate Management – Implementation Status and Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Summary description	
<p>1. Formulate policies and plans for integrity management</p> <p>(1) Does the company formulate an honest management policy approved by the board of directors and express the policy and practice of honest management in its regulations and external documents, as well as the commitment of the board of directors and senior management to actively implement the management policy?</p> <p>(2) Whether the company has established an assessment mechanism for the risk of dishonest behavior, regularly analyzes and evaluates the business activities with elevated risk of dishonest behavior within the business scope and formulates a plan for preventing dishonest behavior based on it and at least covers "listing and listing on the OTC". What are the preventive measures for the behaviors in Article 7, Paragraph 2 of the "Company Integrity Management Code"?</p> <p>(3) Has the company clearly defined operating procedures, behavior guidelines and punishment and appeal systems for violations in the plan for preventing dishonest behavior and has implemented them and regularly reviews and revises the plan before disclosure?</p>	<p>✓</p> <p>✓</p> <p>✓</p>		<p>(1) On May 7, 2014, the company passed the "Integrity Management Code" by the resolution of the board of directors and cooperated with the company's actual operations and the revision and update of laws and regulations. The latest revision of the "Integrity Management Code" was approved by the resolution of the board of directors on March 12, 2019. And it will be submitted to the shareholders' meeting on June 18, 2019 and the board of directors will report on the implementation of the company's integrity management on November 05, 2021. In addition, in accordance with the company's actual operation and the revision and update of regulations, it is advisable to promote the group personnel from time to time to abide by the above regulations. In 2023, internal and external education and training related to the issue of integrity management (including courses related to integrity management, corporate governance, accounting system and internal control) will be held for 579 people and 589 hours.</p> <p>(2) The company has anti-corruption clauses, the "Code of Professional Ethics" (the latest version is November 4, 2022) and the "Code of Ethics" (the latest version is June 18, 2019). Precautionary measures for the behaviors of Article 7, Paragraph 2 of the "Company Integrity Management Code"; irregularly publicize that the business activities of group personnel in the business scope should be managed in strict accordance with the regulations.</p> <p>(3) The company has established the "Code of Professional Ethics", the latest version is November 4, 2022. There are relevant regulations for preventing dishonest behavior, as well as behavior guidelines, punishment and complaint systems for violations and internal and external education and training. To promote the related integrity issues.</p>	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best- Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Summary description	
<p>2. Implement honest management</p> <p>(1) Does the company evaluate the integrity record of the counterparty and specify the terms of honesty in the contract signed with the counterparty?</p> <p>(2) Does the company set up a resolute unit for promoting corporate integrity management under the board of directors and report regularly (at least once a year) to the board of directors on its integrity management policy and plan for preventing dishonest behavior and supervise the implementation?</p> <p>(3) Does the company formulate policies to prevent conflicts of interest, provide appropriate channels for presentation and implement them?</p> <p>(4) Whether the company has established an effective accounting system and internal control system for the implementation of honest management and the internal audit unit has formulated relevant audit plans based on the assessment results of the risk of dishonest behavior and checked the plan for preventing dishonest behavior accordingly. Comply with the situation, or commission an accountant to perform the audit?</p> <p>(5) Does the company regularly hold internal and external education and training on integrity management?</p>	<p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p>	<p>✓</p>	<p>(1) The company already has a relevant evaluation mechanism for its customers and suppliers. When entering a contract with it, the rights and obligations of both parties will be stipulated in it.</p> <p>(2) At present, the company's general management office promotes and implements the operation of corporate integrity management according to its powers and responsibilities. To prevent conflicts of interest and provide appropriate channels for presentation, the "Code of Integrity Management" was approved by the board of directors on May 7, 2014 and was approved by the board of directors on March 12, 2019 To cooperate with the company's actual operations and comply with laws and regulations Revised and submitted to the shareholders meeting on June 18, 2019. The General Management Office regularly reports to the Board of Directors on its implementation (for example, the implementation of the education training and complaint system) on a regular basis (the most recent report to the Board of Directors on December 29, 2022). In 2021, internal and external education and training related to integrity management issues (such as courses related to integrity management, corporate governance, accounting system and internal control.) will be held for 440 person-times and 533.5 hours. In terms of the complaint system, the company has established the "Complaint and Personal Rights Protection Operational Procedures" and has a complaint acceptance phone number and a complaint mailbox as a complaint channel. You can respond to complaints through the phone and mailbox or to the General Management Office, Audit Office or Finance Office.</p> <p>(3) The company has established the "Professional Code of Ethics". For matters related to conflicts of interest, employees can not only report to the supervisor of the directly subordinate department, but also can be assisted by members of the general manager's office to guide and integrate related matters.</p>	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Best-Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Summary description	
			(4) The company has a full-time unit "Audit Office" and full-time personnel responsible for formulating internal audit plans, and internal auditors carry out inspections based on the audit plans. (5) The company has incorporated the relevant norms of integrity management into the content of the education and training materials for new recruits. In 2023, internal and external education and training related to integrity management issues (such as courses related to integrity management, corporate governance, accounting system and internal control.) will be held for 579 person-times and 589 hours.	
3. Operation of the company whistleblowing system (1) Has the company formulated a specific whistleblowing and reward system, established a convenient reporting channel and assigned appropriate personnel in charge of managing the whistleblower? (2) Has the company established standard operating procedures for the investigation of reported matters, the follow-up measures to be taken after the investigation is completed and the relevant confidentiality mechanism? (3) Has the company taken measures to protect the whistleblower from being mistreated due to the whistleblower?	✓ ✓ ✓		The company has established the "Complaint and Personal Rights Protection Operational Procedures" and has a complaint acceptance phone number and a complaint mailbox as a complaint channel. You can respond to complaints through the phone and mailbox or to the General Management Office, Audit Office or Finance Office. The company has established "Complaint and Personal Rights Protection Operational Procedures", which are anonymous complaints. When receiving a complaint case, the complaint acceptor will immediately take reasonable preventive and protective measures to ensure the quality of the investigation and prevent the complainant from suffering. Unfair retaliation or treatment. If customers, suppliers, contractors or other third parties with major external relations complain that our employees have committed corruption, accepted bribes, or offering bribes, they will file a case for investigation as soon as possible and it is forbidden to disclose the identity of the complainant to ensure their Personal safety is free from reprisals or threats.	None
4. Strengthen information disclosure Does the company disclose the content of its integrity management code and promote its effectiveness on its website and public information observatory?	✓		The company has disclosed the "Integrity Management Code" on the company's website and the public information observatory. In addition, the company's website has disclosed relevant corporate culture, business policies and other information.	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best- Practice Principles for TWSE/TPEx Listed Companies” and reasons
	Yes	No	Summary description	
5. If the company has its own integrity management code in accordance with the "Code of Integrity Management of Listed OTC Companies", please describe the differences between its operation and the established code: On May 7, 2014, the company passed the "Integrity Management Code" by the resolution of the board of directors and on March 12, 2019, to cooperate with the company's actual operation and comply with laws and regulations, it was approved by the board of directors and revised on June 18, 2019. Report to shareholders meeting. From time to time, group personnel should strictly abide by the regulations and there is no major difference between the company's operation and the code of conduct.				
6. Other valuable information that helps to understand the company's integrity management operation: (such as the company's review and revision of its integrity management code.) (1) On March 12, 2019, to cooperate with the company's actual operations and comply with laws and regulations, the company approved the revision of the "Integrity Management Code" by the board of directors and submitted it to the shareholders' meeting on June 18, 2019. (2) The company's "Procedure Rules for the Board of Directors" stipulates a system of avoiding the interests of directors. When directors have an interest in themselves or the legal person they represent and may harm the interests of the company, they may state their opinions and answer inquiries. They shall not participate in the discussion and voting and shall abstain from the discussion and voting and shall not exercise their voting rights on behalf of other directors. (3) The company has established the "Management Procedures for Handling Internal Material Information and Preventing Insider Transactions", which clearly stipulates those directors, managers and employee shall not disclose material internal information they know to others and shall not report material internal information of the company to others. The person inquires or collects undisclosed internal material information of the company that is not related to the personal position.				

3.4.8 If the company has formulated a corporate governance code and relevant regulations, it should disclose its inquiry method

Approved by the resolution of the board of directors on March 29, 2010. In response to legal amendments and practical operational needs, the latest amendment to the relevant provisions was approved by the board of directors on May 11, 2022. For other relevant regulations, "Risk Control Operation Specification", "Acquisition or Disposal Asset Handling Procedure" and "Fund Loan and Endorsement Guarantee Operation Procedure", please refer to the company's website [http://www.jarlly.com/ESG/Corporate Governance/regulations](http://www.jarlly.com/ESG/Corporate%20Governance/regulations).

3.4.9 Other important information sufficient to enhance the understanding of the operation of corporate governance may be disclosed together

(1) Expose managers' participation in corporate governance-related training and training.

Title	Name	Date for attending continuing education	Hosted By	Course Title	Hours
General Manager	Chang, Tai Yuan	07/20/2023	Taipei Exchange	ESG Sharing Session	3
		08/22/2023	Taiwan Corporate Governance Association	Sustainability and digital dual-axis transformation	3
General Manager	Chang, Tai Yuan	11/2/2023 11/3/2023	Accounting Research And Development Foundation	Continuing training courses for accounting executives of issuers, securities firms and stock exchanges	12
Accounting officer & Corporate governance officer	Chen, Ying Syuan	10/19/2023- 10/20/2023	Accounting Research And Development Foundation	Continuing training courses for accounting executives of issuers, securities firms and stock exchanges	12
		10/24/2023	Accounting Research And Development Foundation	Common deficiencies in "Financial Report Review" and practical analysis of important internal control regulations	6
		12/4/2023	Accounting Research And Development Foundation	Promote sustainable development of enterprises through risk management	66

- (2) The company passed the resolution of the board of directors on August 25, 2009 to formulate the "operational procedures for internal material information processing and prevention of insider trading" and in response to legal amendments and actual operational needs, the board of directors resolved on August 9, 2022 and December 29, 2022 By revising the relevant provisions, the company announced the operating procedures to all employees, managers and directors to comply with the relevant procedures and placed them in the company's intranet announcement area for all colleagues to follow and review at any time to avoid violations or occurrences Insider trading.
- (3) The company passed the resolution of the board of directors on March 29, 2010 to formulate the "Risk Control and Management Operation Specifications" and in line with the company's organizational changes and actual operational needs, the board of directors approved the revision on May 7, 2014. Related provisions. The company has set up a risk management organization, with the general manager as the general convener to coordinate and direct the promotion and operation of the risk management

plan. It has various power and responsibility units responsible for promoting various business risk management.

General Management Office: allocation and response of human resources, implementation of various insurance operations, establishment and maintenance of environmental safety and health.

fiscal Affairs Office: financial risk assessment, legal and regulatory review, media public relations and external relations.

Information Department: maintain the normal operation of the system.

R&D Office: contingency measures for R&D operating environment, risk assessment of new product development and R&D progress control.

Business Office: Collection and establishment of market information, coordination of production and sales, establishment and handling of customer relationships and tracking and collection of receivables.

Manufacturing Division: contingency measures for production operations, production contingency plan specifications, direct personnel support allocation plan, establishment of supplier contingency plans, contingency matters for raw material procurement, water and electricity supply plans, equipment purchase alternative plans, on-site environmental safety Contingency plan, document preservation plan, damage and quality control of defective products and contingency measures for product testing operations.

Audit Office: According to the company's internal control and audit plan, check whether the risk control management of each unit is implemented and prepare an audit report according to the actual audit results.

The company has established a mechanism for reporting operational risk indicators and operational risk events, aggregates various business information and conducts independent analysis of various results and trends to take appropriate risk control and serve as a reference for improving relevant operational procedures.

3.4.10The implementation of the internal control system shall disclose the following matters

(1) Internal Control Statement, please refer to next page.

Statement on Internal Control

Date: March 8, 2024

Based on the findings of a self-assessment, Jarllytec Co., Ltd. (hereinafter, the "Company") states the following with regard to its internal control system during year 2022:

The Company is fully aware that establishing, operating, and maintaining an internal control system are the responsibility of its Board of Directors and managers. The Company has established such a system aimed at providing reasonable assurance regarding the achievement of objectives in the following categories: (1) effectiveness and efficiency of operations (including profitability, performance, and safe-guarding of assets), (2) reliability, timeliness, transparency, and regulatory compliance of reporting, and (3) compliance with applicable laws, regulations and bylaws.

An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing the three objectives mentioned above. Moreover, the effectiveness of an internal control system may be subject to changes of environment or circumstances. Nevertheless, the internal control system of the Company contains self-monitoring mechanisms, and the Company promptly takes corrective actions whenever a deficiency is identified.

The Company evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the "Regulations Governing Establishment of Internal Control Systems by Public Companies" promulgated by the Securities and Futures Bureau of the Financial Supervisory Commission (hereinafter, the "Regulations"). The criteria adopted by the Regulations identify five constituent elements of internal control based on the process of management control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communications, and (5) monitoring activities. Each constituent element further contains several items. Please refer to the Regulations for details.

The Company has evaluated the design and operating effectiveness of its internal control system according to the aforesaid criteria.

Based on the results of the evaluation mentioned in the preceding paragraph, the Company believes that, as of December 31, 2021, its internal control system (including its supervision of subsidiaries), was effective in design and operation, and reasonably assured the achievement of the above-stated objectives.

This Statement will be an essential content of the Company's Annual Report for the year 2022 and Prospectus, and will be publicly disclosed. Any false-hood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchanged Act.

This Statement has been passed by the Board of Directors in their meeting held on March 8, 2024, with 0 of the 7 attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

Jarllytec Co., Ltd.

CEO: Chang, Tai Yuan

Chairman: Chang, Tai Yuan

- (2) Those who entrust an accountant to review the internal control system should disclose the accountant's review report: None.

3.4.11 In the most recent year and as of the publication date of the annual report, the company and its internal personnel have been punished according to law, or the company has punished its internal personnel for violating the provisions of the internal control system, and the result of the punishment may have a significant impact on shareholders' rights and interests or securities prices, The content of the punishment, main deficiencies and improvements should be listed: none.

3.4.12 Important resolutions of the shareholders' meeting and the board of directors in the most recent year and up to the date of printing the annual report

- (1) shareholders' meeting

Date	Meeting Note	Result	Implementation
06/13/2023	1. Acknowledgment of the 2022 Business Report and Annual Final Accounting ledgers and Statements.	The number of votes in favor accounted for 97.28% of the total voting rights of shareholders present, and this proposal was voted and passed as the original proposal.	Implemented in accordance with the resolution of this case.
	2. Acknowledged 2022 Earnings Distribution Proposal.	The number of votes in favor accounted for 98.00% of the total voting rights of shareholders present, and this proposal was voted and passed as the original proposal.	Set August 2, 2023 as the ex-dividend base date and August 23, 2023 as the release date. (A cash dividend of 3.0 per share is distributed.)
	3. Approved the amendments to the Company's partial Articles of Incorporation.	The number of votes in favor accounted for 98.07% of the total voting rights of shareholders present, and this proposal was voted and passed as the original proposal.	Approved on June 28, 2023.

(2) Board of Directors

Date	Proposal content and follow-up	SEC § 14-3	Resolutions
02/03/2023	1. The company plans to invest in the Zhejiang MIM factory through a third overseas company.	V	None
	Opinion of independent directors: None		
	Company's handling of the opinions of independent directors: None		
	Resolutions: All the directors who attended the meeting passed the proposal without objection after consultation by the chairman.		
03/13/2023	1. The company's 2022 annual board performance evaluation case.		None
	2. Discuss the company's 2022 director's remuneration and employee remuneration distribution plan.		None
	3. The company's 2022 individual financial statements and consolidated financial statements.	V	None
	4. Discuss the company's 2022 profit distribution plan.	V	None
	5. Assess the independence of the company's certified accountants.	V	None
	6. It is planned to approve the company's 2022 "Internal Control System Statement".	V	None
	7. Approved the company's 2022 annual business report.	V	None
	8. Jarlly Technology(Chongqing) Co., Ltd. and Kunshan Jarlly Electronics Ltd., which are 100% invested by the company, plan to apply to the bank for the renewal of the foreign debt line of US\$2 million, and the company will endorse them as a guarantee.	V	None
	9. Amend some provisions of the company's "Articles of Association".	V	None
	10. Held the company's 112th annual shareholders' meeting.	V	None
	11. The company's greenhouse gas inventory schedule planning.	V	None
	12. The company's 100% reinvested Chian subsidiary will not distribute its undistributed earnings back to Taiwan for the time being.	V	None
	Opinion of independent directors: None		
	Company's handling of the opinions of independent directors: None		
	Resolutions: All the directors who attended the meeting passed the proposal without objection after consultation by the chairman.		
05/05/2023	1. The company's consolidated financial statements for the first quarter of 2023.	V	None
	2. It is proposed to revise the company's 100% reinvestment approved by the company's second audit committee and board of directors resolution on 112/3/13-112. Jarlly Technology(Chongqing) Co., Ltd. and Kunshan Jarlly Electronics Ltd. each applied for foreign debt from the bank The content of the contract renewal case with a quota of US\$ 2 million, and the company will endorse and guarantee it.	V	None
	3. The company intends to terminate the company in advance on the 4th audit committee and board of directors resolution on 2022/8/9/11. Jarlly Technology(Shanghai) Co., Ltd., which passed the company's 100% investment, plans to apply to the bank for an external debt of US\$8 million. Contract renewal case, and cancel the company's endorsement guarantee.	V	None
	4. Jarlly Technology(Shanghai) Co., Ltd., which is 100% invested by the company, intends to apply to the bank for the renewal of the foreign debt amount of USD 8 million (or equivalent foreign currency), and the company will endorse and guarantee it.	V	None
	5. The case of our company's capital increase of Jarwin Investment (Shares) Co., Ltd. to NT\$30,000,000.	V	None
	6. The company's 100% investment in Royal Jarlly Holding Ltd. intends to increase the capital of Jarllytec (Thailand) Co., Ltd. 44,992 thousand baht (or equivalent foreign currency).	V	None
	7. The company applied for the renewal of the bank financing line.		None
	8. Jarlly Technology(Shanghai) Co., Ltd., 100% of the company's investment, applied for a bank financing line.		None
	Opinion of independent directors: None		

Date	Proposal content and follow-up	SEC § 14-3	Resolutions
	Company's handling of the opinions of independent directors: None Resolutions: All the directors who attended the meeting passed the proposal without objection after consultation by the chairman.		
08/10/2023	1. Discuss the cash payment of employee remuneration to managers of the company in 2022.		None
	2. The company's consolidated financial statements for the second quarter of 2023	V	None
	3. Formulating the capital increase base date for the company's first domestic unsecured conversion of corporate bonds to be converted into new shares in the second quarter of 2023.	V	None
	Opinion of independent directors: None		
	Company's handling of the opinions of independent directors: None		
	Resolutions: All the directors who attended the meeting passed the proposal without objection after consultation by the chairman.		
11/10/2023	1. The company's consolidated financial statements for the third quarter of 2023.	V	None
	2. Formulate the capital increase base date for the company's first domestic unsecured conversion of corporate bonds to be converted into new shares in the third quarter of 2023.	V	None
	3. It is planned to adopt the company's 2024 audit plan.	V	None
	4. Revise the company's 2023 consolidated comprehensive budget.	V	None
	5. The company plans to increase its capital by transferring 100% of its investment to Jarllytec (Vietnam) Co., Ltd. to the tune of US\$8 million.	V	None
	6. Jarllytec (Vietnam) Co., Ltd., which is 100% reinvested by the company, plans to apply for a foreign debt quota of US\$4 million from the bank.	V	None
	7. The company's 100% reinvestment of Zhaowang Technology (Shanghai) Co., Ltd. is a new capital loan of RMB 10 million to Kunshan Zhaoli Electronics Co., Ltd.	V	None
	8. The company plans to merge with Zhaoshun Precision Technology Co., Ltd., which is 100% reinvested.	V	None
	9. The company plans to handle the issuance of the second domestic unsecured conversion corporate bonds.	V	None
	10. The company's bank financing line renewal case.		None
	11. The company applied for a bank financing line in Jarlly Technology(Shanghai) Co., Ltd. which is 100% reinvested.		None
	12. The company applied for a bank financing line in Kunshan Jarlly Electronics Ltd. which is 100% reinvested.		None
	Opinion of independent directors: None		
	Company's handling of the opinions of independent directors: None		
	Resolutions: All the directors who attended the meeting passed the proposal without objection after consultation by the chairman.		
01/24/2024	1. The company's 2023 year-end bonuses for managers will be distributed.		None
	2. The company's 2023 board performance evaluation case.		None
	3. Review the company's manager promotion and salary adjustment proposals.		None
	4. Evaluate the independence of the company's certified accountants.	V	None
	5. It is proposed to revise the general principles of the company's pre-approval of non-certified service policies.	V	None
	6. The Company's 2024 consolidated comprehensive budget.	V	None
	7. Formulate the capital increase base date for the company's first domestic unsecured conversion of corporate bonds to be converted into new shares in the fourth quarter of 2023.	V	None
	8. The company's capital loan was 100% reinvested in Jarllytec (Vietnam) Co., Ltd., with a US\$4 million project.	V	None

Date	Proposal content and follow-up	SEC § 14-3	Resolutions
	9. Jarlly Electronics Technology (Shanghai) Co., Ltd. a 100% reinvestment of the company, provided a new capital loan of RMB 30 million to Jarlly Technology(Shanghai) Co., Ltd.	V	None
	10. The case of ratifying the company's advance payment for goods to Jarson Precision Technology Co., Ltd.		None
	11. The company plans to change the investment structure of Zhejiang ZheJiang Jarlly Precision Technology Co., Ltd.		None
	12. It is planned to amend some provisions of the company's "Articles of Association".		None
	13. Case of changing the period during which the company applies for a financing line from Taiwan Bussiness Bank		None
	14. Change of corporate governance manager of the company.		None
	Opinion of independent directors: None		
	Company's handling of the opinions of independent directors: None		
	Resolutions:All the directors who attended the meeting passed the proposal without objection after consultation by the chairman.		
03/08/2024	1. Discuss the company's 2023 directors' remuneration and employee remuneration distribution case.		None
	2. The company's individual financial statements and consolidated financial statements for 2023 in the Republic of China.	V	None
	3. It is planned to adopt the company's 2023 "Internal Control System Statement".	V	None
	4. Acknowledge the company's 2023 annual business report.	V	None
	5. The company plans to increase capital by US\$5 million to 100% of the investment in Jarlly Technology(Shanghai) Co., Ltd. through a third company, and then transfer capital to ZheJiang Jarlly Precision Technology Co., Ltd.	V	None
	6. It is planned to amend some provisions of the company's "Articles of Association".		None
	7. The company's comprehensive re-election of directors.		None
	8. It is planned to hold the company's 2024 regular shareholders' meeting.		None
	9. The company applied for a bank financing line in Jarlly Technology(Shanghai) Co., Ltd. which is 100% reinvested.		None
	Opinion of independent directors: None		
	Company's handling of the opinions of independent directors: None		
	Resolutions:All the directors who attended the meeting passed the proposal without objection after consultation by the chairman.		
05/06/2024	1. The company's consolidated financial statements for the first quarter of 2024.	V	None
	2. Discuss the company's 2023 earnings distribution plan.	V	None
	3. Change of financial officer of the company.	V	None
	4. Royal Jarlly Holding Ltd. which is 100% reinvested by the company, plans to increase the capital of Jarllytec (Thailand) Co., Ltd. by 180 million baht (or the equivalent in foreign currency).	V	None
	5. The company plans to issue new shares that restrict employee rights.	V	None
	6. Nomination and review of independent directors and director candidates by the board of directors		None
	7. Updated the company's "Operational Standards Related to Financial Business Between Related Parties".		None
	8. It is planned to add new reasons for convening the regular shareholders' meeting in 2024.		None
	9. The company applies for renewal of bank financing line.		None
	10. Jarlly Technology(Shanghai) Co., Ltd. a company 100% invested in, applied for the renewal of the bank financing line.		None
	Opinion of independent directors: None		
	Company's handling of the opinions of independent directors: None		

Date	Proposal content and follow-up	SEC § 14-3	Resolutions
	Resolutions: All the directors who attended the meeting passed the proposal without objection after consultation by the chairman.		

3.4.13 In the most recent year and as of the publication date of the annual report, if the directors or supervisors have different opinions on the important resolutions passed by the board of directors, and there is a record or written statement, the main content: N/A

3.4.14 A summary of the resignation and dismissal of the company's chairman, general manager, accounting supervisor, financial supervisor, internal audit supervisor, corporate governance supervisor, and R&D supervisor in the most recent year and as of the publication date of the annual report:

Title	Name	Appointment date	Date of Dismissal	Resignation or dismissal
corporate governance officer	Chen, Ying Syua	08/08/2019	01/24/2024	Position adjustment
financial officer	Hsu, Pei Wen	04/01/2005	03/31/2024	retire

3.5 Information Regarding the Company's Audit Fee and Independence

Unit: NT\$ thousand

Accounting Firm	Name of CPA	Accountant audit period	Audit fee (Note 1)	Non-audit fee	Total	Remarks
KPMG	Hsu, Ming Fang Chuang, Chun Wei	01/01/2022~12/31/2022	2,450	730	3,180	The project expenses of non-audit fee belong to profit-seeking enterprise income tax settlement declaration and verification visa, transfer pricing report, group master file report, employee salary checklist review

Note 1: Audit fees refer to the public fees paid by the company to the Certified Public Accountant for financial report verification, review, review and financial forecast review.

- (1) When the company changes its accounting firm and the audit fees paid for the fiscal year in which such change took place are lower than those for the previous fiscal year, the amounts of the audit fees before and after the change and the reasons shall be disclosed: N/A
- (2) When the audit fees paid for the current fiscal year are lower than those for the previous fiscal year by 10 percent or more, the reduction in the amount of audit fees, reduction percentage, and reason(s) therefor shall be disclosed: N/A

3.6 Accountant Replacement Information: None

3.7 Chairman, GM, and manager responsible for financial or accounting affairs of the company, who have work in the firm of the certified public accountant or its affiliated company:None

3.8 Changes in Shareholding of Directors, Supervisors, and Managers whose Share Ratio Exceeds 10% during the most recent year until the publication of this annual report

3.8.1 Changes in Shareholding of Directors, Supervisors, Managers and Major Shareholders

Job title	Name	2023		May 10, 2024	
		Change in shares held	Change in pledged shares	Change in shares held	Change in pledged shares
Chairman and Major Shareholder (Note 2)	Dellson Investment Co., Ltd.	150,000	-	-	-
	Dellson Investment Co., Ltd. Representative: Chang, Tai Yuan	-	-	-	-
Vice Chairman and Major Shareholder (Note 2)	Sunrise Investment Co., Ltd.	-	-	-	-
Vice Chairman (Note 2)	Sunrise Investment Co., Ltd. Representative: Liu, Kuang Hua	-	-	-	-
Director (Note 3)	Hung, Tung Hsiung	-	-	-	-
Legal representative director (Note 3)	Young Win Assets Management CO., Ltd.	-	-	-	-
	Young Win Assets Management CO., Ltd. Representatives: Liu, Chih Chen	-	-	-	-
Independent director	Liu, Chun Ying	-	-	-	-
Independent director	Wu, Sou Shan	-	-	-	-
Independent director	Yang, Shang Hsien	-	-	-	-
Independent director	Lee, Chien Ming	-	-	-	-
General manager	Chang, Tai Yuan	-	-	-	-
Senior Deputy General Manager	Hsu, Yao Kun	(296,444)	-	-	-
Senior Deputy General Manager	Huang, Chin Ming	(74,000)	-	-	-
Deputy General Manager	Hung, Chin Fu	(1,000)	-	(2,000)	-
Deputy General Manager	Li, Yung Ta	11,556	-	-	-
Deputy General Manager	Huang, Shih Hui	-	-	-	-
Deputy General Manager	Chang, Yu Chung	(9,000)	-	-	-
CFO	Hsu, Pei Wen	(1,000)	-	-	-
Director	Hsu, Ching Chih	4,622	-	-	-
Accounting Director	Chen, Ying Hsuan	-	-	-	-

Note 1: Shareholders holding more than 10% of the company's total shares should be marked as major shareholders and listed separately.

Note 2: Financial Officer Hsu, Pei Wen retired on 2024/3/31.

3.8.2 Information that the directors, supervisors, managers, and shareholders who hold more than 10% of the shares are related parties involved in the transfer of equity: None

3.8.3 Information that directors, supervisors, managers, and the counterparties of shareholders who hold more than 10% of the shares pledged are related persons: None

3.9 Relationship of the Top 10 Shareholders

April 20, 2024; Unit: Shares

Name (Note 1)	Holding shares		Spouse		Total Holding Shares		Relationships (Note 3)		Note
	Shares	Ratio (Note 2)	Shares	Ratio (Note 2)	Shares	Ratio (Note 2)	Name	Relation	
Sunrise Investment Co., Ltd.	6,100,000	9.23%	0	0	0	0	None	None	None
Sunrise Investment Co., Ltd. Representatives: Liu, Kuang Hua	1,316,000 (Note 4)	1.99%	906,000 (Note 5)	1.37%	1,550,000	2.35%	Wu, Yi Chuan	None	None
Dellson Investment Co., Ltd.	3,864,000	5.85%	0	0	0	0	None	None	None
Dellson Investment Co., Ltd. Representative: Chang, Tai Yuan	711,325	1.08%	470,467	0.71%	3,864,000	5.85%	None	None	None
Young Win Assets Management CO., Ltd.	1,550,000	2.35%	0	0	0	0	None	None	None
Young Win Assets Management CO., Ltd. Representatives: Wu, Yi Chuan	906,000 (Note 5)	1.37%	1,316,000 (Note 4)	1.99%	0	0	Liu, Kuang Hua	None	None
Nomura Fund Special Account	1,180,000	1.79%	0	0	0	0	None	None	None
Ou, Rui Yun	1,170,000	1.77%	0	0	0	0	None	None	None
Nomura High-Tech Fund Special Account	1,155,000	1.75%	0	0	0	0	None	None	None
Tai shin International Commercial Bank is entrusted with Liu, Kuang Hua Trust Property Account	1,100,000	1.66%	0	0	0	0	None	None	None
Yong Lixing Investment Co., Ltd.	1,100,000	1.66%	0	0	0	0	None	None	None
Yong Lixing Investment Co., Ltd. Representative: Peng, Yi ling	187,116	0.28%	236,764	0.36%	1,100,000	1.66%	None	None	None
Chung, Hsien tsang	858,000	1.30%	0	0	0	0	None	None	None
Nomura e-Technology Fund Special Account	801,000	1.21%	0	0	0	0	None	None	None

Note 1: The names of shareholders are listed separately (for legal person shareholders, the names of legal person shareholders and their representatives are listed separately).

Note 2: The calculation of shareholding ratio refers to the calculation of shareholding ratio in their own name, spouse, minor children or in the name of others.

Note 3: The shareholders listed above include legal persons and natural persons and the relationship between them is disclosed in accordance with the issuer's financial reporting standards.

Note 4: Among them, the special account of trust property holds 1,100,000 shares.

Note 5: Among them, 700,000 shares are held by the special account of trust property.

3.10 The influence of the Company's operational performance, earnings per share and shareholders' return on investment caused by the bonus shares

December 31, 2023; Unit: thousand shares

Title (Note 1)	Holding		Investment of Directors, Supervisors		Comprehensive Investment	
	Shares	Ratio	Shares	Ratio	Shares	Ratio
Great Hinge Trading Ltd.	10	100%	-	-	10	100%
Smart Hinge Holdings Ltd.	28,434	100%	-	-	28,434	100%
Jarson Precision Technology Co., Ltd.	15,000	100%	-	-	15,000	100%
Jarlllytec USA, LLC	-	0	-	-	-	0
Jarwin Investment Co., Ltd.	8,000	100%	-	-	8,000	100%
Jarlllytec (Singapore) Pte. Ltd. (Note 2)	-	100%	-	-	-	100%
Jarlllytec (Vietnam) Co., Ltd. (Note 2)	-	100%	-	-	-	100%
Royal Jarlly Holding Ltd.	28,434	100%	-	-	28,434	100%
Shanghai Jarlly (Note 2)	-	100%	-	-	-	100%
Fu-Qing Jarlly (Note 2)	-	100%	-	-	-	100%
Dong Guan Jarlly (Note 2)	-	100%	-	-	-	100%
Kunshan Jarlly (Note 2)	-	100%	-	-	-	100%
Jarlly Electronic Shanghai (Note 2)	-	100%	-	-	-	100%
Xiamen Jarlly (Note 2)	-	100%	-	-	-	100%
Chongqing Jarlly (Note 2)	-	100%	-	-	-	100%
Jarlllytec (Thailand) Co., Ltd.	2,000	100%			2,000	100%
ZheJiang Jarlly Precision Technology Co., Ltd.	-	100%	-	-	-	100%

Note 1: It is an investment made by the Company using the equity method.

Note 2: Jarlllytec USA was liquidated in 2022.

Note 3: Fu-Qing Jarlly, Shanghai Jarlly, Dong Guan Jarlly, Kunshan Jarlly, Jarlly Electronic Shanghai, Xiamen Jarlly, Chongqing Jarlly, Jarlllytec (Singapore) Pte. Ltd., Jarlllytec (Vietnam) Co., Ltd. and ZheJiang Jarlly Precision Technology Co., Ltd. are all limited companies, therefore No shares issued.

4. Capital Overview

4.1 Capital and Shares

4.1.1 Source of Capital

April 20, 2024

Type of stock	Authorized Capital			Remark
	Outstanding Shares	Unissued Shares	Total	
Common Stock	66,091,364 shares	53,908,636 shares	120,000,000 shares	OTC stock

(1) The formation of share capital

Unit: NT\$ thousand; thousand shares

Date	Price	Authorized capital		Paid-in capital		Remark		
		Shares	Amount	Shares	Amount	Source of capital	Capital paid in by assets other than cash	Other
July 2004	10	100	1,000	100	1,000	Established NT1,000	none	Note 1
December 2004	15	12,000	120,000	12,000	120,000	Cash capital increase of RMB 119,000	none	Note 2
November 2005	20	25,000	250,000	25,000	250,000	Cash capital increase of RMB 130,000	none	Note 3
August 2006	10 70	35,000	350,000	33,800	338,000	Capital increase of RMB 28,000 from surplus Cash capital increase of RMB 60,000	none	Note 4 Note 5
August 2007	10	60,000	600,000	40,960	409,600	Capital increase of RMB 71,600 from surplus	none	Note 6
March 2008	65	60,000	600,000	45,970	459,700	Cash capital increase of RMB 50,100	none	Note 7
September 2008	10	60,000	600,000	48,768	487,685	Capital increase of RMB 27,985 from surplus	none	Note 8
February 2009	10	60,000	600,000	48,291	482,905	Cancellation of treasury shares with a share capital of RMB 4,780	none	Note 9
March 2009	10	60,000	600,000	48,527	485,266	\$2,361 for the replacement of new shares by employee stock option certificates	none	Note 10
August 2009	10	60,000	600,000	49,982	499,824	Capital increase of RMB 14,558 from surplus	none	Note 11
October 2009	10	60,000	600,000	50,059	500,590	Employee stock option certificates were exchanged for new shares of \$766	none	Note 12
April 2010	10	60,000	600,000	50,312	503,119	\$2,529 for the replacement of new shares by employee stock option certificates	none	Note 13
July 2010	10	60,000	600,000	50,353	503,528	Employee stock option certificates are exchanged for new shares of \$409	none	Note 14
October 2010	10	60,000	600,000	50,373	503,726	Employee stock option certificates are exchanged for new shares of \$198	none	Note 15
January 2021	10	60,000	600,000	50,547	505,472	Employee stock option certificates were exchanged for new shares of RMB 1,746	none	Note 16
April 2021	10	60,000	600,000	50,551	505,514	\$42 for the replacement of new shares by employee stock option certificates	none	Note 17
October 2016	60	70,000	700,000	60,551	605,514	Cash capital increase of \$100	none	Note 18
October 2018	10	70,000	700,000	60,121	601,214	Cancellation of treasury shares with a share capital of RMB 4,300	none	Note 19
September 2023	10	120,000	1,200,000	60,123	601,228	\$14 for the replacement of new shares by Convertible corporate bonds		Note 20

Date	Price	Authorized capital		Paid-in capital		Remark		
		Shares	Amount	Shares	Amount	Source of capital	Capital paid in by assets other than cash	Other
December 2023	10	120,000	1,200,000	64,815	618,153	\$46,925 for the replacement of new shares by Convertible corporate bonds		Note 21
February 2024	10	120,000	1,200,000	66,091	660,914	\$12,761 for the replacement of new shares by Convertible corporate bonds		Note 22

Note 1: The establishment registration was approved by the letter of Shuzhong Zi No. 09332366390 on July 07, 2004

Note 2: The change registration was approved by the letter of Shuzhong Zi No. 09431567730 on January 18, 2005

Note 3: The change registration was approved by the letter of Shuzhong Zi No. 09433238720 on November 28, 2005

Note 4: The change registration was approved by the letter of Shuzhong Zi No. 09532692440 on 2006.08.17

Note 5: The change registration was approved by the letter of Shuzhong Zi No. 09532800370 on 2006.09.06

Note 6: The change registration was approved by the letter of Shuzhong Zi No. 09632685250 on August 29, 2007

Note 7: The change registration was approved by the letter of Shuzhong Zi No. 09732059320 on April 14, 2008

Note 8: The change registration was approved by the letter of Shuzhong Zi No. 09733188570 on 2008.10.02

Note 9: The change registration was approved by the letter of Shuzhong Zi No. 09831746290 on February 20, 2009

Note 10: The change registration was approved by the letter of Shuzhong Zi No. 09832095670 on April 20, 2009

Note 11: The change registration was approved by the letter of 2009.8.26 by Shuzhong Zi No. 09832920600

Note 12: The change registration was approved by the letter of Shuzhong Zi No. 09801247630 issued on October 29, 2009

Note 13: The change registration was approved by the letter of 2010.4.20 by Shuzhong Zi No. 09901076760

Note 14: The change registration was approved by the letter of Shuzhong Zi No. 09901160480 on July 19, 2010

Note 15: The change registration was approved by the letter of Shuzhong Zi No. 09901236520 on 2010.10.21

Note 16: The change registration was approved by the letter of Shuzhong Zi No. 10001012680 on January 19, 2021

Note 17: The change registration was approved by the letter of Shuzhong Zi No. 10001075820 on April 18, 2021

Note 18: The change registration was approved by the letter of Shuzhong Zi No. 10501257490 on 2016.11.03

Note 19: The change registration was approved by the letter of Shuzhong Zi No. 10701133080 on October 31, 2018

Note 20: The change registration was approved by the letter of Shuzhong Zi No. 11230168170 on September 6, 2023

Note 21: The change registration was approved by the letter of Shuzhong Zi No. 11230227110 on December 11, 2023

Note 22: The change registration was approved by the letter of Shuzhong Zi No. 11330026600 on February 27, 2024

(2) General information about the reporting system: None.

4.1.2 Shareholder structure

April 20, 2024; Unit: thousand shares

Shareholder composition Quantity	Government agencies	Financial institutions	Other legal entities	Individuals	Foreign institutions & foreign individuals	Total
Number of Shareholders	4	51	231	25,998	79	26,363
Shareholding (shares)	1,672	8,553	15,795	37,028	3,043	66,091
Percentage	2.53%	12.94%	23.90%	56.03%	4.60%	100.00%

4.1.3 Equity dispersion situation

(1) Dispersion of common shares

April 20, 2024; \$10 per share

Classification	Number of Shareholders	Shareholding (Shares)	Percentage
1 to 999	18,024	506,659	0.77%
1,000 to 5,000	7,367	12,364,489	18.71%
5,001 to 10,000	457	3,640,687	5.51%
10,001 to 15,000	153	1,992,413	3.01%
15,001 to 20,000	94	1,750,021	2.65%
20,001 to 30,000	71	1,794,995	2.72%
30,001 to 40,000	39	1,410,499	2.13%

Classification	Number of Shareholders	Shareholding (Shares)	Percentage
40,001 to 50,000	33	1,543,733	2.34%
50,001 to 100,000	48	3,517,727	5.32%
100,001 to 200,000	34	4,893,585	7.40%
200,001 to 400,000	17	4,507,764	6.82%
400,001 to 600,000	10	5,039,467	7.63%
600,001 to 800,000	6	4,251,325	6.43%
800,001 to 1,000,000	2	1,659,000	2.51%
1,000,001 or more	8	17,219,000	26.05%
Total	26,363	66,091,364	100.00%

(2)Dispersion of preferred shares: None.

4.1.4 List of major shareholders (revealing the names of the top ten shareholders, amount and proportion of shares held)

April 20, 2024; Unit: Shares

Shareholder's Name	Shares	Percentage
Sunrise Investment Co., Ltd.	6,100,000	9.23%
Dellson Investment Co., Ltd.	3,864,000	5.85%
Young Win Assets Management Co., Ltd.	1,550,000	2.35%
Nomura Fund Special Account	1,180,000	1.79%
Ou, Rui Yun	1,170,000	1.77%
Nomura High-Tech Fund Special Account	1,155,000	1.75%
Tai shin International Commercial Bank is entrusted with Liu, Kuang Hua Trust Property Account	1,100,000	1.66%
Yong Lixing Investment Co., Ltd.	1,100,000	1.66%
Chung, Hsien tsang	858,000	1.30%
Nomura e-Technology Fund Special Account	801,000	1.21%

4.1.5 Stock price, net worth, earnings, dividends and related information per share for the last two years

Unit: New Taiwan dollar; thousand shares

			2022	2023	As of March 31, 2024
Market price per share *1	Highest		81.70	254.00	300.50
	Lowest		49.80	59.50	178.00
	Average		70.47	154.61	244.96
Net worth per share *2	Before Distribution		76.16	79.63	85.55
	After Distribution		73.16	75.13	-
Earnings per share	Weighted Average Shares (thousand shares)		60,121	61,630	61,630
	EPS *3	Diluted Earnings Per Share	7.88	8.69	2.50
		Adjusted Diluted Earnings Per Share	7.88	8.69	-
Dividends per share	Cash dividend		3	4.5	-
	Stock dividends	Dividends from retained earnings	0	0	-

			2022	2023	As of March 31, 2024
		Dividends from capital reserve	0	0	-
		Accumulated undistributed dividends ^{*4}	0	0	-
Return on investment analysis		Price/earnings ratio ^{*5}	8.94	17.79	-
		Price/dividend ratio ^{*6}	23.49	34.36	-
		Cash dividend yield ^{*7}	4.26%	2.91%	-

* Disclose the market price and cash dividend information retrospectively adjusted according to the number of issued shares and the conversion of surplus or capital reserve into capital increase and allotment

Note 1: List the highest and lowest market prices of ordinary shares in each year and calculate the average market price of each year based on the transaction value and transaction volume in each year.

Note 2: The number of shares issued at the end of the year shall prevail and it shall be filled in according to the situation of distribution through the resolution of the shareholders' meeting of the following year.

Note 3: If retrospective adjustment is required due to free allotment, the earnings per share before and after adjustment shall be listed.

Note 4: If the conditions for the issuance of equity securities stipulate that the undistributed dividends in the current year shall be accumulated until earnings are distributed in the year, the accumulated and unpaid dividends up to the current year shall be disclosed separately.

Note 5: P/E ratio = average closing price per share for the year/earnings per share.

Note 6: Cost-to-earnings ratio = average closing price per share for the year/cash dividend per share.

Note 7: Cash dividend yield = cash dividend per share / average closing price per share for the year.

Note 8: The net value per share and earnings per share shall be filled with the information checked (reviewed) by the accountants in the most recent quarter up to the printing date of the annual report; other fields shall be filled with the information of the current year up to the printing date of the annual report.

Note 9: The Company's 2021 earnings distribution proposal has been approved by the board of directors but has not yet been resolved by the shareholders' meeting.

4.1.6 Company Dividend Policy and Implementation Status

(1) Company Dividend Policy

According to the provisions of Article 22-1 of Chapter VI of the Articles of Association:

If the Company had earnings at the end of the fiscal year, the Company shall first pay its tax, offset its losses in previous years and set aside a legal capital reserve at 10% of the earning left over, until the accumulated legal capital reserve has equaled the total capital of the Company. As the Company operation needs and provision of regulation shall set aside a special capital reserve, if there is surplus and unallocated surplus at the same period, it shall be allocated from 0% to 90% for shareholder dividends, by the board of directors to prepare a surplus distribution proposal submitted to the resolution of the shareholders' meeting.

When the Company sets aside special reserve according to the law, the insufficiency shall be allocated from the cumulative amount of net increase of investment properties at fair value in the preceding periods and the cumulative amount of net decrease in other equities in the preceding periods. If there remains any insufficiency, allocate it from the amount of the after-tax net profit for the period, plus items other than after-tax net profit for the period, that are included in the undistributed earnings of the period.

In accordance with the provisions of Paragraph 5 of Article 240 of the Company Act, the company authorizes the board of directors to distribute dividends and bonuses with the attendance of more than two-thirds of the directors and the resolution of more than half of the directors present. All or part of the statutory surplus reserve and capital reserve prescribed in Paragraph 1 of Article 1 shall be distributed in cash and reported to the shareholders' meeting.

The future dividend policy of the Company will be expanded with the Company's business development, taking into account the future capital expenditure budget and capital requirement of the Company, the interests of shareholders, balancing dividends and long-term financial planning of the Company, such as cash dividends or stock dividends, only the cash dividend issued each year shall not be less than 10% of the total dividend distributed in the current year.

(2) Circumstances of the proposed dividend distribution at the shareholders' meeting

The company's 2023 earnings distribution plan was approved by the board of directors on May 6, 2024, and submitted to the shareholders' meeting for resolution. The proposed distribution of dividends was as follows

Unit: NT\$

Item	Amount	
	Subtotal	Sum
Beginning of period undistributed earnings		1,957,854,913
Add : Add:2023 Net profit after tax	535,279,403	
Minus : 2023 Measure on defined benefit plans	(6,116,000)	
Minus : Legal reserve appropriated	(52,916,340)	
Minus : Special reserve appropriated	(54,131,455)	
Distributable earnings		2,379,970,521
Distributed items :		
Stock dividend to shareholders	0	
Cash dividend to shareholders (per share NT\$ 4.5)	(297,411,138)	
Accumulated undistributed earnings		2,082,559,383

4.1.7 The impact of the proposed free allotment of shares at the shareholders' meeting on the company's operating performance and earnings per share

The company did not distribute stock dividends for shareholders and employees at this shareholders' meeting, and did not disclose the financial forecast for 2022, and there is no need to disclose the estimated information for 2023. Therefore, the free allotment of shares has no impact on the company's operating performance and earnings per share.

4.1.8 Remuneration of employees, directors and supervisors

- (1) The percentage and scope of remuneration for employees, directors and supervisors as stated in the company's articles of association

According to Article 22 of Chapter VI of the Articles of Association of the Company:

"If the company has a profit in the year, it should allocate no less than 2% as employee compensation and no more than 2% as director compensation. However, when the company still has accumulated losses, it should reserve the amount in advance to make up for it.

- (2) The Basis for estimating the amount of remuneration of employees, supervisors, and directors, for calculating the number of shares to be distributed as employee remuneration, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated amount, for the current period.

For the years ended December 31, 2023, t The estimated amounts of employee remuneration and director remuneration of the company in 2023 are 47,162 thousand yuan and 11,791 thousand yuan respectively. These amounts were calculated by using the Company's pre tax net profit for the period before deducting the amounts of the remuneration to employees and directors, multiplied by the distribution of ratio of the remuneration to employees and directors based on the Company's articles of incorporation, and expensed under operating costs or expenses. Related information would be available at the Market Observation Post System website. The amounts, as

stated in the financial statements are identical to those of the actual distributions for 2023. If there is a change after the release of the financial report in the next year, it will be treated as a change in accounting estimate, and the impact of the change will be recognized as profit or loss for the next year

(3) Remuneration distribution approved by the board of directors

- A. Employee remuneration and director and supervisor remuneration amount distributed in cash or stock. If there is a discrepancy with the estimated amount in the year of recognition of expenses, the number of discrepancies, reasons and handling shall be disclosed

March 8, 2024, the board of directors resolved to approve the amount of employee remuneration and directors' remuneration to be distributed:

Unit: NT \$

Proposed Allotment Amount	
Employee Compensation (Cash)	47,162,096
Director's Remuneration	11,790,524

Discrepancy with the estimated amount in the year in which the expense is recognized, the number of discrepancies, reasons and handling shall be disclosed: No discrepancy.

- B. The amount of employee compensation distributed in stock and its proportion to the net profit after tax and total employee compensation in the current period's individual or individual financial report

There is no amount of employee remuneration proposed to be distributed in stock by the board of directors, so it is not applicable.

- (4) The actual distribution of the remuneration of employees, directors and supervisors in the previous year (including the number of shares distributed, amount and stock price), and the difference between the remuneration of employees, directors and supervisors recognized, and the difference and reasons shall be stated and handling

	2022		
	Income Statement Recognition Number	The actual number of allotments as resolved by the shareholders' meeting	Difference
Employee cash bonus	50,995,710	50,995,710	None
Employee Stock Bonus	0 元	0 元	None
Director's Remuneration*1	12,748,927	12,748,927	None

Note: On June 21, 2017, the company established an audit committee to replace the supervisory authority.

4.1.9 The company bought back the company's shares: None

4.2 Handling of corporate bonds

The company issued 8,000,000 shares on January 8, 2024, with an interest rate of 0% in NTD denominated three-year convertible corporate bonds, and the principal amount is NT\$800,000,000.

Type of corporate bonds	2nd domestic unsecured convertible corporate bonds
Issue (transaction) date	01/8/2024
Face value	NT\$100,000
Place of issue and trading	N/A
Issue price	Issued at 113.20% of par value
Issue amount	NT\$905,604,010
Coupon rate	The coupon rate is 0%
Term	3 Years Expiration Date: 2027/1/8
Guarantor	N/A
Trustee	Bank Sincac Co., Ltd.
Underwriter	SinoPac Securities Co., Ltd.
Attesting lawyer	Attorney Yawen Qiu, Far East Law Offices
Attesting CPA	None
Redemption method	Unless the bondholders are converted into ordinary shares of the Company in accordance with Article 10 of the Issuance and Conversion Regulations, or the Company may redeem them in advance in accordance with Article 18 of the Issuance and Conversion Regulations, or the Company may buy back and cancel them from the business office of a securities firm, When the convertible corporate bonds mature, the company will repay in cash in one lump sum according to the bond face value. Payments will be made within five business days (including the fifth business day) after the due date.
Unredeemed balance	NT\$800,000,000
Conditions for redemption or early redemption	Refer to Issuance and Conversion Methods
Restrictive covenants	Refer to Issuance and Conversion Methods
Name of rating agency, date and result of rating: N/A	
Other rights	The monetary amount of common shares, global depositary receipts, or other securities already converted, exchanged, or subscribed up to the annual report publication date:None
	The issuance and conversion, exchange, or subscription rules: Refer to Issuance and Conversion Methods

Type of corporate bonds	2nd domestic unsecured convertible corporate bonds
The possible dilution of shareholding and influence on shareholder equity caused by the issuance and conversion, exchange, or subscription rules and the terms of issuance.	The company issued the first domestic convertible corporate bonds of \$800,000,000. As of April 30, 2024, the outstanding balance was \$800,000,000 and the latest conversion price was \$199. It is assumed that the convertible corporate bond creditors will all convert the conversion price to \$199 in the future. In the case of ordinary shares, it will be convertible into 4,020,000 ordinary shares of the company. Based on the company's 66,091,000 shares of the company's outstanding shares on April 30, 2024, the estimated number of convertible shares will be added. The maximum dilution to the original shareholder's shareholding ratio is 5.73%. Interests are not yet materially affected.
Name of the custodian institution of the exchangeable underlyings	N/A

Information of convert corporate bonds

Types of corporate bonds		The conversion of corporate bonds
Year		As of May 10,2024
Market price of convertible corporate bonds	Maximum	155.00
	Minimum	113.60
	Average	126.09
Conversion price		NT\$199 per share
Issuance (transaction) date and conversion price at issuance		Issued on 2024/1/28 NT\$199 per share
Method for performance of conversion obligations		Perform conversion obligations by issuing new shares

4.3 **Status of Preferred stock: None**

4.4 **Global Depository Receipts: None**

4.5 **Employee Stock Options: None**

4.6 **Status of New Shares Issuance in Connection with Mergers and Acquisitions rights: None**

4.7 **Financing Plans and Implementation: None**

4.8 **Execution of the capital utilization plan:**

2nd domestic unsecured convertible corporate bonds

(1) Plan content

1. The total amount of funds required for this project is NT\$905,604 thousand.

2. Sources of funds

The company is issuing 8,000 domestic second unsecured conversion corporate bonds, each with a face value of NT\$100,000. It is publicly underwritten through a bidding auction. The issuance period is three years. The coupon rate is 0%, based on 113.20% of the face value. issuance, the actual total amount raised was NT\$905,604 thousand.

3. Planned projects and application progress

Unit: New Taiwan dollar; thousand

Project	Estimated completed date	Total funds required	Scheduled fund utilization progress			
			2024Q1	2024Q2	2024Q3	2024Q4
repay bank loan	2024Q1	400,000	400,000	-	-	-
working capital	2024Q1	249,604	249,604	-	-	-
investment- Jarllytec (Vietnam) Co., Ltd.	2024Q4	256,000	-	128,000	-	128,000
Total		905,604	649,604	128,000	-	128,000

4. Estimated possible benefits

The total amount of funds used by the company in this project is NT\$905,604 thousand which is mainly used to repay bank loans, enrich working capital and reinvest in overseas subsidiaries. The expected benefits are as follows :

(1) repay bank loan

The 400,000 yuan in the plan to raise funds this time is intended to be used to repay bank loans. If calculated based on the amount of bank loans to be repaid and the borrowing interest rate, it is expected that interest expenses of approximately 5,583 thousand and 6,700 thousand will be saved in 2024 and thereafter. Yuan, in addition to reducing financial burdens, it can also improve short-term debt solvency, reduce the erosion of profits by interest costs, reduce dependence on bank borrowings and increase the flexibility of capital utilization, thereby improving operational competitiveness.

(2) working capital

The 249,604 thousand yuan in the plan to raise funds this time is intended to be used to supplement working capital. If the funds raised are used to replace bank financing that may be caused by a shortage of funds in the future, the borrowing rate in the third quarter of 2023 will be (0.975%~1.85 %) is assumed to be an average interest rate of 1.41%, it is expected to save approximately 2,933 thousand yuan and 3,519 thousand yuan in interest expenses in 2024 and subsequent years respectively. It can also moderately reduce the company's financial burden and avoid interest expenses from eroding profits. It can reduce dependence on banks and increase flexibility in the use of funds, thereby increasing its long-term competitiveness.

(3) investment- Jarllytec (Vietnam) Co., Ltd.

In response to business development and customer needs, the company has deployed in Southeast Asia in advance and established overseas production bases. Construction of the first phase of the factory will begin in Vietnam in 2021 and will be completed in mid-2022. As the Sino-US trade conflict intensifies, the industry is forced to The pressure on the supply chain to move out of China is increasing. In order to respond to the order demand from American customers, the company plans to expand the scale of its subsidiary Jarllytec Vietnam's factory in Vietnam. The company will increase its shareholding in the subsidiary with 256,000 yuan in the capital raising plan. The company Great Hinge reinvested in Jarllytec Vietnam, a 100%-owned subsidiary of Great Hinge, to support part of the capital expenditures required by the subsidiary company Jarllytec Vietnam to expand the second phase of the factory and purchase machinery and equipment. The remaining funds required for the factory expansion plan were provided by Jarllytec Vietnam is expected to use its own funds or other financing methods to expand the production scale of the company's hub products and disperse the risk of over-concentration of production lines in China. It can also leverage Vietnam's extensive tariff and trade agreements with Southeast Asia and other countries around the world. To enhance the company's long-term competitiveness, the company is expected to recognize cumulative investment income of 303,529 thousand yuan from 2024 to 2035, and the estimated capital recovery period is approximately 11.53 years.

5. The content of the plan has not yet reached the deadline set by the project. The projects are currently ongoing and the projects have not been changed, so they are not applicable.

(2) Execution situation

Unit: New Taiwan dollar; thousand

Project	Execution situation		As of the first quarter of 2024	Reasons why progress is ahead or behind and improvement plans
repay bank loan	Amount of expenditure	reserve	400,000	
		actual	400,000	
	Execution progress	reserve	100.00%	
		actual	100.00%	
working capital	Amount of expenditure	reserve	144,000	
		actual	144,000	
	Execution progress	reserve	100.00%	
		actual	100.00%	
investment- Jarllytec (Vietnam) Co., Ltd.	Amount of expenditure	reserve	-	According to the utilization progress, the funds are expected to be transferred to the subsidiary company - Jarllytec Vietnam in the second quarter and fourth quarter of 2024 respectively. Therefore, as of the first quarter of 2024, the expenditure has not yet started. The actual implementation progress is 0%, which is consistent with the estimated implementation progress.
		actual	-	
	Execution progress	reserve	0%	
		actual	0%	

1. If it is a merger or acquisition of another company, expansion or new construction of real estate, plants and equipment, a comparative explanation of the real estate, plants and equipment, operating income, operating costs and operating interests should be provided. : NA .
2. If it is a re-investment into another company, the operating conditions of the re-investment enterprise and the impact on the company's investment profits and losses should be explained. : The project deadline has not yet been reached, so it is not applicable.
3. If the purpose is to enrich working capital and repay debts, a comparative explanation of the increase or decrease in current assets, current liabilities and total liabilities, interest expenses, operating income and other items and earnings per share should be provided, and the financial structure should be analyzed. :

Item / Year	Before fundraising	After fundraising
	2023	2024Q1
debt ratio	29.64%	30.63%
Ratio of long-term funds to property, plant and equipment	387.79%	434.01%
current ratio	104.29%	160.89%
quick ratio	92.00%	140.99%

The company's issuance of domestic second conversion corporate bonds will be completed in the first quarter of 2024, of which 400,000 yuan will be used to repay bank loans. It is estimated based on the company's individual financial figures in the first quarter of 2024 after auditing by accountants. , after repaying bank borrowings and long-term equity investments, although the estimated debt ratio will increase slightly from 29.64% in 2023 to 30.63%, the ratio of long-term funds to real estate, plant and equipment is expected to increase from 387.79% in 2023 to 434.01%; the current ratio and quick ratio are expected to increase from 104.29% and 92.00% to 160.89% and 140.99% respectively. In addition to increasing the stability of long-term funds and improving the company's mid- and long-term competitiveness, it will also have a positive impact on the company's financial structure and short-term repayment. The improvement of debt capacity obviously has positive benefits..

The company issued the second domestic unsecured convertible corporate bond this time, of which

249,604,000 yuan was used to enrich working capital (because the actual raised amount exceeded the original planned issuance amount of 105,604,000 yuan, all was used to enrich working capital, and has been paid After the use of the funds, the amount of sufficient funds increased from 144,000 thousand yuan to 249,604 thousand yuan) to meet the company's increased demand for operating working capital to pay for daily operating expenses and purchase raw materials. In addition to reducing its dependence on banks, it also increased In addition to long-term stable funding sources and flexibility in fund utilization, if the funds raised are used to replace short-term financing from banks that may be short of funds in the future to meet the funds required for daily operating turnover, based on the borrowing interest rate in the third quarter of 2023 (Assuming an average interest rate of 1.41% (0.975%~1.85%), it is expected to save approximately RMB 3,519,000 in interest expenses each year. It can also moderately reduce the company's financial burden, reduce interest expenses that erode profits, and strengthen the financial structure, thereby increasing its long-term competitiveness.

5. Operational Highlights

5.1 Business Activities

5.1.1 Business Scope

(1) The business of the company is as follows

- A. CA02040 Spring Manufacturing.
- B. CA02990 Other metal products manufacturing.
- C. CB01990 Other machinery manufacturing.
- D. CC01020 Wire and Cable Manufacturing.
- E. CC01040 Lighting Equipment Manufacturing.
- F. CC01060 Manufacturing of wired communication machinery and equipment.
- G. CC01080 Manufacturing of electronic components.
- H. CC01110 Computer and peripheral equipment manufacturing.
- I. CQ01010 Mold manufacturing.
- J. F119010 Wholesale of electronic materials.
- K. F219010 Retailing of electronic materials.

(2) Proportion of business

Unit: NT\$ thousand

Product	2022		2023	
	Amount	%	Amount	%
Hinge	6,742,953	96.05	8,010,734	97.45
Optical fiber connector	277,655	3.95	209,929	2.55
Total	7,020,608	100.00	8,220,663	100.00

(3) The company's current products and services

- A. Hinge: Laptop/LCD Monitor/ AIO /LCD TV/Smartphone/Automotive Equipment
- B. Optical fiber connector

(4) New products and services planned to be developed

The new products currently expected to be developed are mainly the development project of an electric hub with a rotating and folding flexible screen, the development project of an innovative tablet computer with a cross-hinged hub technology that can automatically close, the development project of a hub technology of ultra-thin AR glasses, and the development project of ultra-thin AR glasses. The thin flexible screen water-drop type folding mobile phone hinge development project, the notebook computer hinge technology development of foldable flexible screen devices, the thin and light high-performance hinge structure and the high-tech manufacturing process research plan.

5.1.2 Industry overview

(1) Industry status and development:

The company mainly focuses on the research and development, production and sales of various hub components, accounting for approximately 97% of the company's revenue. Among them, folding mobile phones and liquid crystal displays (LCD Monitor and AIO) account for the highest proportion. Therefore, the company's industrial development is closely related to folding The mobile phone and LCD industries are inseparable; in addition, the connectors produced by our company are used in optical signal

transmission and are optical fiber connectors, which are classified as optical passive components in the optoelectronic industry. The following analysis is made on the current industry status of LCD monitors and notebook computers, foldable smartphones, and optical fiber connectors:

A. Hinge

i. Liquid crystal display (LCD Monitor and AIO)

According to a research report by the Taiwan Economic Research Institute's Industrial and Economic Database, thanks to the easing of the epidemic since 2023, business activities such as sightseeing, travel, and catering have gradually picked up, which will help boost the demand for commercial displays. However, although the active interest rate hike policies adopted by European and American countries are conducive to reducing global inflationary pressure, the recovery rate of the Chinese market is slower than expected, which affects the overall consumption power, driving global inflationary pressure to remain high, and end customers are actively destocking, stocking efforts have become conservative, so it is estimated that the annual decline rate of global LCD monitor shipments in 2023 will reach 5.58%, and the LCD industry is still in an unfavorable operating environment.

Although emerging application markets such as automotive and smart devices will continue to expand in 2023, which will help drive product shipment performance, the industry is in an unfavorable operating environment and end customers are conservative in stocking, resulting in sluggish overall demand and an increasingly competitive market. , is not conducive to the shipment performance of Taiwanese manufacturers' LCD monitors. Therefore, it is estimated that China's LCD monitor shipments will reach 73.81 million units in 2023, with an annual decrease rate of 10.85%, showing a continued decline.

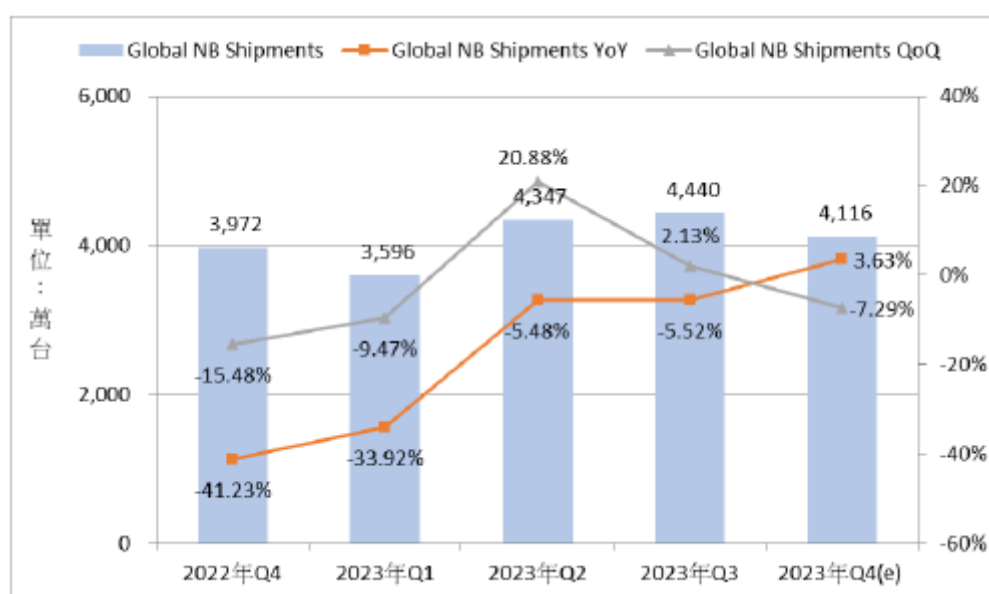
Looking forward to 2024, although the overall market uncertainty is still high, in terms of the operating environment, according to S&P Global forecast data, the global economic growth rate will reach 2.3% in 2024, maintaining low growth performance, but benefiting from the continued fermentation of the digital upgrade trend, the rise of new business models after the epidemic is conducive to driving the demand for commercial displays, and with the growing demand for smart applications, LCD monitor industry players are actively optimizing product functions, expanding niche product markets such as medical and industrial control, and are increasingly improving The proportion of high value-added products will be beneficial to the operating performance of industry players. Although it is expected that upstream panel prices will show a slight increase in 2024 compared with 2023, it will be detrimental to the profit performance of LCD industry players. However, compared with the base period of 2023, Low, so it is expected that the prosperity of China's LCD monitor manufacturing industry will show an improvement trend in 2024.

ii. Laptop

Observing the overview of global notebook computer shipments (see the chart below), although the world has gradually emerged from the haze of the epidemic and returned to normalcy since 2023, it has been disrupted by uncertain factors such as inflation, interest rate increases, US-China technology disputes, and

geopolitical risks. Weak global economic growth has affected consumer confidence and corporate spending. In the context of sluggish sales in the end market, global notebook computer shipments will decrease by 33.92%, 5.48%, and 5.52% sequentially from the first quarter to the third quarter of 2023. However, as Intel's 13th generation, Super Micro New notebook products with Ryzen 7000 series processors are being launched one after another, and Intel has cut prices to clear out previous-generation processor products. In addition, education tenders in North America and Europe have been released, and brand manufacturers have started to launch stores as channel inventories have been adjusted to relatively healthy levels. The demand for goods has prompted global notebook computer shipments to increase quarter by quarter, and the annual decline in the second and third quarters of 2023 will be significantly smaller than in the first quarter.

Entering the fourth quarter of 2023, although the global economic growth momentum is slow, with the emergence of replacement demand in the corporate business market and the launch of Intel's Core Ultra series notebook processors code-named "Meteor Lake", AI pens equipped with this processor will New electronic products are also on the market at the same time, and the base period for the same period in 2022 is low. Therefore, global notebook computer shipments are estimated to be 41.16 million units in the fourth quarter of 2023, an annual increase of 3.63%, ending seven consecutive quarters of decline.



Note: DIGITIMES Research classifies detachable models as Tablets, so NB shipments do not count such products.

Looking forward to the first half of 2024, despite the interference of uncertain factors such as geopolitical risks, U.S.-China technology disputes, and the direction of monetary policies of various countries, the global economic outlook is still not optimistic. Among them, the two major economies of the United States and China are facing insufficient consumption and investment respectively. This dilemma has led major international forecasting agencies to believe that the global economic growth rate in 2024 will be slightly lower than that in 2023, affecting consumer confidence and corporate spending.

However, after nearly two years of inventory adjustments in the laptop industry, market inventory has turned healthy. In addition, Microsoft will stop supporting

Windows 10 in October 2026. Demand for replacement laptops in the business market will gradually emerge from the fourth quarter of 2023. In addition, Intel Core Ultra series laptop processors and AMD Ryzen 8040 series laptop processors both emphasize AI computing capabilities. It is expected that more new AI laptop products will be launched in 2024, and Apple will also launch products using TSMC's 3nm process. The M3 processor is a new MacBook Air product, so most brand manufacturers are optimistic that shipments will resume growth in 2024. As the global laptop market recovers, it will help the performance of manufacturers in this industry in accepting orders. In addition, the base period of the same period in 2023 is relatively low. Therefore, it is estimated that the output value of China's notebook computer manufacturing industry will grow in the first half of 2024 compared with the same period in 2023. The industrial climate has improved.

iii. 3C Electronic Product (Folding Smartphone)

Folding mobile phones have gone through several years of transformation and optimization, and related technologies have gradually matured, bringing consumers an innovative appearance while also solving the contradiction between screen size and portability. The key to opening up the market in recent years is that technical obstacles have been clearly overcome. The key to its design completion is undoubtedly the flexible panel and hinge. At present, most brand manufacturers choose to develop and design the hub by themselves and leave it to suppliers for OEM. In order to achieve The differentiated competitive advantage of its own products, and the subsequent development of the folding mobile phone market depends on the speed of cost optimization. Key components such as UTG and hinges may be mass-produced after the specifications are unified, thereby effectively reducing costs. In addition, the shipments of foldable panels from Chinese panel manufacturers have begun to increase. Compared with Korean manufacturers, they have a price advantage, which is expected to further reduce the cost of foldable mobile phones. Brands can accelerate market penetration by lowering prices.

Folding screens must be closed seamlessly and at the same time, the bending angle must be reduced to reduce bending marks and increase the durability of the folding screen. Therefore, whether it is folded up and down or folded in and out, it needs to be closely coordinated, and product precision requirements are required. High, with high market value, it has gradually become the new flagship model representative of various brands. Although its penetration rate is very small (global mobile phone sales are estimated to be 1.17 billion units in 2023, foldable phones account for approximately 1.36%), but major manufacturers are Don't dare to ignore it. On the one hand, it can reflect the technical capabilities of the brand factory, and on the other hand, it is another entry point into the high-end market. According to research from a research institute, shipments of foldable mobile phones are expected to grow by another 11% in 2024, to about 17.7 million units, accounting for a slight increase to 1.5%.

B. Optical fiber connector

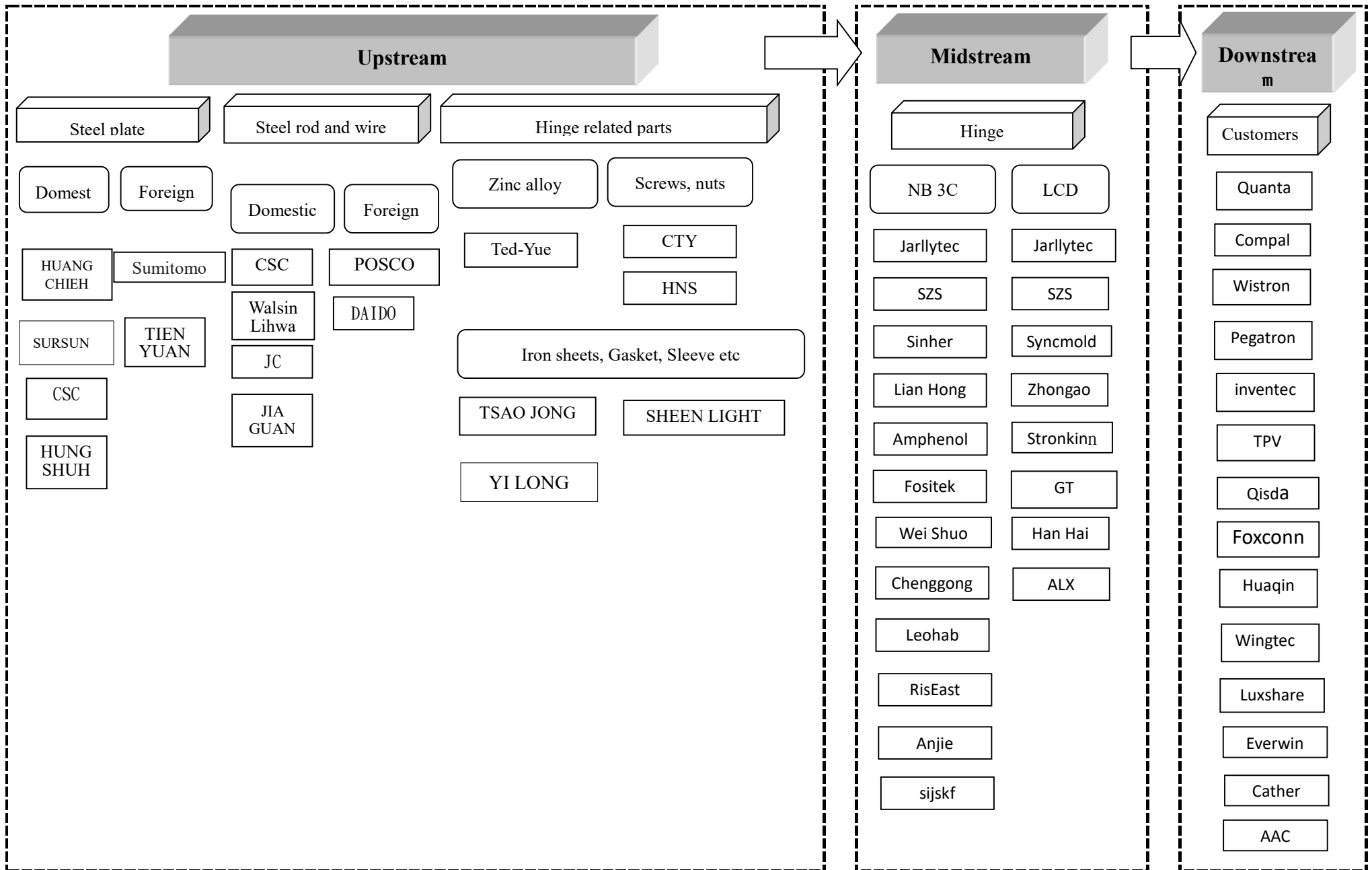
The upsurge of global information and communication infrastructure and the popularity of the Internet have driven services such as cable TV, distance learning, telemedicine and video conferencing and other high-speed broadband networks. The

trend of 3C integration and multimedia applications has highlighted the importance, urgency and inevitability of optical fiberization, optical communication has become a major mainstream in the field of communication. From long-distance telecommunication transmission to Internet and multimedia communication, optical fiber communication methods with high bandwidth, low loss and no electromagnetic interference during transmission have gradually attracted attention. Therefore, the rapid growth of optical fiber communication has replaced the traditional communication methods transmitted by copper wires.

Due to the high cost of optical fiber deployment, optical communication equipment depends on the capital investment of telecommunications companies around the world in equipment. According to Allied Market Research, the global fiber optic connector market is estimated to grow at a compound annual growth rate of 9.4% between 2020 and 2025, from \$4 billion in 2020 to \$6.2 billion in 2025.

(2) Upstream, Mid-stream and Downstream

The company's main product hinge, through the mechanical structure design, assembles many mechanical components into a finished hinge , and meets the inspection standards such as torque, hole position and durability required by customers. As far as this industry is concerned, the relevant hinge parts manufacturers (such as: male and female shafts, mandrels, castings, iron sheets, gaskets, screws, nuts, sleeves, metal powder injection) are upstream; the company is responsible for working with downstream customers. Collaborative development of structural design and assembly of hinge products belong to the midstream of the industry, and downstream is the manufacture of notebook computers, LCD monitors, 3C and other related system manufacturers. The upper, middle and downstream structures of the hinge industry As shown below:



(3) Product development trends and competition

A. Hinge

i. Liquid crystal display (LCD Monitor and AIO)

According to TrendForce research, monitor shipments will decrease by 7.3% year-on-year in 2023, reaching only 125 million units, which is lower than the pre-epidemic level. Looking forward to 2024, since the base period of shipments in 2023 is already low, coupled with the possibility of a slow economic recovery in 2024, and the normal PC replacement cycle is 4 to 5 years, some PCs purchased during the epidemic may have the opportunity to be sold in the second half of 2024. The replacement of monitors in 2025 will further promote global monitor shipments to increase by 2% annually in 2024, to approximately 128 million units.

As the undigested demand for business orders in Europe and the United States continues to ferment in the first half of 2022, the base period of business brand shipments in 2022 will be increased. By 2023, the business market demand will face a sharp shrinkage, resulting in the decline of the three major business monitor brands. become. Acer successfully upgraded its 60/75Hz products to 100Hz in 2023 with almost no price difference, driving shipments to increase by 6.7% annually.

On the other hand, shipments of some consumer brands will grow against the trend in 2023. Some brands mainly benefited from the booming demand in China's e-sports market, with shipments increasing by 8.8% year-on-year. Judging from the 2024 monitor brand shipment plans, the shipment targets of business and consumer brands are still conservative. Lenovo is the most aggressive in the business segment, with an annual shipment growth target of about 20%; consumer brands AOC/Philips, MSI (MSI), ASUS (ASUS) and Acer all have annual shipment growth targets of over 10%. On the contrary, Samsung Electronics, LG Electronics, and BenQ have set their 2024 shipments more conservatively, focusing on profitability and high-end product lines.

In the past, large-scale sports events have indeed helped stimulate market demand. However, as the global economic outlook is still poor, LCD TV panel shipments may fall short of the panel factory's set goals. TrendForce estimates LCD panel shipments in 2024 Approximately 242 million pieces, with an annual growth rate of approximately 3.4%; due to the increase in product size, the shipment area is expected to have an annual growth rate of 8.6%.

Currently, the 2024 shipment target set by the panel factory is about 251 million pieces in total. LCD TV panel operations have improved, and competition in IT panels is fierce. Therefore, it is necessary to rely on TV panel production capacity reduction to become the panel factory production in 2024. The main reason for the increase in willingness. In addition, the market has recently reported that a new wave of merger and acquisition opportunities may emerge in the panel industry, and we will continue to observe its impact on the panel market sector.

ii. Laptop

TrendForce, a research organization, said that due to the impact of global inflation

in 2023, the laptop market will continue to be weak, with full-year shipments of only 166 million units, an annual decrease of 10.8%, but the magnitude of the recession will be slightly less than in 2022. TrendForce pointed out that relevant innovative software applications are the key to whether AI PC can drive the growth of the future replacement wave.

In the first half of 2024, as major laptop manufacturers gradually destock, coupled with slowing inflation and market expectations that the Federal Reserve will cut interest rates as early as the first half of the year, corporate financing and borrowing costs will decrease and liquidity will increase. In addition, Microsoft (MSFT-US) operating system updates will promote system security upgrades for enterprise users, which is expected to drive demand for replacing old laptops with new ones.

Therefore, TrendForce expects that in the first half of 2024, as major laptop manufacturers gradually destock and under the favorable conditions of slowing inflation, the forecast index for a recent U.S. interest rate cut will rise. If the market expects that the U.S. Federal Reserve will start as soon as the first half of 2024, The interest rate cut will help reduce corporate financing borrowing costs and increase liquidity levels. Coupled with the generational change of Microsoft operating systems, it will promote the system security upgrade of corporate users, which is expected to drive the demand for replacing old laptops with new ones. Therefore, TrendForce expects , the notebook computer market demand will improve quarter by quarter in 2024, and the global notebook computer market will show moderate growth, with an annual growth rate of approximately 3.6%, reaching 172 million units.

However, TrendForce believes that due to the significant improvement in AI PC chip performance, coupled with the increase in specifications for memory, batteries, cooling and other related components, terminal prices have naturally increased. Therefore, the initial audience for AI PCs is still focused on high-end business needs and content. The creator is the main core.

TrendForce further pointed out that in 2024 CES manufacturers will mostly focus on hardware competition. Even if consumers are willing to buy an AI PC for a try at a price that is more than 50% higher than the average selling price of ordinary laptops, there is currently no killer for AI PCs. Level applications, it is expected that the penetration rate will still be low in 2024 and the growth space will be limited. Therefore, related software innovative applications are the key to AI PC. Will AI PC drive the growth of global laptop shipments in the next two to three years and usher in a new wave of machine replacement? core key.

iii. 3C Electronic Product (Folding Smartphones)

According to research by research firm TrendForce, global foldable mobile phone shipments will reach 15.9 million units in 2023, an annual increase of approximately 25%, accounting for approximately 1.36% of the overall smartphone market; foldable mobile phone shipments in 2024 are estimated to be approximately 17.7 million units, an annual increase of approximately 25%. It increased by about 11%, and the proportion increased slightly to 1.5%. The growth rate is still lower than market expectations. It is expected that the proportion of folding mobile phone shipments may exceed 2% in 2025. From a mid- to long-term perspective,

TrendForce believes that it is imperative for the foldable phone market to continue to expand. It is estimated that shipments may reach 70 million units in 2027, accounting for approximately 5% of the overall smartphone market.

According to TrendForce analysis, there are two reasons for the slowdown in the growth of foldable mobile phones. The first is low consumer stickiness. It is understood that users who purchase foldable mobile phones for the first time have trouble with frequent repairs and lack confidence in the product, resulting in the need for replacement when there is a need. At this time, it is very likely to switch to purchasing a high-end smart flagship phone instead of a foldable phone. Secondly, the selling price of foldable mobile phones currently on the market has not yet reached the sweet spot for consumers, making it difficult to rely on selling price to achieve sales targets.

TrendForce said that the subsequent development of the folding mobile phone market depends on the speed of cost optimization. Among them, key components such as UTG and hinges may be mass-produced after the specifications are unified, thereby effectively reducing costs. In addition, Chinese panel manufacturers are beginning to increase their shipments of foldable panels, which have a price advantage over Korean manufacturers, which is expected to further reduce the cost of foldable mobile phones. Brands can accelerate market penetration by lowering selling prices.

In terms of brands, Samsung is still the market leader, but its market share has dropped from 80% in 2022 to less than 70% in 2023; Huawei's shipments have increased to 12%. Other brands including Xiaomi, Oppo, Vivo and other brands are all below 10%. Looking forward to 2024, Samsung's goal for foldable mobile phones is the same as in 2023, with a market share estimated to be about 60%; Huawei has significantly increased its shipment target for foldable mobile phones this year, and its market share is expected to exceed 20%.

B. Optical fiber connector

At present, the optical fiber technology is based on passive optical fiber network (PON). After deployment through FTTH (fiber to the home), FTTB (fiber to the building) and FTTx, VDSL is used to complete the last mile deployment. In the future, optical fiber network deployment, digital audio-visual and voice applications, and network storage requirements will become the main driving forces for the growth of the network industry. The most important thing in the field of optical communication is advanced technology. As Early as before the communication bubble in 2000, the optical communication technology in the laboratory can already reach the bandwidth of Tera (10¹² bit/s, 1 Tb) level, which is higher than that of today. The bandwidth of the Mega (10⁶ bit /s, 1 Mb) class that is popular in households is six orders of magnitude higher. In the past few years, the driving force for maintaining the growth of the optical communication market has come from the construction of FTTH and 3G infrastructure. The future development will depend on the upgrade of network bandwidth and the more popularization of FTTH. Currently, GEAPON is the mainstream specification in countries with leading FTTH markets in Japan and Asia, which is different from the GPON specification that is widely used in the United States. In the future, the industry will depend on whether China will adopt GPON or GEAPON more. China is regarded as the largest market for FTTH in the future.

In addition, the 10G EPON standard was formulated in November 2009, and the 10G market, which has been proposed for years, is just around the corner. Related companies have successively launched 10G EPON chips and equipment, which will gradually dominate the optical communication market in the next few years. By then, the bandwidth speed of FTTH end users is expected to move towards 100M. After the fiber-to-the-home market is popularized, it will enter a stage of continuous bandwidth upgrade. In addition, the world's major cable TV operators will also accelerate the pace of optical fiberization. Through RFoG or with various PON technologies, they can achieve bandwidth upgrades and save operating costs, bringing another wave of business opportunities to the optical communication industry.

Optical fiber connectors are used to connect between optical fibers, optical transmission equipment ports and optical fibers, and are used in data centers, wireless base station access, and fiber-to-the-home FTTx downstream. Like other optical devices, small size and high precision are the main directions of connector development in the future. With the large-scale opening of 5G base station construction, a new round of capital expenditures for wireless base station construction is accelerated, data centers are upgraded to 40G/100G, and large data centers are upgraded to 400G, which will further drive the application demand for optical fiber connectors. Among the fiber optic connectors, MPO/MTP is a multi-core multi-channel high-density fiber optic connector, which can connect to two rows of 24-core fibers at the same time. As the network data transmission rate is getting higher and higher, it is difficult for traditional fiber optic connectors to meet high-speed network standards in terms of core count and miniaturization. According to IEC international standards, high-density MPO/MTP connectors have become 40G and the standard interface of 100G network transmission.

5.1.3 Technology and R&D Overview

- (1) R&D expenses invested in the last five years and up to the date of publication of the annual report

Unit: NT\$ thousand

	2019	2020	2021	2022	2022	As of March 31, 2024
Research and Development Fees	197,469	230,672	279,822	220,943	223,795	52,418
Operating income	5,763,574	5,546,230	7,446,666	7,020,608	8,220,663	2,378,584
R&D expenses to revenue ratio	3.43%	4.16%	3.76%	3.15%	2.72%	2.20%

- (2) Developed technologies or products

- A. One-line pivot structure
- B. Shrapnel hinge structure
- C. Wrapped hinge structure
- D. Double- hinge 360-degree rotating structure
- E. Automatic drop structure
- F. Automatic pop-up structure
- G. Switch light and switch heavy structure
- H. Four-stage torsion shaft
- I. The notebook computer hinge of the automatic drop type with light switch and heavy switch
- J. Ultra-thin laptop hinge
- K. Four-link structure

- L. Lifting structure
- M. Photo frame structure
- N. Double hard screen seamless folding hinge structure
- O. Flexible screen horseshoe-shaped inner folding hinge structure
- P. Flexible screen drop-shaped inner folding hinge structure
- Q. External folding hinge structure of flexible screen
- R. Webcam hub structure
- S. Wireless bluetooth earphone box hub structure
- T. VR hub structure
- U. Flexible screen hub high-efficiency production technology
- V. Tablet computer leather case hub production technology

5.1.4 Long- and short-term business development plans

Jarllly has been focusing on the development of its own business. In response to industry development trends and changes in domestic and foreign business environments, it adjusts the company's constitution and enhances overall competitiveness through various long-term and short-term plans. The company's long-term and short-term plans are explained as follows:

(1) Short-term plans

A. Short-term market strategy

- i. Adjust product mix and strive for niche products for maximum profit.
- ii. Expand new customers and increase the market share of the hinge.
- iii. Accelerate and enhance customer satisfaction through the operation of the organization.

B. Short-term business strategy

- i. Continue to integrate internal and external resources of the company and establish strategic partnerships with suppliers to improve vertical integration capabilities.
- ii. Improve the self-made rate of components, reduce the ratio of outsourcing and the cost of raw materials.
- iii. Continue to introduce automated production equipment to improve production efficiency and product quality stability.
- iv. Assist and coach third-party manufacturers to improve the quality of their products.

C. Short-term R&D strategy

- i. Improvement and control of the existing species structure to enhance the efficiency of product production.
- ii. Strengthen the verification and experiment of the existing structure to improve the quality of the product and reduce the defective rate of the product.
- iii. Implement the simplified design experiment of the existing product structure, reduce the cost of the product structure and increase the competitiveness of the product.
- iv. Become a customer's R&D partner and shorten the product development schedule to meet the customer's product development and schedule requirements.

(2) Long-term plans

A. Long-term market strategy

- i. Develop OEM upstream customer communication channels and grasp business

- opportunities.
 - ii. Actively contact new customers, increase cross-category products and integrate customer needs. Accelerate and enhance customer satisfaction through the operation of the organization.
- B. Long-term business strategy
- i. Seek strategic alliance partners.
 - ii. Increase the added value of existing products.
 - iii. Create the best interests of employees and shareholders to introduce automated production equipment to improve production efficiency and product quality stability.
- C. Long-term R&D strategy
- i. Purchase precision processing machines to increase the processing capacity of precision parts.
 - ii. Cooperate with brand customers to form R&D partners to fully grasp the R&D orientation of new models and effectively invest R&D resources.
 - iii. Recruit outstanding R&D talents, strengthen the education and training of R&D personnel and strengthen the ability of the R&D team.
 - iv. According to market trends, develop new structural hinges and apply for patent rights to protect intellectual property rights.
 - v. Organize an automation R&D team to match the development schedule of new models, so that products can be imported into automatic production at an early stage and increase the competitiveness of products.

5.2 Market and Sales Overview

5.2.1 Market Analysis

- (1) The company's current main products (services) sales (provided) areas

Unit: NT\$ thousand

	2022		2023	
	Amount	%	Amount	%
Taiwan	127,694	1.82	79,540	0.97
China	6,570,719	93.59	7,809,718	95.00
USA	280,873	4.00	71,245	0.87
Thailand	1,627	0.02	143,801	1.75
Others	39,695	0.57	116,359	1.41
Total	7,020,608	100.00	8,220,663	100.00

- (2) Market share

According to the statistical data of the "Manufacturing Investment and Operation Survey Report for the Fourth Quarter of 2023" published by the Ministry of Economic Affairs, the overall industry turnover of China's electronic components industry in 2023 will be 7,070.3 billion yuan. If the company and its subsidiaries are According to the company's consolidated revenue of 8.221 billion yuan in the financial statements reviewed by accountants in 2023, the market share of the company and its subsidiaries in China's electronic components industry is 0.12%, which shows that the company and its subsidiaries have a leading position in China's electronic components industry. The company has a certain competitive position in the component industry and market. In the future, it will uphold the spirit of excellence and cooperate with major global well-known system manufacturers to continuously develop new products in line with market trends and continue to improve its market position.

- (3) The supply and demand situation and growth potential of the market in the future

Research institutions estimate that global notebook computer shipments are expected to decrease by approximately 7.8% annually in 2024, with shipments of only 171 million units. Folding mobile phones are in a stage of rapid growth, and it is estimated that sales of folding mobile phones will reach 17 million units in 2023. The world will see a year of economic slowdown but steady growth in 2024, with the expected economic growth rate in 2024 being 3.2%, the same as in 2023. A strong U.S. performance will help the global economy overcome many headwinds, including stubbornly high inflation, weak demand in China and Europe and the spillover effects of regional wars.

(4) Competing for a niche

A. Stay focus

The company has been focusing on the hinge industry for years and has accumulated considerable experience and is well-known. At present, it is a world-renowned supplier of notebook computer hinges, AIO hinges and LCD hinges, with a certain economic scale.

B. Actively develop products with new types of structures

Since its establishment, the company has increased the breadth and depth of research and development and continued to develop products with new types of structures. To cooperate with the development trend of innovative application and design of various electronic products, we provide the best cooperation and service for the client, thereby enhancing the added value of the client's products and product competitiveness.

C. Excellent R&D and design capabilities

R&D and design capabilities are the most important capabilities of the company and we are constantly trying to improve ourselves. As far as the entire R&D system is concerned, a feedback mechanism for failure experience and design standards have been established. All design experience will be continuously accumulated, improved and grown through such a mechanism, which not only enables new recruits to quickly accumulate experience, but also Quickly translate personal failure experience into the experience of all designers. In addition, our company is also the first company in the industry to introduce the finite element analysis method into design verification. The computer finite element software assists in the analysis of strength, life and movement and the previous trial and error process is advanced to the front end of the design. It enables front-end design methods to be determined early, accurately and quickly to meet customer quality and R&D speed requirements and to improve design capabilities.

D. Financially sound

The competitive nature of the market favors those who can respond quickly, while the pivot product has the characteristics of short development time and frequent design changes. Frequent design changes make it more expensive to invest in the initial stage of development. Unless there is sufficient capital, it is difficult to bear the loss of funds during the development period. Therefore, the company is financially sound and can meet the huge capital needs from development to mass production.

E. Patent threshold

The company protects the research and development achievements by applying for patents and effectively improves the entry threshold of the industry by accumulating patents. With the continuous evolution of products, there will also be innovative technologies and new structures. As soon as the company has a new technical structure, it will immediately apply for patent protection to maintain this competitive advantage.

F. CAE software

Has strong calculation and verification ability and can provide data reference for the strength of the product in the early design stage.

G. Perfect supply base

There are production bases, which can meet the supply needs of customers in various regions and each base has a precision measurement center, which can effectively control the quality.

H. Professional management team and corporate reputation

The company has a professional management team with rich experience and excellent technical ability. The leaders of each business department have rich qualifications in related industries and all have professional technical background. Therefore, whether it is the consolidation of the market or the expansion of performance, they all occupy an absolute position. Competitive Advantage. The company has been committed to the development of production hinges for more than ten years and has a certain reputation, which can attract better talents to join.

I. Invest in automated production equipment

Actively develop automation equipment to save labor costs, improve product production stability and quality and reduce costs.

(5) Advantages, disadvantages and countermeasures of development prospects

A. Favorable factors

i. The hinge product has a wide range of applications and has room for growth

The pivot product is the main pivot of the connection between the screen and the base in various electronic products to achieve the rotation function of opening and closing, such as notebook computers, LCD screens for various purposes, mobile phones, screen cameras. Important parts that must be used. Under the situation that the annual output of major electronics manufacturers is increasing day by day, the future development of hinge products is limitless and has great room for development.

ii. Strong R&D and design capabilities

The company has always been aiming at innovative technology and actively researching and developing types of hinge products. In addition to being sensitive to market trends, it can also develop according to customer needs. In recent years, the hinge of folding mobile phones has also brought considerable benefits to the company's revenue, which is enough to prove that the company It has leading R&D competitiveness in the industry

B. Unfavorable factors

- i. The competition of information electronic products is fierce and the profit is meager

Due to the short life cycle of information and electronic products and the rapid changes in product technology and functions, the price of products has fallen rapidly and the cost of raw materials has continued to rise.

Our Countermeasures

In the face of rapid changes in the information and electronics industry environment, the company actively develops new structural designs to meet the needs of the current market environment. In addition, the continuous upward trend of raw material costs enables the company to introduce the feasibility assessment and verification of low-cost alternative materials while developing new structures and adopt the research and development direction of matching and simplifying the design structure to improve the profit of its own hinge products.

In response to the current market situation with meager profits, the Company actively develops the structural design of high-end products, so that the entry threshold of high-end products is higher than that of existing products to increase profits.

- ii. Lack of labor causes a relative increase in labor costs

In recent years, Taiwan's industrial pattern has been gradually changing. Various service industries are on the rise. The manufacturing industry has also transformed from traditional labor-intensive to capital-intensive and technology intensive. The number of employees in the manufacturing industry has decreased, the recruitment of basic labor is difficult and wages have continued to rise., The increase in wage costs has also caused pressure on domestic manufacturers to operate.

Our Countermeasures

Since the company started the production of notebook computer components, it has been committed to the improvement of production and process. By adding machinery and equipment, increasing the degree of factory automation and mechanization to reduce the dependence on manpower and improve the unit of grassroots manpower output.

Strengthen pre-employment and on-the-job training of employees to improve the quality and productivity of personnel and commit to human resource planning and enhance employee benefits to effectively reduce personnel turnover and improve the company's profitability.

5.2.2 Important uses and manufacturing processes of main products

:	Main products and their uses
Hinge	Mainly used in connecting shafts of computers, electronics, optics, home appliances, information, communications, instruments and other products, such as: commercial notebook computer hinges, industrial notebook computer hinges, military notebook computer hinge, LCD Monitor, Automotive Equipment
Optical Fiber Connector	Mainly used in optical transmission systems, as a connection between telecommunications companies' computer rooms, base stations, cable TV operators' computer rooms, relay stations, network operators' computer rooms Fiber to home users, theater-level audio equipment, optical master and passive (active) Component manufacturers' inspection equipment and military communication equipment.
Other	Applicable to all products and equipment spare parts products.

5.2.3 Availability of main raw materials

The company's main raw materials are male and female shafts, mandrels, castings, iron sheets, copper sheets, gaskets, shrapnel, sleeves, screws, nuts and metal powder injection. Each raw material has more than two suppliers as a response and establishes long -term cooperative partnership with suppliers and the supply quality is stable.

5.2.4 Customers who have accounted for more than 10% of the total purchases (sales) in any of the last two years

- (1) The names of suppliers who have accounted for more than 10% of the total purchases in any of the last two years, their purchase amounts and proportions and the reasons for their increase or decrease

From 2022 to 2023 and as of the first quarter of 2024, the company has no suppliers that account for more than 10% of the total purchases.

- (2) The names of the sales customers who have accounted for more than 10% of the total sales in any of the last two years, the sales amount and proportion and the reasons for the increase or decrease

Unit: NT\$ thousand

2022				2023				2024 up to the first quarter			
Name	Amount	Ratio to net sales for the year (%)	Relationship with the issuer	Name	Amount	Ratio to net sales for the year (%)	Relationship with the issuer	Name	Amount	First quarter (%)	Relationship with the issuer
Customer C	2,081,313	29.65	None	Customer C	3,692,942	44.92	None	Customer C	1,253,664	52.71	None
Customer A	1,232,919	17.56	None	-	-	-	-	Customer A	248,548	10.45	None
-	-	-	-	-	-	-	-	Customer D	-	-	-
other	3,706,376	52.79	-	other	4,527,721	55.08	-	other	876,372	36.84	-
net sales	7,020,608	100.00	-	net sales	8,220,663	100.00	-	net sales	2,378,584	100.00	-

Explanation of changes: The ranking of the company's sales customers changes with the different allocation ratios of system manufacturers' models to each end customer, causing the company's key sales volume and proportion to each customer to change accordingly.

5.2.5 Production Value Table for the Last Two Years

Unit: K PCS; NT\$ thousand

	2022			2023		
	Capacity	Yield	Output	Capacity	Yield	Output
Hinge	68,000	61,243	5,295,433	60,357	54,321	6,748,500
Optical Fiber Connector	19,000	16,905	218,050	12,396	11,156	176,851
Total	87,000	78,148	5,513,483	72,752	65,477	6,925,351

Note 1: Production capacity refers to the amount that the company can produce under normal operation using existing production equipment after considering factors such as necessary shutdowns and holidays.

Note 2: If the production of each product is substitutable, the production capacity may be calculated on a consolidated basis and an explanation should be attached.

5.2.6 Sales Value Table for the Last Two Years

Unit: K PCS; NT\$ thousand

	2022				2023			
	Domestic Sales		Export		Domestic Sales		Export	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Hinge	2,281	126,001	54,956	6,616,952	1,429	78,877	51,418	7,931,858
Optical Fiber Connector	510	1,693	15,289	275,962	236	664	10,617	209,265
Total	2,791	127,694	70,245	6,892,914	1,665	79,540	62,035	8,141,123

5.3 Human Resources Information of the most recent two years until the publication of this annual report:

Fiscal year		2022	2023	As of March 31, 2024
Number of employees	Labor	1,168	1,318	1,288
	Employees	934	992	1,068
	Total	2,102	2,310	2,356
Average age		39.71	34.67	31.25
Average years of service		3.83	3.10	2.83
Education distribution percentage (%)	Ph.D.	0.14	0.17	0.17
	Master's degree	2.66	2.60	2.93
	College	26.13	26.54	27.34
	Senior high school	25.21	26.88	27.12
	Below senior high school	45.86	43.81	42.44

5.4 Environmental Protection Expenditure

In the most recent year and as of the publication date of the annual report, the losses incurred due to environmental pollution (including compensation and environmental protection inspection results that violated environmental protection laws and regulations) shall list the date of punishment, the name of the punishment, the provisions of the violation, the content of the violation and the punishment. content) and disclose the estimated amount and countermeasures that may occur at present and in the future. If it cannot be estimated, the fact that it cannot be estimated shall be stated): None

5.5 Labor Relations

5.5.1 The company's various employee welfare measures, further education, training and retirement systems and their implementation, as well as labor-management agreements and various employee rights protection measures

(1) Employee Welfare Measures

The company attaches immense importance to employee welfare, establishes an employee welfare committee in accordance with the Employee Welfare Fund Regulations to manage various employee welfare matters and allocates welfare funds for monthly operating income, employee salaries and the sale of salaries in accordance with regulations. In accordance with labor insurance regulations and national health insurance regulations, it provides labor insurance and health insurance for all employees and enjoys various labor insurance payment rights. The company has always paid attention to humanized management and adhered to the concept of coexistence and humiliation of labor and management. Therefore, it adopts a variety of methods to deal with labor-management issues. Through labor-management meetings, we listen to employees' voices, understand employees' ideas and increase employee communication channels to unite employees. Centripetal force to promote the continuous improvement of the company y's operating results and achieve the goal of sustainable development. In addition, our employees also enjoy the following benefits:

- A. Insurance benefits: Travel “Ping An” Insurance for colleagues on business trips.
- B. Vacation benefits: two days off (plus national holidays), marriage leave, maternity leave, paternity and paternity leave , special leave.
- C. Traffic welfare: There are parking lots for cars and locomotives.
- D. Meal benefits: meal options in the staff restaurant.
- E. Clothing Welfare: Provide staff uniforms.
- F. Bonus and benefits: year-end bonus, employee remuneration, incentive bonus, patent bonus, production performance bonus, annual full-time bonus and annual senior employee bonus.
- G. Entertainment and benefits: annual staff travel, annual staff dinner, year-end dinner party and lottery activities.
- H. Subsidy and welfare: pre-employment education and training, in-service education and training and internal/external training professional course arrangement fee subsidies.

- I. Other benefits: regular health check-ups for employees, gifts for three festivals, gifts for birthdays, subsidies for various weddings and funerals and discounts for employees in various special stores.

5.5.2 2023 Employee Education and Training Achievements

Unit: person/hour/NT\$

Title	Trainees	Training hours	Expenditures
New personnel training	1,252	4,227	0
Professional functional training	16,172	15,830	113,760
Supervisors can train	152	603	214,209
General knowledge training	18,721	14,493	500
Total	36,297	35,154	328,469

- (1) The actual number of employees who participated in the training in 2023 was 36,297, including free training courses held at their own expense and by various competent authorities, accounting firms, industries and the company. The actual training expenses of the company for the year were NT\$328,469.
- (2) The company's employees conduct pre-employment training courses and functional on-the-job training for new recruits after registration. In addition, according to the annual training demand survey, the annual training plan is formulated and implemented and the performance evaluation is made according to the training results to strengthen the functions of employees, enhance the business performance and competitiveness of enterprises.
- (3) To cooperate with the company's long-term development and improve the quality of employees, the company plans professional functional training and general training and invites employees to do professional skills sharing courses internally. Through talent training, each employee can achieve the greatest potential.

Professional function training: send personnel to participate in the training of various training institutions according to the professional courses and knowledge required by each department, such as: audit training, accounting training, professional technical training, procurement and inventory management training, patent management training.

Competency training for supervisors: Department supervisors participate in seminars held by government agencies or various associations, such as business management, risk and human management.

General training: fire safety training, labor safety education and training, responsible business alliance code of conduct training, environmental protection issues training.

5.5.3 Retirement System

- (1) In accordance with the provisions of the "Labor Standards Law", the company has established a retirement method with defined benefits, which is applicable to the years of service of all regular employees before the implementation of the "Labor Pension Regulations" on July 1, 2005. Employees who choose to continue to apply the Labor Standards Law after the Labor Pension Regulations will continue to serve their employees. For employees who meet the retirement conditions, the payment of pension is calculated based on the length of service and the average salary of the 6

months before retirement. Two bases are given for each full year of service within 15 years and each year for more than 15 years of service. One base is given for one full year, but the maximum accumulation is limited to 45 bases. The company allocates 2% of the total salary to the retirement fund monthly and deposits it in a special account in the Trust Department of the Bank of Taiwan in the name of the Labor Retirement Reserve Supervision Committee.

- (2) Since July 1, 2005, the company has established a retirement method with certain contributions in accordance with the "Labor Pension Regulations", which is applicable to employees of their own nationalities. The company chooses to apply the part of the labor pension system stipulated in the "Labor Pension Regulations". The company pays 6% of the employee's monthly insured salary to the employee's personal account of the Bureau of Labor Insurance according to the salary grading table monthly. Retirement pension is paid in monthly pension or lump sum pension according to the employee's personal pension account and the amount of accumulated income.

5.5.4 Employee Code of Conduct or Ethics

Regarding the behavior and code of ethics of employees, the company has formulated relevant measures and regulations such as work rules, as a guideline for employee behavior. The main contents are:

- (1) Standardize the duties and organizational functions of each unit.
- (2) Employees must establish good discipline.
- (3) Comply with government laws and regulations.
- (4) Protect the company's assets for effective use.
- (5) The company's confidential business and information should be kept confidential.
- (6) The periodic reports submitted shall be disclosed in a complete, fair, correct, timely and easy-to-understand manner.
- (7) To reward or punish the company's operating profit or loss due to the employee's behavior.
- (8) To formulate assessment standards for assessing employees' work achievements and performance and use them as the basis for salary adjustment and promotion bonus distribution and education and training course arrangement.

The company evaluates employees according to the work responsibilities of various departments, employee attendance management methods, employee reward and punishment management methods, performance appraisal work methods and other regulations. All reward and punishment regulations are well known to employees to abide by, so that employees clearly know the code of conduct and employees are entitled to sufficient salary. When encouraging deeds or admonishing behaviors, rewards and punishments shall be managed in accordance with the above-mentioned regulations.

5.5.5 Protection Measures for Working Environment and Personal Safety of Employees

The company has won the ISO14001 (2015 version) environmental management system certification of the Metal Industry Research and Development Center(Validity period: 6/5/2022~6/4/2025), ISO45001 (2018 version) occupational safety and health management system certification(Validity period: 5/30/2022~5/29/2025) and LCIE-SNQ IECQ QC080000: 2017 Hazardous Substance Process Management System (HSPM) certification(Validity period: 12/3/2020~12/2/2023), so in terms of

protection and management measures for the working environment and employees' personal safety and health, it has reached the level of regulations.

5.5.6 The agreement between labor and management and various measures to protect the rights and interests of employees

The company attaches significant importance to humanized management and recognizes that labor and capital are integrated to coexist and prosper. In the recent year and as of the publication date of the annual report, there have been no major labor disputes. In the future, the communication between labor and management will continue to be strengthened and two-way coordination will be adopted in policy promotion and employee feedback to protect the rights and benefits of employees., so that both parties can recognize and understand each other better, eliminate unnecessary disputes, maintain harmony and move towards the common goal of the company.

Losses suffered from labor disputes in the most recent year and up to the date of publication of the annual report (including the violation of the Labor Standards Act by the labor inspection results, the date of punishment, the name of the punishment, the violation of laws and regulations, the content of laws and regulations and the content of punishment) and disclose the estimated amount and countermeasures that may occur at present and in the future. If it cannot be estimated, it should explain the fact that it cannot be estimated.

The company recognizes the integration of labor and capital and continues to strengthen the communication between labor and management. In the most recent year and as of the publication date of the annual report, there has been no major labor disputes and losses. Since then, efforts have been made to eliminate the occurrence of disputes and various employee welfare measures have been implemented. It is estimated that there will be no losses in the future.

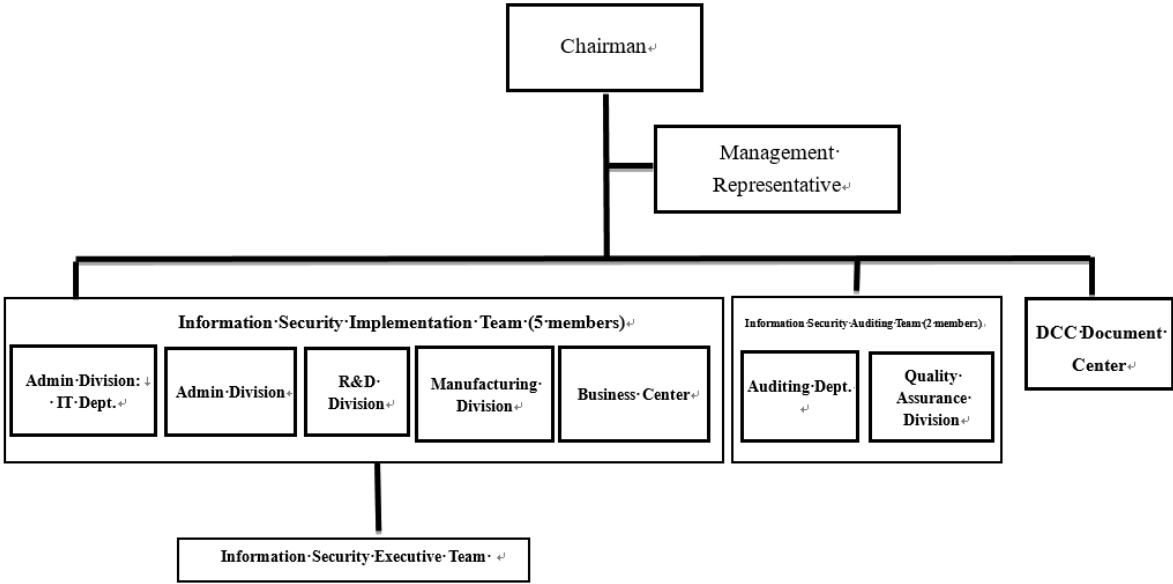
5.6 Information Security Management

5.6.1 State the information security risk management framework, the information security policy, the specific management plan and the resources invested in the information security management.

1. Information and communication security management strategy and structure

With the advancement of network technology and the increase in information security risks, enterprises are facing increasing information security risks. In order to enhance the company's overall information security protection capabilities, ensure the accuracy of information processing in each unit and the computer software and hardware and the reliability of the network system. The company officially introduced ISO27001:2021 on September 1, 2023 and established an information security management committee promotion organization. The chairman is the chairman, with 1 management representative and 5 information security implementation teams. There are 2 people in the information security audit team, 10 people in the information security execution team, and 1 person in the document management center. An announcement will be issued on September 1, 2023. The head of the information unit will report the information security management situation to the board of directors regularly every year, and January 24, 2024.

Information Security Management Committee Promotion Organization Chart



Operational Mode of Information Security Information Action Committee

2. Information Security Policy

The information unit updated the "Information Security Management Manual" on September 1, 2023, and formulated the information security policy as "Everyone is Responsible for Information Security" to strengthen information security management and ensure the security of data, systems, equipment and networks. The term "information security" as mentioned in this policy refers to ensuring the accuracy of the company's information processing, the reliability of the computer software, hardware, peripherals and network systems used by the operators, and ensuring that the above resources are free from interference, destruction and intrusion. behavior or attempt. The goal of information security is to ensure the legal access to the company's information, and to provide complete and uninterrupted information system operation. After taking prompt and necessary contingency measures, normal operations can be restored in the shortest possible time to reduce the possibility of accidents. the damage caused. The scope of information security coverage is as follows:

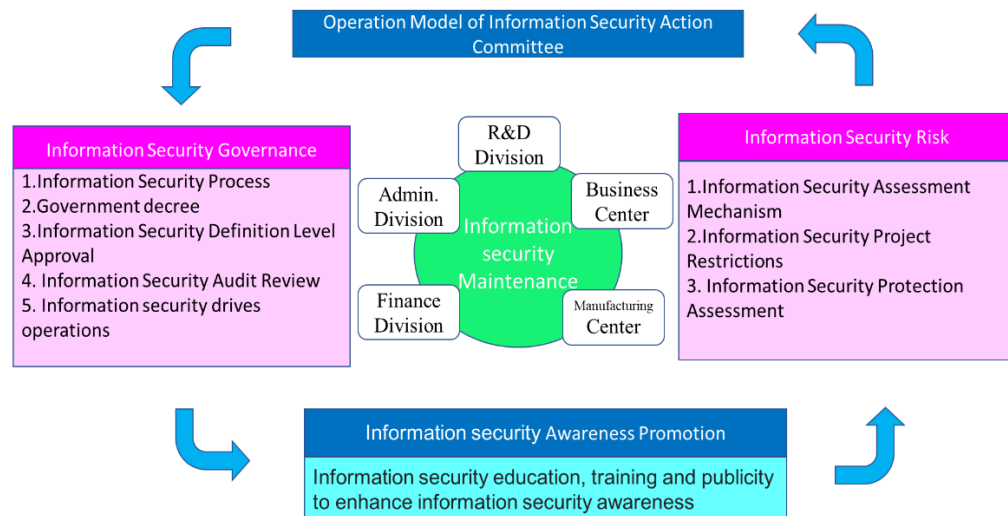
Information security covers 93 management items in 4 major controls to avoid improper use, leakage, tampering, destruction, etc. of information due to human negligence, natural disasters and other factors, which may bring various possible risks and harms to the company.

Management matters are as follows:

- 2.1 Organizational control: There are 37 control items in total.
- 2.2 Personnel control: There are 8 control items in total.
- 2.3 Entity control: There are 14 control items in total.
- 2.4 Technical Control: There are 34 control items in total

The company's information security management policy is to formulate a complete plan with reference to the ISO/IEC 27001 standard, establish high-level continuous operation management and carry out a complete system disaster recovery plan (ERP, HRM, electronic sign-off), and allocate dedicated personnel for information security Personnel assist the company in its operations. Information department

personnel receive training from external professional organizations on a regular basis every year. They continue to pay attention to the changing trends of the information environment, conduct regular security testing, and conduct regular information security education and training for colleagues to strengthen the information security crisis awareness and information security handling of the company's colleagues. personnel's adaptability, and in March 2023, the information security risk management and continuous improvement framework was formulated as follows:



3. Specific management plan

In order to achieve information security policies and goals and establish comprehensive information security protection, the management items and specific management plans implemented are as follows:

- (1) Improve information security defense capabilities: The company continues to strengthen information security investment, regularly assigns vendors to conduct vulnerability scans every year, and corrects and strengthens them. It also revises ISO-related documents to establish a network security incident contingency plan, conducts impact and loss assessments based on the severity of the incident, and takes In response to notification and recovery actions, the company continues to strengthen system backup and regularly arranges backup and restoration plan drills for important information systems such as ERP & electronic sign-off systems to ensure that company disasters can be completed within the company's customized RTO and RPO in compliance with regulations.
- (2) Improve network, endpoint and application security: The company regularly invests in information security-related funds every year to establish a basic protection structure to ensure that corporate operations are within a safe range. Therefore, information security risks have not had a significant impact on the company's financial business. At present, the company has invested in software and hardware protection measures, including new generation firewalls (with SD-WAN and SWG modules), enterprise file encryption systems, anti-virus software, and spam filtering systems. At this stage, there is no need to invest in insurance according to internal evaluation. Safe and safe. At present, all company computers are equipped with anti-virus software, and the deployment rate has reached more than 99.9%. Starting from 2021, the MDR threat detection and response service has been purchased to monitor the server 7X24. Any abnormalities will be immediately blocked and isolated, and IT personnel will be notified by email for

handling. ; The machine equipment network and the server are set to different network segments, and the virus is scanned through the intermediary server before uploading.

- (3) Education and training: Starting from 2022, a social education drill project will be launched to strengthen the implementation of information security concepts in various departments and encourage every employee to understand that everyone is responsible for information security.
- (4) Management Review Meeting: A management review meeting will be held on October 30, 2023 to report on changes in internal and external issues related to the information security management system, feedback on information security performance, risk assessment results and the status of risk treatment plans, and opportunities for continuous improvement.
- (5) Legal compliance and introduction of international information security certification standards: In 2022, the company's Taiwan headquarters has joined the TWCERTCC Taiwan Computer Network Crisis Management and Coordination Center as a member, and participates in annual meetings every year to learn and share information security-related experience. In November 2023, the ISO27001:2022 version will be introduced to obtain recommendations and the certificate will be obtained in January 2024 (validity period: 2024/1/18~2027/1/18).

4. Specific management plan

- (1) Strengthen information security education and training: Information security education and training will be arranged for new employees upon arrival. Information security concepts are promoted in weekly meetings every quarter, and information security education training and tests are conducted for all department personnel every year until they pass the test.
- (2) An annual social engineering drill was arranged from 2023/06/20 to 2023/08/11. This drill sent 3 emails to each of 600 users, and a total of 1,800 drill emails were sent. 4.5% of colleagues failed the first time. After education and training, We strengthened publicity and conducted a second social education drill. All colleagues were qualified, and it is expected to continue in 2024. On March 1, 2023, warnings in Chinese and English have been added to external letters: "Reminder: This is an external email. Please confirm that the source of the letter is safe before opening the link or attachment."
- (3) A preliminary test of server vulnerability scanning will be conducted in October 2023, and a retest will be conducted in January 2024. The Exchange server, BPM electronic sign-off server, HRM personnel system server, etc. have been gradually improved. The operating system & database system version has been upgraded to reduce the occurrence of vulnerabilities.
- (4) A new Forti 200F will be purchased in 2023 to replace the old Forti200E, and a new WifiAP will be purchased to replace the old equipment that does not meet the security requirements. It is expected that TLS1.2 or above communication transmission protocols will be adopted in 2024, and the VPN two-factor security authentication mechanism will be fully used in 2023.
- (5) After purchasing DLP encryption software in 2023 and importing the DLP encryption software control for R&D drawing files, the R&D drawing files can only be used within the company's domain. R&D personnel will automatically encrypt the engineering drawing files when they are saved, and they cannot be decrypted without review by the supervisor. Computer use outside the company.

5.6.2 List the losses, impacts and countermeasures caused by major information security incidents in the most recent year and as of the date of publication of the annual report. If it cannot be estimated, the facts that cannot be estimated should be stated: the most recent year and the end of the year as of the publication date of the annual report, there is no loss due to major information security incidents, so it is not applicable.

5.7 Important Contracts

The company has signed relevant supply and sales contracts and engineering contracts with customers and manufacturers, but the above-mentioned contracts have no content that is sufficient to affect shareholders' rights and interests

Contract type	Contracting party	Term of agreement	Main contents	Restrictive Clauses
Short-term loan	Hua Nan Bank	1/14/2022~1/14/2023	Operating Turnover	secured loan
Short-term loan	Hua Nan Bank	2/24/2023~2/24/2024	Operating Turnover	secured loan
Short-term loan	CTBC Bank	11/1/2022~9/30/2023	Operating Turnover	unsecured loan
Short-term loan	CTBC Bank	11/23/2023~9/30/2024	Operating Turnover	unsecured loan
Short-term loan	E.SUN BANK	6/1/2022~6/1/2023	Operating Turnover	unsecured loan
Short-term loan	Chang Hwa Bank	6/25/2021~5/31/2022	Operating Turnover	unsecured loan
Short-term loan	Yuanta Bank	6/14/2022~6/14/2023	Operating Turnover	unsecured loan
Medium and long-term loans	Hua Nan Bank	6/14/2022~6/14/2023	Operating Turnover	unsecured loan
Medium and long-term loans	Taiwan Bussiness Bank	11/6/2020~11/6/2023	Operating Turnover	secured loan
Long term loan	Chang Hwa Bank	12/11/2019~11/15/2029	Operating Turnover	secured loan
Medium and long-term loans	Chang Hwa Bank	7/10/2019~7/10/2024	Operating Turnover	secured loan
Long term loan	E.SUN BANK	12/18/2019~12/15/2024	Operating Turnover	unsecured loan
Medium and long-term loans	KGI Bank	12/2/2021~12/2/2023	Operating Turnover	unsecured loan

6. Financial Information

6.1 Disclosure of Important Financial Information

6.1.1 Five-Year Financial Information Summary

(1) Condensed Balance Sheet (Consolidated)

Unit: NT\$ thousand

Year Item		Financial information for the last five years					As of March 31, 2024
		2019	2020	2021	2022	2023	
Current assets		4,174,543	5,161,731	6,087,142	6,077,844	7,018,741	7,596,742
Property, plant and equipment (Note 2)		1,939,992	2,226,593	2,412,499	2,454,189	2,540,155	2,554,319
Intangible assets		18,218	16,671	21,821	21,715	21,646	21,837
Other assets (Note 2)		483,306	503,142	527,019	499,084	575,737	625,207
Total assets		6,616,059	7,908,137	9,048,481	9,052,832	10,156,279	10,798,105
Current liabilities	Before assignment	2,135,292	3,149,254	4,258,075	3,540,061	4,537,641	4,044,949
	After assignment	2,285,595	3,299,557	4,378,317	3,720,425	4,835,052	4,342,360
Non-current liabilities		573,323	647,403	660,918	934,220	355,743	1,099,293
Total liabilities	Before assignment	2,708,615	3,796,657	4,918,993	4,474,281	4,893,384	5,144,242
	After assignment	2,858,918	3,946,960	5,039,235	4,654,645	5,190,795	5,441,653
Equity attributable to owners of parent company		3,907,444	4,111,480	4,129,488	4,578,551	5,262,895	5,653,863
Share capital		601,214	601,214	601,214	601,214	660,914	660,914
Capital reserve		1,334,534	1,334,534	1,334,534	1,385,445	1,715,423	1,866,597
Reserve Surplus	Before assignment	2,021,932	2,177,024	2,270,225	2,639,071	2,987,869	3,153,007
	After assignment (Note 3)	1,871,629	2,026,721	2,149,983	2,458,707	2,690,458	2,855,596
Other rights		(50,236)	(1,292)	(76,485)	(47,179)	(101,311)	(26,655)
Treasury stock		0	0	0	0	0	0
Non-controlling interests		0	0	0	0	0	0
Total equity	Before distribution	3,907,444	4,111,480	4,129,488	4,578,551	5,262,895	5,653,863
	After distribution	3,757,141	3,961,177	4,009,246	4,398,187	4,965,484	5,356,452

Note 1: The 2019~2020 financial information was verified and approved by KPMG, Accountants Hsu, Ming Fang and Accountants Wang Qing song.

The 2021~2023 financial information was verified and approved by KPMG, Accountants Hsu, Ming Fang and Accountants Chuang, Chun Wei.

The financial information for the first quarter of 2024 has been reviewed by Accountants K PMG, Hsu, Ming Fang, and Accountants Chuang, Chun Wei.

Note 2: Assets revaluation and appreciation have not been processed.

Note 3: The company's 2023 and March 31, 2024 distributed amounts are calculated based on the surplus distribution approved by the board of directors and not yet reported to the shareholders' meeting.

(2) Condensed Individual Balance Sheet

Unit: NT\$ thousand

Item \ Year		Financial information for the last five years				
		2019	2020	2021	2022	2023
Current assets		1,178,893	1,849,999	2,489,026	2,578,916	2,013,057
Property, plant and equipment (Note 2)		1,510,180	1,609,766	1,533,493	1,499,573	1,431,355
Intangible assets		8,827	8,842	10,746	9,913	7,758
Other assets (Note 2)		2,515,667	2,833,365	2,894,973	3,230,279	4,028,725
Total assets		5,213,567	6,301,972	6,928,238	7,318,681	7,480,895
Current liabilities	Before assignment	829,054	1,600,687	2,164,391	1,885,365	1,930,141
	After assignment	979,357	1,750,990	2,284,633	2,065,729	2,227,552
Non-current liabilities		477,069	589,805	634,359	854,765	287,859
Total liabilities	Before assignment	1,306,123	2,190,492	2,798,750	2,740,130	2,218,000
	After assignment (Note 3)	1,456,426	2,340,795	2,918,992	2,920,494	2,515,411
Equity attributable to owners of parent company		-	-	-	-	-
Share capital		601,214	601,214	601,214	601,214	660,914
Capital reserve		1,334,534	1,334,534	1,334,534	1,385,445	1,715,423
Reserve Surplus	Before assignment	2,021,932	2,177,024	2,270,225	2,639,071	2,987,869
	After assignment (Note 3)	1,871,629	2,026,721	2,149,983	2,458,707	2,690,458
Other rights		(50,236)	(1,292)	(76,485)	(47,179)	(101,311)
Treasury stock		0	0	0	0	0
Non-controlling interests		-	-	-	-	-
Total equity	Before distribution	3,907,444	4,111,480	4,129,488	4,578,551	5,262,895
	After distribution	3,757,141	3,961,177	4,009,246	4,398,187	4,965,484

Note 1: The 2019~2020 financial information was verified and approved by KPMG, Accountants Hsu, Ming Fang and Accountants Wang Qing song.

The 2021~2023 financial information was verified and approved by KPMG, Accountants Hsu, Ming Fang and Accountants Chuang, Chun Wei.

The financial information for the first quarter of 2024 has been reviewed by Accountants KPMG, Hsu, Ming Fang, and Accountants Chuang, Chun Wei.

Note 2: Assets revaluation and appreciation have not been processed.

Note 3: The company's 2023 distributed amounts are calculated based on the surplus distribution approved by the board of directors and not yet reported to the shareholders' meeting.

(3) Condensed Consolidated Income Statemen

Unit: NT\$ thousand

Item \ Year	Financial information for the last five years					As of March 31, 2024
	2019	2020	2021	2022	2023	
Operating revenue	5,763,574	5,546,230	7,446,666	7,020,608	8,220,663	2,378,584
Gross profit	1,293,327	1,127,270	1,228,725	1,403,982	1,483,249	401,591
Operations Income	516,313	309,010	229,951	452,700	590,262	162,606
Non-operating income and expenses	100,906	59,207	59,071	271,798	147,709	63,513
Profit Before Income Tax	617,219	368,217	289,022	724,498	737,971	226,119
Net income for the period from continuing operations	464,690	302,684	247,795	473,968	535,278	165,138
Loss from discontinued operations	0	0	0	0	0	0
Net income (loss) for the period	464,690	302,684	247,795	473,968	535,278	165,138
Other comprehensive income (loss) for the period (net of Income Tax)	(86,535)	51,655	(79,484)	44,427	(60,248)	74,656
Total comprehensive income for the period	378,155	354,339	168,311	518,395	475,030	239,794
Net income attributable to owners of parent	464,690	302,684	247,795	473,968	535,278	165,138
Net income (loss) attributable to non-controlling interests	0	0	0	0	0	0
Total comprehensive income attributable to owners of parent	378,155	354,339	168,311	518,395	475,030	239,794
Total comprehensive income, attributable to non-controlling interests	0	0	0	0	0	0
Earnings per share	7.73	5.03	4.12	7.88	8.69	2.50

Note 1: The 2019~2020 financial information was verified and approved by KPMG, Accountants Hsu, Ming Fang and Accountants Wang Qing song.

The 2021~2023 financial information was verified and approved by KPMG, Accountants Hsu, Ming Fang and Accountants Chuang, Chun Wei.

The financial information for the first quarter of 2024 has been reviewed by Accountants K PMG, Hsu, Ming Fang, and Accountants Chuang, Chun Wei.

Note 2: Losses from discontinued units are presented on a net basis after deducting income tax.

(4) Condensed Individual Comprehensive Income Statement

Unit: NT\$ thousand

Item \ Year	Financial information for the last five years				
	2019	2020	2021	2022	2023
Operating revenue	1,299,796	1,920,084	3,551,941	3,376,042	2,276,307
Gross profit	317,445	259,444	556,125	506,585	127,225
Operations Income	(38,268)	(137,017)	26,108	(10,146)	(254,099)
Non-operating income and expenses	547,312	413,369	213,429	583,848	784,671
Profit Before Income Tax	509,044	276,352	239,537	573,702	530,572
Net income for the period from continuing operations	464,690	302,684	247,795	473,968	535,278
Loss from discontinued operations	0	0	0	0	0
Net income (loss) for the period	464,690	302,684	247,795	473,968	535,278
Other comprehensive income (loss) for the period (net of Income Tax)	(86,535)	51,655	(79,484)	44,427	(60,248)
Total comprehensive income for the period	378,155	354,339	168,311	518,395	475,030
Net income attributable to owners of parent	-	-	-	-	-
Net income (loss) attributable to non-controlling interests	-	-	-	-	-
Total comprehensive income attributable to owners of parent	-	-	-	-	-
Total comprehensive income, attributable to non-controlling interests	-	-	-	-	-
Earnings per share	7.73	5.03	4.12	7.88	8.69

Note 1: The 2019~2020 financial information was verified and approved by KPMG, Accountants Hsu, Ming Fang and Accountants Wang Qing song.

The 2021~2023 financial information was verified and approved by KPMG, Accountants Hsu, Ming Fang and Accountants Chuang, Chun Wei.

Note 2: Losses from discontinued units are presented on a net basis after deducting income tax

6.1.2 Names and audit opinions of Certified Public Accountants for the last five years

	Firm	Name	Remark
2019	KPMG	Hsu, Ming Fang, Wang Qingsong	None
2020	KPMG	Hsu, Ming Fang, Wang Qingsong	None
2021	KPMG	Hsu, Ming Fang, Chuang, Chun Wei	None
2022	KPMG	Hsu, Ming Fang, Chuang, Chun Wei	None
2023	KPMG	Hsu, Ming Fang, Chuang, Chun Wei	None

6.2 Five-Year Financial Analysis

6.2.1 Consolidated Financial Analysis

Item (Note3)		Year	Financial analysis for the last five years					As of March
			2019	2020	2021	2022	2023	31, 2024
Financial structure (%)	Debt to assets ratio		40.94	48.01	54.36	49.42	48.18	47.64
	Ratio of long-term capital to property, plant and equipment		230.97	213.73	198.57	224.62	221.19	264.38
Solvency %	Current ratio		195.50	163.90	142.96	171.68	154.67	187.80
	Quick ratio		163.75	140.62	121.30	150.28	133.22	164.31
	Times interest earned		78.03	36.52	25.41	36.36	35.36	35.22
Operating performance	Accounts receivable turnover (times)		2.70	2.56	2.70	2.51	3.03	3.17
	Average collection days		135.19	142.58	135.19	145.41	120.46	115.14
	Inventory turnover (times)		8.38	7.74	8.84	7.57	8.71	9.14
	Accounts payable turnover (times)		3.12	2.95	3.15	2.93	3.36	3.20
	Average days in sales		43.56	47.16	41.29	48.21	41.90	39.93
	Property, plant and equipment turnover (times)		3.54	2.66	3.21	2.88	3.29	3.73
	Total asset turnover (times)		0.89	0.76	0.88	0.77	0.85	0.90
Profitability	Return on total assets (%)		7.27	4.28	3.03	5.41	5.75	6.50
	Return on equity (%)		12.06	7.55	6.01	10.88	10.87	12.10
	Ratio of income before tax to paid-in capital (%) (Note 7)		102.66	61.25	48.07	120.50	111.65	136.85
	Net profit margin (%)		8.06	5.46	3.33	6.75	6.51	6.94
	Earnings per share (NT\$)		7.73	5.03	4.12	7.88	8.69	2.50
Cash flow	Cash flow ratio (%)		34.60	18.62	9.08	32.45	21.44	8.79
	Cash flow adequacy ratio (%)		108.16	106.96	79.27	100.17	115.40	134.15
	Cash reinvestment ratio (%)		9.30	7.95	4.16	15.71	11.55	0.72
Leverage	Operating leverage		1.48	1.82	2.24	1.76	1.60	1.58
	Financial leverage ^c		1.02	1.03	1.05	1.04	1.03	1.04
Please explain the causes of changes in the financial ratios in the most recent 2 fiscal years. (Analysis is not required if the increase or decrease is less than 20%.)								
1. The increase in receivables turnover rate is due to the growth of sales in 2023.								
2. The decrease in cash flow ratio was due to the decrease in net cash flow from operating activities.								
3. The decrease in cash reinvestment ratio was due to the decrease in cash flow from operating activities.								

Note 1: The 2019~2020 financial information was verified and approved by KPMG, Accountants Hsu, Ming Fang and Accountants Wang Qing song.

The 2021~2023 financial information was verified and approved by KPMG, Accountants Hsu, Ming Fang and Accountants Chuang, Chun Wei.

The financial information for the first quarter of 2024 has been reviewed by Accountants K PMG, Hsu, Ming Fang, and Accountants Chuang, Chun Wei.

Note 2: Although the annual net cash from operating activities is the inflow, but after deducting the cash dividend distribution, it is the outflow, so it is a negative value.

Note 3: The following formulas for the calculation of the financial ratios shall be listed below this table in the annual report:

1. Financial structure

(1) Debt to assets ratio = total liabilities / total assets.

(2) Ratio of long-term capital to property, plant and equipment = (total equity + non-current liabilities) / net property, plant and equipment.

2. Solvency

(1) Current ratio = current assets / current liabilities.

(2) Quick ratio = (current assets - inventory - prepaid expenses) / current liabilities.

(3) Times interest earned = earnings before tax and interest expenses / current interest expenses.

3. Operating performance

(1) Accounts receivable (including accounts receivable and notes receivable arising from business activities) turnover = net sales / average accounts receivable balance (including accounts receivable and notes receivable arising from business activities).

- (2) Average collection days = 365 / accounts receivable turnover.
- (3) Inventory turnover = cost of goods sold / average inventory.
- (4) Accounts payable (including accounts payable and notes payable arising from business activities) turnover = cost of goods sold / average accounts payable balance (including accounts payable and notes payable arising from business activities).
- (5) Average days in sales = 365 / inventory turnover.
- (6) Property, plant and equipment turnover = net sales / average net property, plant and equipment.
- (7) Total asset turnover = net sales / average total assets.

4. Profitability

- (1) Return on total assets = (net income + interest expenses * (1 - effective tax rate)) / average total assets.
- (2) Return on equity = net income after tax / average total equity.
- (3) Net profit margin = net income after tax / net sales.
- (4) Earnings per share = (income attributable to owners of parent - preferred stock dividends) / weighted average number of shares outstanding. (Note 4)

5. Cash flow

- (1) Cash flow ratio = net cash flows from operating activities / current liabilities.
- (2) Net cash flow adequacy ratio = 5-year sum of net cash flow from operating activities / 5-year sum of (capital expenditures + increases in inventory + cash dividends).
- (3) Cash reinvestment ratio = (cash from operating activities - cash dividends) / (gross property, plant and equipment + long-term investments + other non-current assets + working capital). (Note5)

6. Leverage:

- (1) Operating leverage = (net operating revenue – variable operating costs and expenses) / operating income. (Note 6)
- (2) Financial leverage = operating income / (operating income – interest expenses).

Note 4: Special attention should be paid to the following when calculating earnings per share by the above equation:

- 1. The weighted average quantity of outstanding common shares shall be taken as the standard, not the quantity of outstanding shares at the end of the year.
- 2. If there is any cash capital increase or treasury stock transaction, take the circulation periods into account when calculating the weighted average quantity of outstanding shares.
- 3. If there is any capitalization of retained earnings or capital surplus, the annual and semi-annual earnings per share of past years shall be retrospectively adjusted pro rata to the size of the capital increase, without considering the issuance period of the capital increase.
- 4. If the preferred shares are non-convertible cumulative preferred shares, the dividend for the fiscal year (whether it has been distributed or not) shall be deducted from the net income after tax or added to the net loss after tax. If the preferred shares are non-cumulative, the dividend shall be deducted from the net income after tax if there is net income after tax and no adjustment is required in case there is loss.

Note 5: Special attention shall be paid to the following when making the calculations for cash flow analysis:

- 1. Net cash flow from operating activities refers to the net cash inflow from operating activities in the cash flow statement.
- 2. Capital expenditures refers to the annual cash outflow used in capital investment.
- 3. Increase in inventory is counted only when the balance at the end of the period is greater than the balance at the beginning of the period. If the inventory has decreased at the end of the year, it is counted as zero.
- 4. Cash dividends include the cash dividends of common stock and preferred stock.
- 5. Gross property, plant and equipment refers to the total property, plant and equipment without deduction of accumulated depreciation.

Note 6: The issuer shall categorize the operating costs and operating expenses into fixed ones and variable ones in accordance with their properties. If the categorization is subject to estimation or subjective judgment, attention shall be paid to ensure that it is done rationally and consistently.

Note 7: If the Company's shares have no par value or the par value per share is not NT\$10, the paid-in capital involved in the calculation of the above ratio shall be replaced by the equity attributable to owners of the parent company on the balance sheet.

6.2.2 Individual Financial Analysis

Item (Note2)		Financial analysis for the last five years				
		2019	2020	2021	2022	2023
Financial structure (%)	Debt to assets ratio	25.05	34.76	40.40	37.44	29.64
	Ratio of long-term capital to property, plant and equipment	290.33	292.05	310.65	362.32	387.79
Solvency%	Current ratio	142.20	115.58	115	136.78	104.29
	Quick ratio	109.11	105.36	102.99	119.22	92.00
	Times interest earned	299.21	56.00	42.87	62.60	47.08
Operating performance	Accounts receivable turnover (times)	2.93	2.90	2.98	2.78	2.70
	Average collection days	124.57	125.86	122.48	131.29	135.18
	Inventory turnover (times)	5.54	9.95	16.47	10.66	8.38
	Accounts payable turnover (times)	2.76	2.97	3.08	2.79	3.04
	Average days in sales	65.88	36.68	22.16	34.24	43.55
	Property, plant and equipment turnover (times)	1.09	1.23	2.26	2.22	1.55
	Total asset turnover (times)	0.26	0.33	0.54	0.47	0.30
	Return on total assets (%)	9.38	5.33	3.82	6.75	7.35
Profitability	Return on equity (%)	12.06	7.55	6.01	10.88	10.87
	Ratio of income before tax to paid-in capital (%) (Note 6)	84.67	45.97	39.84	95.42	80.27
	Net profit margin (%)	35.75	15.76	6.98	14.03	23.51
	Earnings per share (NT\$)	7.73	5.03	4.12	7.88	8.69
Cash flow	Cash flow ratio (%)	19.25	2.74	13.84	27.78	3.44
	Cash flow adequacy ratio (%)	58.30	45.20	32.28	52.95	44.13
	Cash reinvestment ratio (%)	— (註 2)	— (註 2)	2.75	6.49	— (註 2)
Leverage	Operating leverage	— (註 3)	0.030	5.93	— (註 3)	0.49
	Financial leverage	0.96	0.96	1.28	0.52	0.95

Please explain the causes of changes in the financial ratios in the most recent 2 fiscal years. (Analysis is not required if the increase or decrease is less than 20%.)

1. The decrease in the ratio of liabilities to assets is due to the decrease in corporate debt in 2023.
2. The decrease in current ratio is due to the decrease in current assets, cash and accounts receivable in 2023.
3. The decrease in quick ratio is due to the decrease in current assets, cash and accounts receivable in 2023.
4. The decrease in interest coverage ratio was due to the decrease in pre-tax net profit.
5. The decrease in inventory turnover rate and increase in average sales days are due to the decrease in shipments from the Taipei factory in 2023.
6. The turnover rate of real estate, plant and equipment decreased, due to the decrease in sales revenue.
7. The total asset turnover rate decreased, due to the decrease in sales revenue.
8. The decrease in cash flow ratio was due to the decrease in net cash flow from operating activities.
9. The increase in financial leverage is due to the increase in interest expenses in 2023.

Note 1: The 2019~2020 financial information was verified and approved by KPMG, Accountants Hsu, Ming Fang and Accountants Wang Qing song.

The 2021~2023 financial information was verified and approved by KPMG, Accountants Hsu, Ming Fang and Accountants Chuang, Chun Wei.

Note 2: Although the net cash from operating activities for the year is the inflow amount, it is the outflow amount after deducting the amount of cash dividends.

Note 3: The operating net loss occurred in the current year, so it is a negative value.

Note 4: The following formulas for the calculation of the financial ratios shall be listed below this table in the annual report:

1. Financial structure

(1) Debt to assets ratio = total liabilities / total assets.

(2) Ratio of long-term capital to property, plant and equipment = (total equity + non-current liabilities) / net property, plant and equipment.

2. Solvency

(1) Current ratio = current assets / current liabilities.

(2) Quick ratio = (current assets - inventory - prepaid expenses) / current liabilities.

(3) Times interest earned = earnings before tax and interest expenses / current interest expenses.

3. Operating performance

(1) Accounts receivable (including accounts receivable and notes receivable arising from business activities) turnover = net sales / average accounts receivable balance (including accounts receivable and notes receivable arising from business activities).

(2) Average collection days = 365 / accounts receivable turnover.

- (3) Inventory turnover = cost of goods sold / average inventory.
- (4) Accounts payable (including accounts payable and notes payable arising from business activities) turnover = cost of goods sold / average accounts payable balance (including accounts payable and notes payable arising from business activities).
- (5) Average days in sales = 365 / inventory turnover.
- (6) Property, plant and equipment turnover = net sales / average net property, plant and equipment.
- (7) Total asset turnover = net sales / average total assets.
- 4. Profitability
 - (1) Return on total assets = (net income + interest expenses * (1 - effective tax rate)) / average total assets.
 - (2) Return on equity = net income after tax / average total equity.
 - (3) Net profit margin = net income after tax / net sales.
 - (4) Earnings per share = (income attributable to owners of parent - preferred stock dividends) / weighted average number of shares outstanding. (Note 5)
- 5. Cash flow
 - (1) Cash flow ratio = net cash flows from operating activities / current liabilities.
 - (2) Net cash flow adequacy ratio = 5-year sum of net cash flow from operating activities / 5-year sum of (capital expenditures + increases in inventory + cash dividends).
 - (3) Cash reinvestment ratio = (cash from operating activities - cash dividends) / (gross property, plant and equipment + long-term investments + other non-current assets + working capital). (Note6)
- 6. Leverage:
 - (1) Operating leverage = (net operating revenue – variable operating costs and expenses) / operating income. (Note 7)
 - (2) Financial leverage = operating income / (operating income – interest expenses).

Note 5: Special attention should be paid to the following when calculating earnings per share by the above equation:

- 1. The weighted average quantity of outstanding common shares shall be taken as the standard, not the quantity of outstanding shares at the end of the year.
- 2. If there is any cash capital increase or treasury stock transaction, take the circulation periods into account when calculating the weighted average quantity of outstanding shares.
- 3. If there is any capitalization of retained earnings or capital surplus, the annual and semi-annual earnings per share of past years shall be retrospectively adjusted pro rata to the size of the capital increase, without considering the issuance period of the capital increase.
- 4. If the preferred shares are non-convertible cumulative preferred shares, the dividend for the fiscal year (whether it has been distributed or not) shall be deducted from the net income after tax or added to the net loss after tax. If the preferred shares are non-cumulative, the dividend shall be deducted from the net income after tax if there is net income after tax and no adjustment is required in case there is loss.

Note 6: Special attention shall be paid to the following when making the calculations for cash flow analysis:

- 1. Net cash flow from operating activities refers to the net cash inflow from operating activities in the cash flow statement.
- 2. Capital expenditures refers to the annual cash outflow used in capital investment.
- 3. Increase in inventory is counted only when the balance at the end of the period is greater than the balance at the beginning of the period. If the inventory has decreased at the end of the year, it is counted as zero.
- 4. Cash dividends include the cash dividends of common stock and preferred stock.
- 5. Gross property, plant and equipment refers to the total property, plant and equipment without deduction of accumulated depreciation.

Note 7: The issuer shall categorize the operating costs and operating expenses into fixed ones and variable ones in accordance with their properties. If the categorization is subject to estimation or subjective judgment, attention shall be paid to ensure that it is done rationally and consistently.

Note 8: If the Company's shares have no par value or the par value per share is not NT\$10, the paid-in capital involved in the calculation of the above ratio shall be replaced by the equity attributable to owners of the parent company on the balance sheet.

6.3 Supervisors' or Audit Committee's Report in the Most Recent Year

JARLLYTEC CO., Ltd.

Audit Committee Audit Report

March 6, 2024

The board of directors sends the company 2023 Annual consolidated financial statements (including individual financial statements), business reports and profit distribution proposals. Among them, the consolidated financial statements (including individual financial statements) have been verified by KPMG and an audit report has been issued. The above-mentioned consolidated financial statements (including individual financial statements), business reports and profit distribution proposals have been reviewed by the Audit Committee and found that there is no inconsistency. In accordance with the provisions of Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, a report shall be prepared and submitted for review.

Sincerely,

The Company's 2024 Annual General Meeting of Shareholders

JARLLYTEC CO., Ltd.

Convener of the audit committee: Yang, Shang-Hsien

6.4 Financial Statements for the Most Recent Fiscal Year (certified by Independent Auditors):

Please refer to page 162~234

6.5 Parent Company only Financial Statements for the Most Recent Fiscal Year (certified by Independent Auditors):

Please refer to page 235~303

6.6 Financial Difficulties for the Company and its Affiliates during the most recent year until the publication of this annual report: None

7. Review and Analysis of Financial Conditions, Financial Performance, and Risk Management

7.1 Analysis of Financial Status

Unit: NT\$ thousand

	2022	2023	Difference	
			Amount	%
Current assets	6,077,844	7,018,741	940,897	15.48
Property, Plant and Equipment	2,454,189	2,540,155	85,966	3.50
Intangible assets	21,715	21,646	-69	-0.32
Other assets	499,084	575,737	76,653	15.36
Total assets	9,052,832	10,156,279	1,103,447	12.19
Current liabilities	3,540,061	4,537,641	997,580	28.18
Non-current liabilities	934,220	355,743	-578,477	-61.92
Total liabilities	4,474,281	4,893,384	419,103	9.37
Share capital	601,214	660,914	59,700	9.93
Capital reserve	1,385,445	1,715,423	329,978	23.82
Retained surplus	2,639,071	2,987,869	348,798	13.22
Other rights	(47,179)	(101,311)	-54,132	-114.74
Equity attributable to owners of parent company	4,578,551	5,262,895	684,344	14.95
Non-controlling interests	0	0	0	0.00
Total equity	4,578,551	5,262,895	684,344	14.95

The main reasons for the major changes in the company's assets, liabilities and equity in the last two years (the changes in the previous and later periods are more than 20% and the number of changes is NT\$10 million), the main reasons and the impact and future response plans:

(1) Increase in current liabilities:

There will be an increase of NT\$ 997,580 thousand in 2023 compared with 2022, due to the increase in notes payable and accounts payable in 2023.

(2) Reduction in non-current liabilities :

There will be a decrease of NT\$ 578,477 thousand in 2023 compared with 2022, due to the decrease in corporate bonds and long-term borrowings payable in 2023.

(3) Increase in capital reserve:

The increase in 2023 by NT\$ 329,978 thousand compared with 2022 is due to the increase in premium for shares issued in 2023.

7.2 Financial Performance

7.2.1 Analysis of financial performance

Unit: NT\$ thousand

	2022	2023	Difference	
			Amount	Ratio (%)
Operating income	7,020,608	8,220,663	1,200,055	17.09
Operating cost	(5,616,626)	(6,737,414)	1,120,788	19.95
Operating profit	1,403,982	1,483,249	79,267	5.65
Operating expenses	(951,282)	(892,987)	-58,295	-6.13
Net operating profit	452,700	590,262	137,562	30.39
Non-operating income and expenses	271,798	147,709	-124,089	-45.65
Net profit before tax	724,498	737,971	13,473	1.86
Income tax expense	(250,530)	(202,693)	-47,837	-19.09
Net profit for the current period	473,968	535,278	61,310	12.94
Other comprehensive gains and losses	44,427	(60,248)	-104,675	-235.61
Total comprehensive profit and loss for the current period	518,395	475,030	-43,365	-8.37

7.2.2 Analysis and explanation of the change in the increase and decrease ratio in the last two years:

- (1) Increase in operating income: Due to the rising cyclical growth momentum of global notebook computers and LCD monitors, this industry's revenue increased.
- (2) Increase in operating costs: Due to the increase in raw material costs.
- (3) Decrease in operating expenses: Due to the reduction in marketing expenses.
- (4) Increase in net operating profit: Due to the decrease in operating expenses in 2023.
- (5) Increase in net profit before tax and net profit for the current period: This is due to the increase in gross profit and the decrease in operating expenses in 2023.

7.2.3 The expected sales volume in the next year and its basis, the possible impact on the company's future financial business and its response plan

With the gradual destocking of major laptop manufacturers and the favorable conditions of slowing inflation, the company will conservatively view the sales in 2024 based on the industry boom and the order intake and sales status in 2024 as of the publication date of the annual report; because the company No financial forecast has been disclosed to the public, so the expected sales volume and its basis are not stated.

7.3 Analysis of Cash Flow

7.3.1 Analysis and explanation of changes in cash flow in recent years

Unit: NT\$ thousand

Item	Cash Flow		Change	
	2022	2023	Amount	%
Business Activities	1,148,762	973,192	-175,570	-15%
Investment Activity	(199,359)	(461,224)	-261,865	131%
Fund Raising	(119,009)	(321,665)	-202,656	170%
Analysis of the change in the increase or decrease ratio: 1. The decrease in net cash inflow from operating activities was due to the increase in inventory in the current period. 2. The decrease in net cash outflow from investing activities was due to the decrease in real estate, plant and equipment acquired during the period. 3. The decrease in net cash inflow from financing activities was due to the decrease in the issuance of corporate bonds in the current period.				

7.3.2 Improvement plan for insufficient liquidity: N/A

7.3.3 Analysis of cash flow in the coming year

Unit: NT\$ thousand

Beginning cash Balance	Year-round from business activities Net cash flow	Net cash flow from other activities for the full year	Cash surplus (insufficient) amount	Remedies for insufficient cash	
				Investment plan	Fundraising plan
2,967,196	927,659	(702,957)	3,191,898	-	-
1. Analysis of cash flow situation in the next year (1) Operating activities: Due to the net cash inflow from the business' profits. (2) Investing activities: Due to net cash outflows from purchasing machinery, equipment and financial products. (3) Financing activities: The main reason is the net cash outflow from the payment of cash dividends. 2. Remedial measures and liquidity analysis for the expected cash shortfall: None.					

7.4 The Impact of Major Capital Expenditures on Financial Business in the Most Recent Year

7.4.1 Application of major capital expenditures and sources of funds

Unit: NT\$ thousand

Plan project	Actual or expected Sources of funds	Actual or Expected Completion Date	Required capital	Scheduled Case
				2024
Purchase machinery and equipment	own funds and Bank loan	December 2024	472,500	472,500

7.4.2 Expected to generate benefits

We invest a total of NT\$ 472,500 thousand to purchase machinery and equipment, for the expansion of production capacity to cope with future market expansion.

7.5 Reinvestment Policy in the Most Recent Year, the Main Reasons for its Profit or Loss, Improvement Plan and Investment Plan for the Next Year

7.5.1 Reinvestment policy

The company focuses on long-term holding and reinvests in the mainland, Thailand and Vietnam through third places to set up production bases and set up service bases in Singapore to deploy overseas markets, establish a complete supply chain, serve customers nearby and strive for a wider range of products. market and strengthen the overall competitiveness. From time to time, the company assigns financial and audit personnel to the subsidiary to understand the actual operation and operation status and to check the implementation of internal control operations and report to the parent company to implement control.

7.5.2 Profits or losses from reinvestment December 31, 2021

Unit: NT\$ thousand

Reinvestment business	Invest amount	Main reason for profit or loss			Remark
		This period profit and loss	Listed in this issue investment profit and loss	Description	
Great Hinge Trading Ltd.	64,208	20,054	20,054	Holding company for reinvestment of Vietnamese subsidiary.	N/ A
Smart Hinge Holdings Ltd.	904,601	637,066	625,216	The main reason is that the profit of the mainland subsidiary has resulted in the recognition of interests in its holding investment.	N/ A
Jarson Precision Technology Co., Ltd.	134,076	(65,539)	(65,426)	Loss due to reduced revenue.	Merge with Jarllytec
Jarwin Investment Co., Ltd.	80,000	8,866	8,866	It is a general investment company, due to the difference between the purchase cost of securities held at the end of the period and the market price evaluation.	N/ A
Jarllytec (Singapore) PTE.Ltd.	423	706	706	This company does not manufacture and sell but serves customer needs.	N/ A
Jarllytec (Vietnam) Co., Ltd.	230,613	(18,467)	(18,467)	The main reason is that it is currently in the initial stage of preparation and has no revenue, resulting in losses.	N/ A
Royal Jarlly Holding Ltd.	904,601	630,542	630,542	Due to the profit of the mainland subsidiary, which led to the recognition of interests in its holding investment.	N/ A
Jarllytec (Thailand) Co., Ltd.	189,973	(10,177)	(10,177)	The company is currently in the initial stages of preparation.	N/ A
Jarlly Technology(Shanghai) Co., Ltd.	261,462	402,123	402,123	Stable operation and continuous profit.	N/ A
Fu-Qing Jarlly Electronics Co., Ltd.	240,658	77,470	77,470	Stable operation and continuous profit.	N/ A
Dong Guan Jarlly Electronics Co., Ltd.	81,466	1,076	1,076	Stable operation and continuous profit.	N/ A
Kunshan Jarlly Electronics Ltd.	71,906	72,916	72,916	Stable operation and continuous profit.	N/ A
Jarlly Electronics Technology (Shanghai) Co., Ltd.	473,450	9,826	9,826	Stable operation and continuous profit.	N/ A
Xiamen Jarlly Electronics Co., Ltd.	43,801	10,730	10,730	Stable operation and continuous profit.	N/ A
Jarlly Technology(Chongqing) Co., Ltd.	61,722	100,349	100,349	Stable operation and continuous profit.	N/ A
ZheJiang Jarlly Precision Technology Co., Ltd.	154,013	(10,547)	(10,547)	The company is currently in the initial stages of preparation.	N/ A

7.5.3 Investment plan for the next year: None

7.6 Analysis of Risk Management

7.6.1 The impact of interest rate, exchange rate changes and inflation on the company's profit and loss and future countermeasures

(1) Interest rate changes and interest expenses

Unit: NT\$ thousand

	2023	As of March 31, 2024
Interest Income	55,006	16,378
Interest Expense	21,476	6,606
Operating Income	8,220,663	2,378,584
Net profit before tax	737,971	226,119
(Interest Expense - Interest income)/operating income	-0.41%	-0.41%
(Interest Expense - Interest income)/net profit before tax	-4.54%	-4.32%

The company's current floating-rate assets are mainly bank deposits, and floating-rate liabilities are long-term and short-term loans. At present, the proportion of the company's borrowings is not high, and the working capital is sufficient. There is a large room for flexibility in financial operations to cope with the risk of interest rate changes. The cash flow risk arising from changes is insignificant.

Policies and Responses:

- A. In terms of interest rates, the company refers to domestic and foreign economic research institutions and bank research reports in order to grasp the future trend of interest rates, and maintain smooth communication channels with banks to strive for preferential loan conditions.
- B. Improve the company's financial planning and effectively use various financial tools to reduce the risk of interest rate changes.
- C. In the future, the company will still be based on the principle of conservative and prudent, considering the safety and reasonable income and the idle funds of the company will be deposited in financial institutions with good credit.

(2) Foreign exchange gains and losses

Unit: NT\$ thousand

	2023	As of March 31, 2023
Net foreign exchange gains (losses)	27,760	30,309
Operating income	8,220,663	2,378,584
Net profit before tax	737,971	226,119
Net foreign exchange gains (losses)/operating income	0.34%	1.27%
Net foreign exchange (loss)/net profit before tax	3.76%	13.40%

The Group's operating income is mainly denominated in US dollars from overseas sales, and changes in exchange rates mainly affect sales revenue and gross profit. At present, the Group adopts natural risk-avoidance measures and has reached an agreement with several major raw material suppliers. The payment for goods is mainly in US dollars, so as to reduce the impact of exchange rate changes on the company. At the end of 2023, the balance of financial assets after offsetting financial assets and financial liabilities of the group was NT\$1,806,590 thousand (US\$58,837 thousand). If the NT dollar depreciates or appreciates by 5% against the US dollar, the group's net profit before tax will increase or decrease by about NT\$90,330 thousand.

Policies and Responses:

- A. The company collects information on exchange rate changes at any time, judges the situation of exchange rate changes and takes hedging operations in a timely manner to avoid the risk of exchange rate changes and reduce the adverse impact of exchange rate changes on the company's profit and loss.
 - B. For the foreign exchange positions held, the company will refer to the professional consulting services provided by various financial institutions, fully control the exchange rate trend and determine the favorable time to convert Taiwan dollars depending on the actual capital needs.
 - C. The company will adopt the operation strategy of derivative financial products with the nature of hedging, such as options, pre-purchase forward foreign exchange (Forward), to avoid relevant exchange rate risks according to the changes in the foreign exchange market and the demand for foreign exchange funds., to minimize the impact of exchange rate changes on the company's profit and loss.
- (3) The impact of inflation on the company's profit and loss and future countermeasures

The purchase amount of the Group in 2023 is NT\$ 5,029,471 thousand. If the inflation rate increases by 1%, the purchase cost of the Company will increase by NT\$ 50,295 thousand.

Policies and Responses:

The company pays attention to the changing trend of international raw material prices at any time and maintains a good cooperative relationship with raw material suppliers to reduce the impact of rising raw material prices. At the same time, the company also continues to achieve the goal of cost reduction through product and process improvement or cost transfer.

7.6.2 Main reasons for profit or loss and future countermeasures for engaging in high-risk, high-leverage investments, lending funds to others, endorsement guarantees and derivatives transactions in the most recent year

(1) Engage in high-risk, high-leverage investment situations

Based on the principle of prudence and pragmatic business philosophy, the company has not engaged in any high-risk, high-leverage investment except for focusing on long-term investment in the company's related businesses.

(2) Fund loan to others

2023 and as of the date of publication of the annual report, the Group has funds loaned to others. The parent company has, with the approval of the board of directors, lent funds to manufacturers and subsidiaries that need short-term financing; and engage in capital lending due to the necessity of financing.

(3) Endorsement guarantees for others

In 2023 and as of the date of publication of the annual report, the Group has endorsed guarantees for others. As of the date of publication of the annual reports in 2023 and 2024, the parent company has endorsed and guaranteed the investee companies evaluated by the equity method as approved by the board of directors.

(4) Engaging in Derivative Commodities Transactions

The Group's derivatives transactions in 2023 were carried out in accordance with the methods stipulated by the company. As of the publication date of the annual report in 2024, the Group did not engage in derivatives transactions.

The Group's capital lending to others and endorsement guarantees are managed in accordance with the policies and corresponding measures set by the parent company's "Funds Lending and Endorsement and Guarantee Procedures" and the parent company's subsidiary "Funds Lending to Others and Endorsements and Guarantee Procedures." In the future, it will still strictly follow the relevant regulations to protect the best interests of the company.

7.6.3 Future R&D plans and estimated R&D expenses

The company has been actively researching and developing new products and committing to innovative technology as its goal. The new products currently expected to be developed are mainly the electric hinge development plan with a rotating and collapsible flexible screen, and the innovative tablet computer that can automatically close the cross-hinge hinge technology development plan. Art, ultra-thin AR glasses hub technology development plan, ultra-thin flexible screen drop-shaped folding mobile phone hinge development plan, folding flexible screen device laptop hub technology development, light and thin high-efficiency hub structure and high-tech manufacturing research plan painting.

For a variety of supporting new products, the prototype, verification and patent application layout of the design side have been completed and the market promotion has been conducted, which has been affirmed by customers. Therefore, the recent R&D plan is for further joint system design and verification with customers, including the testing and verification of mold parts, fixtures required for automated production processes and products, in preparation for smooth mass production. It is estimated that about NT\$182,000 thousand will be invested in research and development related to manpower, time and equipment in 2024.

Recent annual R&D plan	Current progress	Estimated amount of R&D expenses	Estimated time to complete mass production	The main factors affecting the success of R&D in the future
Innovative ultra-thin multi-zone laser welding and new laminated shaft technology development	Design verification in progress	28,000 thousand	December 2024	Mechanism design, process technology
Innovative reverse development lens air blow cleaning technology development plan	Mold opening and verification in progress	32,000 thousand	December 2024	Mechanism design, process technology
Development of innovative dual-screen hidden ultra-thin notebook hinge technology	Mold opening and verification in progress	26,000 thousand	December 2024	Mechanism design, process technology
Innovative water drop type flexible OLED special seamless synchronous display axis	Mold opening and verification in progress	33,000 thousand	December 2024	Mechanism design, process technology

Recent annual R&D plan	Current progress	Estimated amount of R&D expenses	Estimated time to complete mass production	The main factors affecting the success of R&D in the future
technology development plan				
Development of innovative thin four-bar linkage monitor stand technology	Design verification in progress	31,000 thousand	December 2024	Mechanism design, process technology
Development of new multi-link folding mobile phone hinge	Mold opening and verification in progress	22,000 thousand	December 2024	Mechanism design, process technology

7.6.4 The impact of important domestic and foreign policies and legal changes on the company's financial business and countermeasures

The company and its subsidiaries conduct various operations in accordance with relevant laws and regulations and pay attention to changes in important policies and regulations at home and abroad at any time to adjust business policies appropriately. Therefore, important policy and legal changes have not had a significant impact on the Company's financial business.

7.6.5 The impact of technological changes (including information security risks) and industrial changes on the company's financial business and countermeasures

The company regularly invests funds related to data communication security every year to ensure that the company's operations are built under a protective framework; it also actively encourages innovation and research, applies for patents on new products and technologies and establishes a comprehensive patent intelligence protection network. In the future, it will also cooperate with market trends and Research and development according to customer needs. Therefore, technological changes and industrial changes have not had a significant impact on the financial business of the Company. For the information security risk management and countermeasures, please refer to this annual report No. 5, Operation Overview No. 6: Information Security Management, page 128.

7.6.6 The impact of corporate image change on corporate crisis management and countermeasures

Since its establishment, the company has always adhered to the principles of professional and honest sustainable operation and there are no relevant reports in the market that are unfavorable to the company's corporate image. Therefore, there is no incident of corporate crisis management caused by changes in corporate image.

7.6.7 Expected benefits, risks and countermeasures of M&A

As of the publication date of the annual report, the company has no plans to acquire other companies.

7.6.8 Expected benefits, risks and countermeasures of plant expansion

In response to business development and customer demand, the company has already deployed in Southeast Asia in advance. As the trade conflict between China and the United States intensifies, the pressure on industrial supply chains to move out of China is increasing. In order to respond to the order demand from American customers, the company plans to expand Jarllytec Vietnam's presence in Vietnam. The

scale of the factory is expected to expand the production scale of the company's key products and disperse the risk of excessive concentration of production lines in China. It can also enhance the company's long-term competitiveness through the extensive tariff and trade agreements between Vietnam, Southeast Asia and other countries around the world. The Company has continuously assessed the risks that may arise from insufficient funds, lagging project progress, business order status, etc. before investing in each expansion plant, and has formulated relevant measures to reduce the adverse impact of various risks on the Company's operations.

7.6.9 Risks faced by purchase or concentration of sales and countermeasures

(1) Purchase concentration risk assessment and countermeasures

The company has no suppliers that account for more than 10% of the total purchases. The main raw materials purchased are male and female shafts, mandrels, castings, iron sheets, copper sheets, gaskets, shrapnel, sleeves, screws, nuts and metal powder injection. Each raw material has more than two suppliers as a response and establishes long-term cooperative partnership with suppliers and the supply quality is stable.

(2) Sales concentration risk assessment and countermeasures

The company's main sales customers are domestic and foreign well-known system factories and has established a good reputation among customers and the market share has also maintained a certain level. In recent years, the company has made major breakthroughs in the technology of folding mobile phone hinges, which has also contributed significantly to revenue. In the future, the company will continue to develop new products and actively expand different customer groups to reduce the risk of sales concentration. Customers who accounted for more than 10% of net sales in the last two years, please refer to this annual report No. 5, Operation Overview II: Market, Production and Sales Overview, page 118.

7.6.10 Directors, supervisors or major shareholders holding more than 10% of the shares, the impact, risks and countermeasures of large-scale transfer or replacement of shares on the company

The major shareholders of the company are quite optimistic about the company's prospects, but each shareholder has different considerations for their own investment and financial planning. Based on the needs of safeguarding the company's interests and stabilizing the confidence of the public, the major shareholders must transfer equity. After full communication with the board of directors and the management team, increase investment or transfer through appropriate channels. Therefore, the impact on the Company is quite limited. In addition, to meet the policy requirements of the competent authority and hope that the company's operation and management can be sounder, to make the company's board structure more in line with the spirit of corporate governance, the company's director and supervisor structure has been adjusted slightly. In 2018 The establishment of an audit committee to replace the supervisory powers makes the operation of the board of directors of the company more independent, which is of positive benefit to the company.

7.6.11 The impact, risks and countermeasures of the change of management rights on the company

Company's equity is concentrated in the chairman of the board and other directors and managers. Therefore, the management class has a powerful sense of mission to the company and regards the company's management as a lifelong job. In addition, employees agree with the company's development direction and are willing to Holding the company's stock for a long time and growing together with the company, the company will continue to uphold the stable business philosophy and good management ethics to create the growth of the company's operations and profits and strive for the approval of all shareholders for the management team. To sum up, the Company should have no risk of changes in management rights due to substantial transfer or replacement of equity interests.

7.6.12 The company and its directors, supervisors, general managers, substantive persons in charge, major shareholders holding more than 10% of the shares and subordinate companies have decided or are still in the process of major litigation, non- litigation or administrative disputes If the outcome of a lawsuit may have a significant impact on shareholders' rights and interests or securities prices, the facts at issue, the amount of the subject matter, the start date of the lawsuit, the main parties involved and the handling as of the date of publication of the annual report: None.

7.6.13 Other important risks and countermeasures

For the information security risk management and countermeasures, please refer to this annual report No. 5, Operation Overview No. 6: Information Security Management, page 128.

7.7 Other Important Matters: None

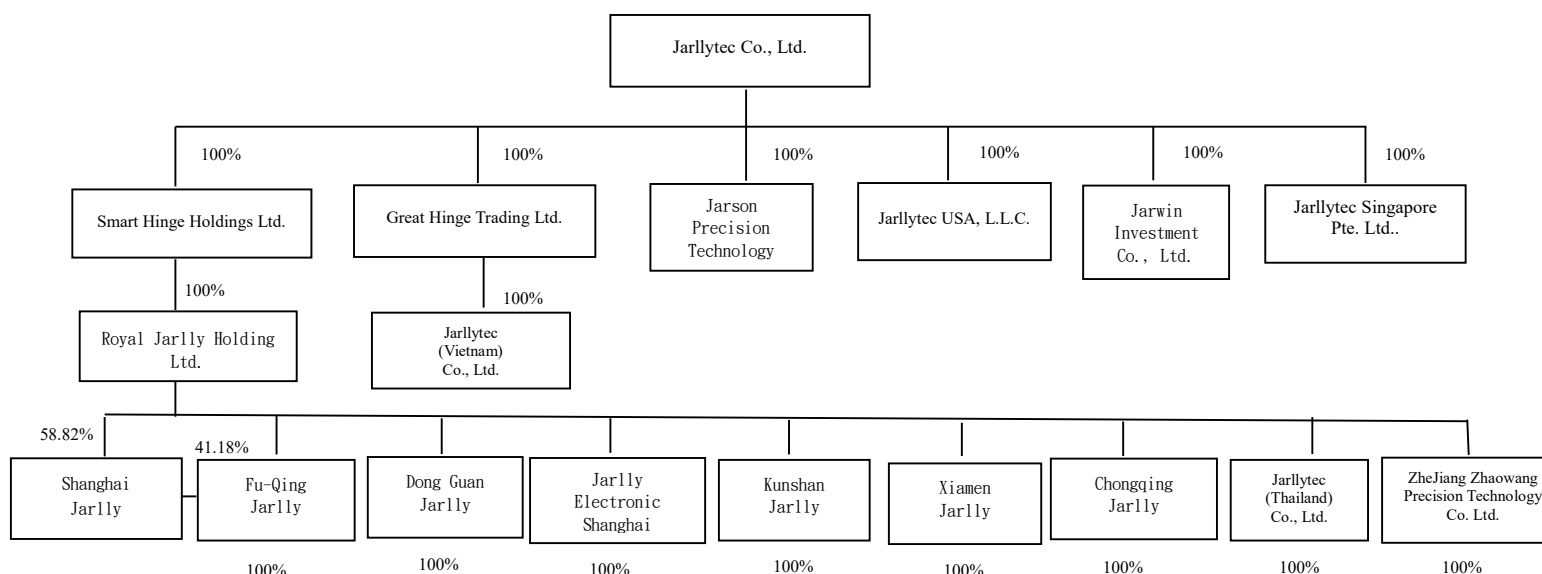
8. Special Disclosure

8.1 Summary of Affiliated Companies

8.1.1 The consolidated report of the affiliated companies

(1) Affiliated companies' organization chart

12/31/2023



(2) Basic information of affiliated companies

Unit: thousand December 31, 2023

Name	Date	Location	Paid-in capital	Business
Jarllytec Co., Ltd.	07/07/2004	No. 13, Wugong 5th Road, Xinzhuang District, New Taipei City	NT\$660,914	Developing, designing, production, assembly, inspection, manufacturing and sell stamping parts, hinges and MIM, which are widely applied in NB, LCD monitor, LCD TV, 3C-related products.
Smart Hinge Holdings Ltd.	11/01/2004	British Virgin Islands	US\$28,434	Investment holding company
Great Hinge Trading Ltd.	12/09/2004	British Virgin Islands	US\$12	Investment holding company
Royal Jarlly Holding Ltd.	12/03/2007	Hongkong	US\$28,434	Investment holding company
Jarlly Technology(Shanghai) Co., Ltd.	12/28/2001	Shanghai, China	US\$8,500	Production and sales of special materials for components and equipment
Fu-Qing Jarlly Electronics Co., Ltd.	02/27/2004	Fuqing City, Fujian Province, China	US\$8,034	Production and sales of precision shafts
Dong Guan Jarlly Electronics Co., Ltd.	01/11/2006	City, Guangdong Province, China	US\$2,600	Production and sales of precision shafts

Name	Date	Location	Paid-in capital	Business
Jarllly Electronics Technology (Shanghai) Co.,	02/10/2006	Shanghai, China	US\$15,000	Production and sales of precision shafts
Kunshan Jarllly Electronics Ltd.	09/30/2006	Kunshan City, Jiangsu Province, China	US\$2,200	Production and sales of precision shafts
Xiamen Jarllly Electronics Co., Ltd.	08/16/2010	Xiamen, China	USD\$1,500	Production and sales of precision shafts
Jarllly Technology(Chongqing) Co., Ltd.	09/21/2021	Chongqing, China	USD\$2,100	Production and sales of precision shafts
Jarson Precision Technology Co., Ltd.	10/14/2014	No. 59, Wuquan 7th Road, Wugu District, New Taipei City	NT\$150,000	Manufacturing and trading of metal powder injection molding products
Jarlllytec (Thailand) CO., Ltd.	12/20/2019	Chachoengsao, Thailand	THB200,000	Production and sales of precision shafts
Jarwin Investment Co., Ltd.	04/15/2020	No. 13, Wugong 5th Road, Xinzhuang District, New Taipei City (5th Floor)	NTD80,000	General investment industry
Jarlllytec (Singapore) PTE. Ltd.	04/22/2021	Singapore	USD\$20	Computer Design and Service
Jarlllytec (Vietnam) CO., Ltd.	04/28/2021	Henan Province, Vietnam	USD\$8,000	Production and sales of precision shafts
ZheJiang Zhaowang Precision Technology Co. Ltd.	03/16/2023	Jiaxing City, Zhejiang Province, China	USD5,000	Manufacturing and trading of metal powder injection molding products

- (3) Information on the same shareholders of those who are presumed to have control and affiliation: none.
- (4) Industries covered by the overall business of the affiliated company: refer to the basic information of the affiliated company.

(5) Information on directors, supervisors and general managers of related companies

Unit: Share; December 31, 2024

Company Name	Job title	Name or representative	Holding shares	
			Shares	Ratio
Jarlllytec Co., Ltd.	Chairman	Dellson Investment Co., Ltd.	3,864,000	5.85%
		Representative: Chang, Tai Yuan	711,325	1.08%
	Vice Chairman	Sunrise Investment Co., Ltd.	6,100,000	9.22%
		Representatives: Liu, Kuang Hua	1,316,000 (Note 1)	1.99%
	Director	Young Win Assets Management CO., Ltd.	1,550,000	2.35%
		Liu, Bo-Liang	0	0%
	Independent Director	Wu, Sou Shan	0	0%
	Independent Director	Liu, Chun Ying	0	0%
	Independent Director	Yang, Shang Hsien	0	0%
	Independent Director	Lee, Chien Ming	0	0%
	General Manager	Chang, Tai Yuan	711,325	1.08%
Smart Hinge Holdings Ltd.	Director	JARLLYTEC CO., Ltd. Representative: Chang, Tai Yuan	28,434,000	100%
Great Hinge Trading Ltd.	Director	JARLLYTEC CO., Ltd. Representative: Chang, Tai Yuan	12,000	100%
Royal Jarlly Holding Ltd.	Director	Smart Hinge Holdings Ltd. Representative: Chang, Tai Yuan	28,434,000	100%
Jarllytec (Vietnam) Co., Ltd.	Chairman	Great Hinge Trading Ltd. Representative: Chang, Tai Yuan	-	-
Jarlly Technology(Shanghai) Co., Ltd.	Chairman	Royal Jarlly Holding Ltd.: Chang, Tai Yuan	-	-
	Director	Royal Jarlly Holding Ltd.: Liu, Kuang Hua	-	-
	Director	Royal Jarlly Holding Ltd.: Huang, Chin Ming	-	-
	Supervisor	Royal Jarlly Holding Ltd.: Chen, Ying-Syuan	-	-
	General Manager	Huang, Chin Ming	-	-
Fu-Qing Jarlly Electronics Co., Ltd.	Chairman	Royal Jarlly Holding Ltd.: Chang, Tai Yuan	-	-
	Director	Royal Jarlly Holding Ltd.: Liu, Kuang Hua	-	-
	Director	Royal Jarlly Holding Ltd.: Hsu, Yao Kun	-	-
	Supervisor	Royal Jarlly Holding Ltd.: Chen, Ying-Syuan	-	-
	General Manager	Hsu, Yao Kun	-	-

Company Name	Job title	Name or representative	Holding shares	
			Shares	Ratio
Dong Guan Jarlly Electronics Co., Ltd.	Chairman	Royal Jarlly Holding Ltd.: Chang, Tai Yuan	-	-
	Director	Royal Jarlly Holding Ltd.: Liu, Kuang Hua	-	-
	Director	Royal Jarlly Holding Ltd.: Hsu, Yao Kun	-	-
	Supervisor	Royal Jarlly Holding Ltd.: Chen, Ying-Syuan	-	-
	General Manager	Hsu, Yao Kun	-	-
Jarlly Electronics Technology (Shanghai) Co., Ltd.	Chairman	Royal Jarlly Holding Ltd.: Liu, Kuang Hua	-	-
	Director	Royal Jarlly Holding Ltd. Representative: Chang, Tai Yuan	-	-
	Director	Royal Jarlly Holding Ltd.: Huang, Chin Ming	-	-
	Supervisor	Royal Jarlly Holding Ltd.: Hsu, Pei Wen	-	-
Kunshan Jarlly Electronics Ltd.	Chairman	Royal Jarlly Holding Ltd.: Chang, Tai Yuan	-	-
	Director	Royal Jarlly Holding Ltd. Liu, Kuang Hua	-	-
	Director	Royal Jarlly Holding Ltd.: Huang, Chin Ming	-	-
	Supervisor	Royal Jarlly Holding Ltd.: Chen, Ying-Syuan	-	-
	General Manager	Chang, Tai Yuan	-	-
Xiamen Jarlly Electronics Co., Ltd.	Chairman	Royal Jarlly Holding Ltd.: Chang, Tai Yuan	-	-
	Director	Royal Jarlly Holding Ltd. Liu, Kuang Hua	-	-
	Director	Royal Jarlly Holding Ltd.: Hsu, Yao Kun	-	-
	Supervisor	Royal Jarlly Holding Ltd.: Chen, Ying-Syuan	-	-
	General manager	Hsu, Yao Kun	-	-
Jarlly Technology(Chongqing) Co., Ltd.	Chairman	Royal Jarlly Holding Ltd.: Chang, Tai Yuan	-	-
	Executive Director	Royal Jarlly Holding Ltd.: Liu, Kuang Hua	-	-
	Supervisor	Royal Jarlly Holding Ltd. Hung, Chin Fu	-	-
	General manager	Huang, Chin Ming	-	-
ZheJiang Zhaowang Precision Technology Co. Ltd.	Chairman	Royal Jarlly Holding Ltd.: Chang, Tai Yuan	-	-
	Director	Royal Jarlly Holding Ltd.: Liu, Kuang Hua	-	-
	Director	Royal Jarlly Holding Ltd.: Li, Xin liang	-	-
	Supervisor	Royal Jarlly Holding Ltd.: Chen, Ying Hsuan	-	-

Company Name	Job title	Name or representative	Holding shares	
			Shares	Ratio
Jarlllytec (Thailand) Co., Ltd.	Director	Royal Jarlly Holding Ltd.: Hsu, Yao Kun	2,000,000	100%
Jarson Precision Technology Co., Ltd.	Chairman	JARLLYTEC CO., Ltd. Representative: Chang, Tai Yuan	15,000,000	100%
	Director	JARLLYTEC CO., Ltd. Representatives: Liu, Kuang Hua	15,000,000	100%
	Director	JARLLYTEC CO., Ltd. Representatives: Li, Xin liang	15,000,000	100%
	Supervisor	JARLLYTEC CO., Ltd. Representatives: Chen, Ying Hsuan	15,000,000	100%
	General manager	Li, Xin liang	-	-
Jarlllytec (Singapore) Pte. Ltd.	Director	JARLLYTEC CO., Ltd. Representative: Chang, Tai Yuan	-	-
	Director	SEET LYE HUAT ALLAN	-	-
Jarwin Investment Co., Ltd.	Chairman	JARLLYTEC CO., Ltd. Representatives: Liu, Kuang Hua	8,000,000	100%
	Supervisor	JARLLYTEC CO., Ltd. Representative: Chang, Tai Yuan	8,000,000	100%

Note 1: Among them, the special account of trust property holds 1,100,000 shares.

(6) Operational overview of each affiliated company

Unit: thousand March 31, 2023

Company Name	Paid-up capital	Total assets	Total liabilities	Net Equity	Operating income	Business interest	Net income (After taxes)	Earnings per share (After tax)
Jarlllytec Co., Ltd.	660,914	7,480,895	2,218,000	5,262,895	2,276,307	(254,099)	535,278	8.69
Great Hinge Trading Ltd.	64,208	159,083	72,981	86,102	-	(231)	20,054	-
Smart Hinge Holding Ltd.	904,601	3,553,700	-	3,553,700	-	6,505	637,066	-
Jarlllytec (Thailand) Co., LTD.	189,973	343,680	179,531	164,149	141,100	(17,494)	(10,177)	-
JARLLYTEC SINGAPORE PTE. LTD.	423	1,323	495	828	-	(2,345)	706	-
JARLLYTEC (VIETNAM) CO., LTD.	230,613	162,358	3,700	158,658	-	(17,584)	(18,467)	-
Royal Jarlly Holding Ltd.	904,601	3,500,876	4,998	3,495,878	-	(701)	630,542	-
Jarlly Technology(Shanghai) Co., Ltd.	261,462	2,981,563	1,898,724	1,082,839	3,812,132	511,946	402,123	-
Fu-Qing Jarlly Electronics Co., Ltd.	240,658	1,512,245	350,215	1,162,030	1,363,475	79,039	243,064	-
Dong Guan Jarlly Electronics Co., Ltd.	81,466	197,218	82,386	114,832	199,553	201,370	1,076	-
Kunshan Jarlly Electronics Ltd.	71,906	710,777	525,467	185,310	1,052,621	91,335	72,916	-
Jarlly Electronics Technology (Shanghai) Co., Ltd.	473,450	464,312	1,814	462,498	-	(11,815)	9,826	-
Xiamen Jarlly Electronics Co., Ltd.	43,801	139,042	30,336	108,706	122,134	8,478	10,730	-
Jarlly Technology(Chongqing) Co., Ltd.	61,722	791,143	374,196	416,947	934,583	101,000	100,349	-
ZheJiang Jarlly Precision Technology Co., Ltd.	154,013	173,258	32,010	141,248	-	(13,669)	(10,547)	-
Jarson Precision Technology Co., Ltd.	150,000	273,166	85,053	188,113	156,645	(62,505)	(65,539)	-
Jarwin Investment Co., Ltd.	80,000	83,068	336	82,732	61,429	3,136	8,866	-

8.1.2 Consolidated financial statements of related enterprises

Representation Letter

The entities that are required to be included in the combined consolidated financial statements of Jarllytec Co., Ltd. as of and for the year ended December 31, 2023 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 by the Financial Supervisory Commission, "Consolidated Financial Statements." In addition, the information required to be disclosed in the consolidated financial statements is included in the consolidated financial statements. Consequently, Jarllytec Co., Ltd. and Subsidiaries do not prepare a separate set of consolidated financial statements.

Company name: Jarllytec Co., Ltd.

Chairman: Chang, Tai-Yuan

Date: March 8, 2024

8.1.3 Relationship report: None

8.2 **Private Placement Securities in the Most Recent Years: None**

8.3 **The Shares in the Company Held or Disposed of by Subsidiaries in the Most Recent: None**

8.4 **Other Important Notes:**

8.4.1 Unfinished OTC commitments: None

8.4.2 Evaluation basis and basis for the method of listing assets and liabilities evaluation items in the financial statements:

Subjects	Evaluation
Allowance for doubtful debts	Accounts that are not overdue - 0%-15% for those overdue for 90 days. For overdue accounts for more than 90 days, the withdrawal rate is 30%-100%.
Allowance for sluggish loss of inventories	Raw material warehouse is sluggish for 181-365 days and 50% is listed. excellent product warehouse for more than 365 days. 80% of defective warehouses will be withdrawn and 100% of scrapped and sluggish warehouses will be withdrawn. semi-finished product Sluggish 91-180 days lift 30%. Sluggish 181-365 days lift 50%. 100% withdrawal over 365 days. 80% of defective warehouses will be withdrawn and 100% of scrapped and sluggish warehouses will be withdrawn. finished product Sluggish 181-365 days lift 100%. 100% withdrawal over 365 days. 80% of defective warehouses will be withdrawn and 100% of scrapped and sluggish warehouses will be withdrawn.

8.5 **In the Most Recent Year and as of the Date of Publication of the Annual Report, any Event Specified in Subparagraph 2, Paragraph 3, Article 36 of this Act has Occurred that has a Significant Impact on Shareholders' Rights and Interests or the Price of Securities: N/A.**

Representation Letter

The entities that are required to be included in the combined consolidated financial statements of Jarllytec Co., Ltd. as of and for the year ended December 31, 2023 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 by the Financial Supervisory Commission, "Consolidated Financial Statements." In addition, the information required to be disclosed in the consolidated financial statements is included in the consolidated financial statements. Consequently, Jarllytec Co., Ltd. and Subsidiaries do not prepare a separate set of consolidated financial statements.

Company name: Jarllytec Co., Ltd.

Chairman: Chang, Tai-Yuan

Date: March 8, 2024

Independent Auditors' Report

To the Board of Directors of Jarllytec Co., Ltd.:

Opinion

We have audited the consolidated financial statements of Jarllytec Co., Ltd. and its subsidiaries ("the Group"), which comprise the consolidated balance sheets as of December 31, 2023 and 2022 the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), Interpretations developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group 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 for 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 consolidated financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters we judge that shall be communicated in the audit report are as follows:

1. Revenue recognition

Please refer to Note 4(m) “Revenue recognition”

Description of key audit matter:

The major business of the Group is the development and manufacturing of various hinges which applied in computer, communication and consumer electronics, etc. The Operating Revenue is the main indicator for the investor to evaluate the financial and business performance of the Group. Therefore, it has been identified as a key audit matter.

How the matter was addressed in our audit:

Our principal audit procedures included:

- (1) Understanding the design and implementation of internal controls over revenue recognition and verifying the compliance of accounting policy.
- (2) Testing the manual control of sales and collection cycle.
- (3) Analyzing the changes in sales revenue from top ten clients and comparing them with those of the same period in the previous year to confirm whether or not there are significant exceptions or irregular transactions exist.
- (4) Examining the vouchers to determine the appropriate cut offs for revenue recognition within selected periods before and after the balance sheet date to evaluate whether the revenue was recorded in the appropriate period.

2. Impairment evaluation of accounts receivable

Please refer to Note 4(g)(i)(1) “Financial assets measured at amortized cost”; Note 5(a) Significant accounting assumptions and judgments, and major sources of estimation uncertainty, and Note 6(c) Notes and accounts receivables.

Description of key audit matter:

The Group measured its accounts receivable by the recoverable amounts due to the provision of bad debt allowance that is subject to the management’s judgement. Therefore, it has been identified as a key audit matter.

How the matter was addressed in our audit:

Our principal audit procedures included:

- (1) Assessing the rationality of the provision policy and verifying the compliance of provision policy for accounts receivable allowance.
- (2) Examining the aging analysis table and checking the amount of receivables received after the balance date, as well as discussing with the management to assess the whether or not the provision is reasonable.
- (3) Evaluating the adequacy of the Group’s disclosure for bad debt allowance.

3. Inventory valuation

Please refer to Note 4(h) “Inventories”; Note 5(b) “Significant accounting assumptions and judgments, and major sources of estimation uncertainty”, and Note 6(e) “Inventories”.

Description of key audit matter:

Inventories are measured at the lower of cost and net realizable value in the financial statements. However, with the rapid development of the consumer market and the volatility of sales, that may result in the cost of inventory and may exceed its net realizable value. Therefore, it has been identified as a key audit matter.

How the matter was addressed in our audit:

Our principal audit procedures included:

- (1) Examining the inventory aging report and analyzing the trends of inventory aging.
- (2) Evaluating the rationality of the provision policy and verifying the compliance of provision policy for inventory valuation.
- (3) Assessing the adequacy of the Group’s disclosure for inventories.

Other Matter

Jarlllytec Co., Ltd. has prepared its parent-company-only financial statements as of and for the years ended December 31, 2023 and 2022, on which we have issued an unmodified opinion.

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

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 with the IFRSs, IASs, IFRC, SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group’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 Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including members of the Audit Committee) are responsible for overseeing the Group’s financial reporting process.

Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ 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 auditing standards generally accepted in 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 consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated 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 Group'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 Group'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 consolidated 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated 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 entities or business activities within the Group to express an opinion on consolidated financial statements. We are responsible for the direction, supervision and performance of the group 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 consolidated financial statements for the year ended December 31, 2023 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 Hsu, Ming-Fang and Zhuang, Jun-Wei.

KPMG

Taipei, Taiwan (Republic of China)

March 8, 2024

Notes to Readers

The accompanying consolidated financial statements are intended only to present the consolidated 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 consolidated financial statements are those generally accepted and applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail

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

JARLLYTEC CO., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2023		December 31, 2022						December 31, 2023		December 31, 2022		
		Amount	%	Amount	%			Amount	%	Amount	%			
Assets						Liabilities and Equity								
Current assets:						Current liabilities:								
1100	Cash and cash equivalents (Note 6(a))	\$	2,967,196	29	2,841,048	31	2100	Short-term borrowings (Note 6(j) and 8)	\$	629,810	6	515,833	6	
1110	Current financial assets at fair value through profit or loss (Note 6(b))		15,386	-	29,155	-	2170	Notes and accounts payables		2,431,380	24	1,573,815	18	
1170	Notes and accounts receivables, net (Note 6(c)(t))		3,018,798	30	2,395,310	26	2200	Other payables (Note 6(k))		1,157,079	11	1,113,971	12	
1200	Other receivables, net (Note 6(d))		37,930	-	46,109	1	2230	Current tax liabilities		74,508	1	63,163	1	
1220	Current income tax assets		6,120	-	8,413	-	2280	Current lease liabilities (Note 6(n))		29,273	-	31,911	-	
130X	Inventories (Note 6(e))		866,940	9	679,004	8	2322	Long-term borrowings, current portion (Note 6(l) and 8)		186,111	2	217,361	3	
1410	Prepayments and other current assets (Note 6(6))		106,371	1	78,805	1	2399	Other current liabilities		29,480	-	24,007	-	
Total current assets			7,018,741	69	6,077,844	67	Total current liabilities			4,537,641	44	3,540,061	40	
Non-current assets:						Non-Current liabilities:								
1510	Non-current financial assets at fair value through profit or loss (Note 6(b))		254	-	657	-	2530	Bonds payable (Note 6(m))		-	-	386,421	4	
1517	Non current financial assets at fair value through other comprehensive income (Note 6(b))		122,164	1	83,032	1	2540	Long-term borrowings (Note 6(l) and 8)		68,810	1	254,921	3	
1600	Property, plant and equipment (Note 6(g) and 8)		2,540,155	25	2,454,189	27	2570	Deferred income tax liabilities (Note 6(q))		181,442	2	181,549	2	
1755	Right-of-use assets (Note 6(h))		234,285	3	254,101	3	2580	Non-current lease liabilities (Note 6(n))		65,232	1	77,142	1	
1780	Intangible assets (Note 6(i))		21,646	-	21,715	-	2640	Net defined benefit liability, non-current (Note 6(p))		37,267	-	31,272	-	
1840	Deferred income tax assets (Note 6(q))		44,729	-	29,790	-	2670	Other non-current liabilities, others		2,992	-	2,915	-	
1915	Prepayments for equipment		55,352	1	71,313	1	Total non-current liabilities			355,743	4	934,220	10	
1990	Other non-current assets, others (Note 6(f))		118,953	1	60,191	1	Total liabilities			4,893,384	48	4,474,281	50	
Total non-current assets			3,137,538	31	2,974,988	33	Equity attributable to owners of the parent (Note 6(r)):							
						Share capital								
						3110	Ordinary share		648,153	7	601,214	7		
						3140	Advance receipts for share capital		12,761	-	-	-		
							Total share capital		660,914	7	601,214	7		
						3200	Capital surplus		1,715,423	17	1,385,445	15		
							Retained earnings:							
						3310	Legal reserve		453,672	4	404,763	4		
						3320	Special reserve		47,179	-	76,485	1		
						3350	Unappropriated retained earnings		2,487,018	25	2,157,823	24		
							Total retained earnings		2,987,869	29	2,639,071	29		
							Other equity:							
						3410	Exchange differences on translation of foreign financial statements		(128,105)	(1)	(58,328)	(1)		
						3420	Unrealized gain or loss on financial assets at fair value through other comprehensive income		26,794	-	11,149	-		
							Total other equity		(101,311)	(1)	(47,179)	(1)		
						Total equity			5,262,895	52	4,578,551	50		
Total assets		\$	10,156,279	100	9,052,832	100	Total liabilities and equity		\$	10,156,279	100	9,052,832	100	

December 31, 2023 **December 31, 2022**

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

JARLLYTEC CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Common Share)

		2023		2022	
		Amount	%	Amount	%
4000	Operating revenue (Note 6(t))	\$ 8,220,663	100	7,020,608	100
5000	Operating costs (Note 6(e)(p))	<u>6,737,414</u>	<u>82</u>	<u>5,616,626</u>	<u>80</u>
	Net gross profit	<u>1,483,249</u>	<u>18</u>	<u>1,403,982</u>	<u>20</u>
	Operating expenses (Note 6(c)(n)(p)(r)(u)):				
6100	Selling expenses	222,061	3	348,007	5
6200	Administrative expenses	452,632	6	372,376	5
6300	Research and development expenses	223,795	3	220,943	3
6450	Expected credit loss (gain)	<u>(5,501)</u>	<u>-</u>	<u>9,956</u>	<u>-</u>
	Total operating expenses	<u>892,987</u>	<u>12</u>	<u>951,282</u>	<u>13</u>
	Net operating income	<u>590,262</u>	<u>6</u>	<u>452,700</u>	<u>7</u>
	Non-operating income and expenses (Note 6(b)(m)(n)(v)):				
7010	Other income	112,872	1	157,698	2
7020	Other gains and losses, net	1,307	-	110,514	2
7050	Finance cost	(21,476)	-	(20,487)	-
7100	Interest income	<u>55,006</u>	<u>1</u>	<u>24,073</u>	<u>-</u>
	Total non-operating income and expenses	<u>147,709</u>	<u>2</u>	<u>271,798</u>	<u>4</u>
	Profit from continuing operations before tax	<u>737,971</u>	<u>8</u>	<u>724,498</u>	<u>11</u>
7950	Less: Income tax expenses (Note 6(q))	<u>202,693</u>	<u>2</u>	<u>250,530</u>	<u>4</u>
	Profit	<u>535,278</u>	<u>6</u>	<u>473,968</u>	<u>7</u>
8300	Other comprehensive income:				
8310	Components of other comprehensive income (loss) that will not be reclassified to profit or loss				
8311	Remeasurements of defined benefit plans (Note 6(p))	(6,116)	-	15,121	-
8316	Unrealized gains from investments in equity instruments measured at fair value through other comprehensive income	15,645	-	(7,973)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Components of other comprehensive income (loss) that will not be reclassified to profit or loss	<u>9,529</u>	<u>-</u>	<u>7,148</u>	<u>-</u>
8360	Components of other comprehensive income (loss) that will be reclassified to profit or loss				
8361	Exchange differences on translation of foreign financial statements	(69,777)	(1)	37,279	1
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Components of other comprehensive income (loss) that will be reclassified to profit or loss	<u>(69,777)</u>	<u>(1)</u>	<u>37,279</u>	<u>1</u>
8300	Other comprehensive income, net of tax	<u>(60,248)</u>	<u>(1)</u>	<u>44,427</u>	<u>1</u>
8500	Total comprehensive income	<u><u>\$ 475,030</u></u>	<u><u>5</u></u>	<u><u>518,395</u></u>	<u><u>8</u></u>
	Profit attributable to:				
8610	Shareholders of parent	<u><u>\$ 535,278</u></u>	<u><u>6</u></u>	<u><u>473,968</u></u>	<u><u>7</u></u>
	Other comprehensive income attributable to:				
8710	Shareholders of parent	<u><u>\$ 475,030</u></u>	<u><u>5</u></u>	<u><u>518,395</u></u>	<u><u>8</u></u>
	Earnings per share (NT dollars) (Note 6(t))				
9750	Basic earnings per share	<u><u>\$ 8.69</u></u>		<u><u>7.88</u></u>	
9850	Diluted earnings per share	<u><u>\$ 8.10</u></u>		<u><u>7.35</u></u>	

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

JARLLYTEC CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent						Other equity		Total equity
	Retained earnings					Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income		
	Ordinary shares	Advance receipts for share capital	Capital surplus	Legal reserve	Special reserve			Unappropriated retained earnings	
Balance at January 1, 2022	\$ 601,214	-	1,334,534	380,412	1,292	1,888,521	(95,607)	19,122	4,129,488
Profit	-	-	-	-	-	473,968	-	-	473,968
Other comprehensive income	-	-	-	-	-	15,121	37,279	(7,973)	44,427
Total comprehensive income	-	-	-	-	-	489,089	37,279	(7,973)	518,395
Appropriation and distribution of retained earnings:									
Legal reserve	-	-	-	24,351	-	(24,351)	-	-	-
Special reserve	-	-	-	-	75,193	(75,193)	-	-	-
Cash dividends on ordinary shares	-	-	-	-	-	(120,243)	-	-	(120,243)
Other changes in capital surplus:									
Due to recognition of equity component of convertible bonds issued	-	-	50,911	-	-	-	-	-	50,911
Balance at December 31, 2022	601,214	-	1,385,445	404,763	76,485	2,157,823	(58,328)	11,149	4,578,551
Profit	-	-	-	-	-	535,278	-	-	535,278
Other comprehensive income	-	-	-	-	-	(6,116)	(69,777)	15,645	(60,248)
Total comprehensive income	-	-	-	-	-	529,162	(69,777)	15,645	475,030
Appropriation and distribution of retained earnings:									
Legal reserve	-	-	-	48,909	-	(48,909)	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	(180,364)	-	-	(180,364)
Reversal of special reserve	-	-	-	-	(29,306)	(29,306)	-	-	-
Conversion of convertible bonds	46,939	12,761	329,978	-	-	-	-	-	389,678
Balance at December 31, 2023	\$ 648,153	12,761	1,715,423	453,672	47,179	2,487,018	(128,105)	26,794	5,262,895

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

JARLLYTEC CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

	2023	2022
Cash flows from operating activities:		
Profit before tax	\$ 737,971	724,498
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	318,487	299,164
Amortization expense	29,384	24,124
Expected credit loss (gain)	(5,501)	9,956
Net loss (gain) on financial assets at fair value through profit or loss	(4,474)	9,229
Interest expense	21,476	20,487
Interest revenue	(55,006)	(24,073)
Dividend revenue	(7,211)	(16,374)
Loss from disposal of property, plant and equipment	5,629	11,507
Gain (loss) on disposal of intangible assets	10	(1)
Gain on disposal of investments	-	(14,651)
Other	-	8,095
Total adjustments to reconcile profit (loss)	302,794	327,463
Changes in operating assets and liabilities:		
Current financial assets at fair value through profit or loss	18,057	(29,351)
Notes receivables	783	606
Accounts receivables	(618,899)	776,503
Other receivables	8,259	10,116
Inventories	(187,936)	125,768
Prepayments	(28,522)	21,861
Other current assets	(979)	8,673
Notes payables	(2,134)	(16,733)
Accounts payables	859,699	(665,182)
Other payables	43,863	54,864
Other current liabilities	5,473	(14,726)
Net defined benefit liability	(121)	(400)
Total changes in operating assets and liabilities	97,543	271,999
Total adjustments	400,337	599,462
Cash inflow generated from operations	1,138,308	1,323,960
Interest received	54,926	20,857
Interest paid	(15,941)	(18,782)
Income taxes paid	(204,101)	(177,273)
Net cash flows from operating activities	973,192	1,148,762
Cash flows used in investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(34,111)	-
Proceeds from refund of paid-up capital of financial assets at fair value through other comprehensive income	10,150	-
Acquisition of financial assets at fair value through profit or loss	(1,586,711)	(1,540,155)
Disposal of financial assets at fair value through profit or loss	1,586,711	1,585,662
Acquisition of property, plant and equipment	(202,556)	(92,200)
Disposal of property, plant and equipment	1,300	10,401
Acquisition of intangible assets	(9,427)	(8,462)
Disposal of intangible assets	-	231
Increase in other non-current assets - others	(78,716)	(8,081)
Increase in prepayments for equipment	(155,075)	(163,129)
Dividends received	7,211	16,374
Net cash flows used in investing activities	(461,224)	(199,359)
Cash flows from financing activities:		
Increase in short-term borrowings	121,287	-
Decrease in short-term borrowings	-	(208,844)
Issuance of bonds	-	436,932
Proceeds from long-term borrowings	-	62,945
Repayments of long-term borrowings	(217,361)	(238,056)
Payment of principal of lease liabilities	(45,304)	(52,302)
Increase in other non-current liabilities - others	77	559
Cash dividends paid	(180,364)	(120,243)
Net cash flows used in financing activities	(321,665)	(119,009)
Effect of exchange rate changes on cash and cash equivalents	(64,155)	122,730
Net increase in cash and cash equivalents	126,148	953,124
Cash and cash equivalents at beginning of period	2,841,048	1,887,924
Cash and cash equivalents at end of period	\$ 2,967,196	2,841,048

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

JARLLYTEC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Company history

JARLLYTEC CO., LTD. (the “Company”) was legally established with the approval of the Ministry of Economic Affairs (R.O.C.) on July 7, 2004, with registered address at No.13, Wugong 5th Rd., Sin Jhuang Dist., New Taipei City, Taiwan (R.O.C.). The Company and its subsidiaries (the “Group”) has been actively developing, designing, production, assembly, inspection, manufacturing and sell stamping parts, hinges and MIM, which are widely applied in NB, LCD monitor, LCD TV, 3C-related products.

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

These consolidated financial statements were authorized for issue by the Board of Directors on March 8, 2024.

(3) New standards, amendments and interpretations adopted:

- (a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. (“FSC”) 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 amendments, 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 Sale and Leaseback”

JARLLYTEC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(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 IAS 21 “Lack of Exchangeability”

(4) Summary of significant accounting policies:

The significant accounting policies presented in the consolidated 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

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 International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the Financial Supervisory Commission, R.O.C.

(b) Basis of preparation

(i) Basis of measurement

Except for the following significant accounts, the consolidated 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) Financial assets at fair value through other comprehensive income are measured at fair value; and
- 3) The defined benefit liabilities (assets) are measured at fair value of the plan assets less the present value of the defined benefit obligation, limited as explained in note4(o).

(ii) Functional and presentation currency

The functional currency of each entity of the Group is determined based on the primary economic environment in which the entity operates. The consolidated financial statements are presented in New Taiwan Dollars, which is the Company’s functional currency. All financial information presented in New Taiwan Dollars has been rounded to the nearest thousand.

(c) Basis of consolidation

(i) Principles of preparation of the consolidated financial statements

JARLLYTEC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The consolidated financial statements comprise the Company and subsidiaries. Subsidiaries are entities controlled by the Group. The Group ‘controls’ an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Intragroup balances and transactions, and any unrealized income and expenses arising from Intragroup transactions are eliminated in preparing the consolidated financial statements. The Group attributes the profit or loss and each component of other comprehensive income to the owners of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

The Group prepares consolidated financial statements using uniform accounting policies for like transactions and other events in similar circumstances.

Changes in the Group’s ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received will be recognized directly in equity, and the Group will attribute it to the owners of the parent.

(ii) List of subsidiaries in the consolidated financial statements

The consolidated entities were as follows:

Name of Investor	Name of Subsidiary	Principal Activities	Percentage of Ownership (%)		Note
			2023.12.31	2022.12.31	
The company	Great Hinge Trading Ltd. (Great Hinge)	Investments	100%	100%	Note 1
The company	Smart Hinge Holdings Ltd. (Smart Hinge)	Investments	100%	100%	-
The company	Jarson Precision Technology Co., Ltd. (Jarson Precision)	Powder metallurgy and other metal products manufacturing and trading business	100%	100%	Note 1 、 Note 3
The company	Jarwin Investment Co., Ltd. (Jarwin Investment)	Investments	100%	100%	Note 1
The company	Jarlllytec Singapore Pte. Ltd. (Jarlllytec Singapore)	Computer design and service	100%	100%	Note 1
Great Hinge	Jarlllytec (Vietnam) Co., Ltd. (Jarlllytec Vietnam)	Production and sales business of precision hinges	100%	100%	Note 1
Smart Hinge	Royal Jarllly Holding Ltd. (Royal Jarllly)	Investments	100%	100%	-
Royal Jarllly	Jarllly Technology (Shanghai) Co., Ltd. (Shanghai Jarllly)	Component equipment for the production and sale of materials business	58.82%	58.82%	-

JARLLYTEC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Name of Investor	Name of Subsidiary	Principal Activities	Percentage of Ownership (%)		Note
			2023.12.31	2022.12.31	
Royal Jarlly	Fu Qing Jarlly Electronics Co., Ltd. (Fu Qing Jarlly)	Production and sales business of precision hinges	100%	100%	Note 1
Royal Jarlly	Dong Guan Jarlly Electronics Co., Ltd. (Dong Guan Jarlly)	Production and sales business of precision hinges	100%	100%	Note 1
Royal Jarlly	Kunshan Jarlly Electronics Ltd. (Kunshan Jarlly)	Production and sales business of precision hinges	100%	100%	Note 1
Royal Jarlly	Jarlly Electronics Technology (Shanghai) Co., Ltd. (Jarlly Electronics Shanghai)	Production and sales business of precision hinges	100%	100%	-
Royal Jarlly	Xiamen Jarlly Electronics Co., Ltd. (Xiamen Jarlly)	Production and sales business of precision hinges	100%	100%	Note 1
Royal Jarlly	Jarlly Technology (Chongqing) Co., Ltd. (Chongqing Jarlly)	Production and sales business of precision hinges	100%	100%	Note 1
Royal Jarlly	Jarlllytec (Thailand) Co., Ltd. (Jarlllytec Thailand)	Production and sales business of precision hinges	100%	100%	Note 1
Royal Jarlly	Zhejiang Jarlly Precision Technology Co., Ltd. (Zhejiang Jarlly)	Production and sales business of precision hinges	100%	-%	Note 1 、 Note 2 、 Note 4
Fu Qing Jarlly	Shanghai Jarlly	Component equipment for the production and sale of materials business	41.18%	41.18%	-

Note 1: Insignificant subsidiary.

Note 2: The Company indirectly invested in Royal Jarlly in March, 2023 through the Smart Hinge, which the Company holds 100% of ownership, and indirectly established Zhejiang Jarlly Precision Technology Co., Ltd. through Royal Jarlly, which is included in the consolidated financial statements since March, 2023.

Note 3: The Company has merged Jarson Precision on January 1, 2024. After the merger, the Company is the surviving company, and Jarson Precision is the dissolved company. Please refer to Note 11 for details.

Note 4: Due to the adjustment of investment structure, Jarlly Technology (Shanghai) Co., Ltd. acquired 100% of the shares of Zhejiang Jarlly Precision Technology Co., Ltd. from Royal Jarlly Holding Ltd. The based date is February 1, 2024. Please refer to Note 11 for details.

(iii) Subsidiaries excluded from the consolidated financial statements: None.

(d) Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at the 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. Non-monetary items denominated in

JARLLYTEC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

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 that 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 New Taiwan Dollars at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the New Taiwan Dollars at the 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 Group disposes only a 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 interests. When the Group disposes only a 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.

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

An asset is classified 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 cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

JARLLYTEC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

An entity shall classify a liability as current when:

- (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 Group does not have any unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments that do not affect its classification.

(f) 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.

(g) Financial instruments

(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 other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Group 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.

JARLLYTEC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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 other comprehensive income (FVOCI)

A debt investment is measured at FVOCI 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 achieved by both collecting contractual cash flows and selling financial assets; 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.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Group's right to receive payment is established.

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above (e.g. financial assets held for trading and those that are managed and whose performance is evaluated on a fair value basis) are measured at FVTPL, including derivative financial assets. On initial recognition, the Group 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.

JARLLYTEC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

4) Business model assessment

The company holds a portfolio of listed and over-the-counter equity securities and funds for trading purposes..

5) Impairment of financial assets

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

The Group 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 accounts 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 Group 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 Group's historical experience and informed credit assessment as well as forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when the financial asset is more than 90 days past due or the debtor is unlikely to pay its credit obligations to the Group in full.

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade' which is considered to be BBB- or higher per Standard & Poor's, Baa3 or higher per Moody's or twA or higher per Taiwan Ratings.

ECLs are 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 Group in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

JARLLYTEC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

At each reporting date, the Group 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 asset 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 90 days past due;
- 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 that financial assets because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt investment at FVOCI, loss allowances are recognized in other comprehensive income instead of reducing the carrying amount of the asset.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Group 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 Group 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 Group's procedures for recovery of amounts due. Based on its experience, the overdue amount will not be recovered after 90 days.

6) Derecognition of financial assets

The Group 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 Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group 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.

JARLLYTEC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss.

(h) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated using 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.

(i) 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 cost

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

(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.

JARLLYTEC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Land is not depreciated.

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

1) Buildings and construction	3 to 37 years
2) Machinery and equipment	3 to 8 years
3) Molding Equipment	3 years
4) Asset leased to others	3 to 37 years
5) Office and Other equipment	1 to 6 years

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

(j) Leases

At inception of a contract, the Group 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 lease

The Group 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 Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

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

- 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.

JARLLYTEC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated 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 Group'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 purchase, 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 Group presents right-of-use assets and lease liabilities as a separate line item respectively in the statement of financial position.

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

As a practical expedient, the Group elects not to assess whether all rent concessions that meets all the following conditions are lease modifications or not:

- the rent concessions occurring as a direct consequence of the COVID-19 pandemic;
- the change in lease payments that resulted in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments that affects only those payments originally due on, or before, June 30, 2022; and
- there is no substantive change in other terms and conditions of the lease.

In accordance with the practical expedient, the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

JARLLYTEC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) As a lessor

When the Group 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 Group 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 Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

The Group recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'leases income'.

(k) Intangible assets

(i) Recognition and measurement

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 Group 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 are acquired by the Group 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, 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.

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

JARLLYTEC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(l) Impairment of non-derivative financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories, contract assets, deferred tax assets and investment properties and biological assets, measured at fair value, less costs) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

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 CGUs.

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 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.

(m) Revenue recognition

Revenue from contracts with customers

(i) Sell goods

The Group manufactures various hinges which applied in 3C related products and sells them to computer manufacturers. The Group 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.

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

(ii) Financial Components

The Company expects that the interval between the time it transfers goods or services to customers and the time customers pay for those goods or services will not exceed one year for all customer contracts. Therefore, the Company does not adjust the transaction price for the time value of money component.

JARLLYTEC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(n) Government grants and government assistance

The Group recognizes an unconditional government grant related to a COVID-19 asset in profit or loss as other operating revenue when the grant becomes receivable. Grants that compensate the Company for expenses or losses incurred are recognized in profit or loss on a systematic basis in the periods in which the expenses or losses are recognized.

(o) 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 Group's net obligation in respect of defined benefit plans is calculated 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 any 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 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.

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 Group 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 Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(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 Group 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.

JARLLYTEC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(p) Income taxes

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or 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. 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 Group 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 reserve, 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 Group 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
 - 2) different taxable entities which intend 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.

JARLLYTEC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(q) Earnings per share

The Group 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.

(r) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. Each operating segment consists of standalone financial information.

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

In preparing these consolidated financial statements, management has made 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.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is as follows:

(a) Impairment of accounts receivable

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding possible future credit losses) discounted at the financial asset's original effective interest rate. When the actual future cash flows are less than expected, a material impairment loss may arise. Please refer to note 6(c) for further description of the impairment of accounts receivable.

(b) Valuation of inventories

As inventories are stated at the lower of cost or net realizable value, the Group 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. Please refer to note 6(e) for further description of the valuation of inventories.

(c) Measurement of defined benefit obligations

Accrued pension liabilities and resulting pension expenses under defined benefit pension plans are calculated using the Projected Unit Credit Method. Actuarial assumptions comprise the discount rate, rate of employee turnover, future salary increase rate, etc. Changes in economic circumstances and

JARLLYTEC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

market conditions will affect these assumptions and may have a material impact on the amount of the expense and the liability. Please refer to note 6(m) for further description of the actuarial assumptions and sensitivity analysis.

The Group's accounting policies include measuring financial and non-financial assets and liabilities at fair value through profit or loss.

The Group's financial instrument valuation group conducts independent verification on fair value by using data sources that are independent, reliable, and representative of exercise prices. This financial instrument valuation group also periodically adjusts valuation models, conducts back-testing, renews input data for valuation models, and makes all other necessary fair value adjustments to assure the rationality of fair value. The Group 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.

(6) Explanation of significant accounts:

- (a) Cash and cash equivalents

	December 31, 2023	December 31, 2022
Cash on hand	\$ 740	965
Demand deposits and checking deposits	1,324,115	1,916,954
Time deposits	<u>1,642,341</u>	<u>923,129</u>
	<u>\$ 2,967,196</u>	<u>2,841,048</u>

- (b) Financial instrument

- (i) Financial assets at fair value through profit or loss:

	December 31, 2023	December 31, 2022
Current mandatorily measured at fair value through profit or loss:		
Stocks of domestic listed companies	\$ 15,386	19,116
Beneficiary certificates	<u>-</u>	<u>10,039</u>
	<u>\$ 15,386</u>	<u>29,155</u>

JARLLYTEC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	December 31, 2023	December 31, 2022
Non-current mandatorily measured at fair value through profit or loss:		
Private offered funds	\$ 254	457
Convertible bonds redemption right	<u>-</u>	<u>200</u>
	<u>\$ 254</u>	<u>657</u>

(ii) Financial assets at fair value through other comprehensive income:

	December 31, 2023	December 31, 2022
Equity investments at fair value through other comprehensive income-non-current		
Stocks of domestic unlisted companies	\$ 92,784	57,289
Stocks of unlisted companies in Mainland China	<u>29,380</u>	<u>25,743</u>
Total	<u>\$ 122,164</u>	<u>83,032</u>

The Group designated the investment shown above as equity securities at fair value through other comprehensive income because these equity securities represent those investments that the Group intends to hold for long-term strategic purpose, instead of for trading purpose.

(iii) Gains on trading of derivative financial instruments for the year ended December 31, 2023 amounted to \$644 thousand, which were recognized under other gains and losses.

(iv) As of December 31, 2023 and 2022, the aforementioned financial assets were not pledged as collateral.

(c) Notes and accounts receivables

	December 31, 2023	December 31, 2022
Notes receivable	\$ 361	1,144
Accounts receivables	3,026,383	2,407,484
Less: loss allowance	<u>(7,946)</u>	<u>(13,318)</u>
	<u>\$ 3,018,798</u>	<u>2,395,310</u>

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of life-time 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 the incorporated forward-looking information.

JARLLYTEC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The analysis of expected credit losses of the notes and accounts receivables of the Group is as follows:

	December 31, 2023		
	Carrying amounts of notes and accounts receivables	Weighted-avera ge loss rate	Life-time expected credit loss
Current	\$ 2,982,528	0%~1%	2,127
1 to 30 days past due	5,560	0%~5%	235
31 to 60 days past due	24,607	0%~10%	1,604
61 to 90 days past due	1,518	0%~15%	221
Past due for more than 90 days	12,531	30%~100%	3,759
	<u>\$ 3,026,744</u>		<u>7,946</u>

	December 31, 2022		
	Gross carrying amount	Weighted-avera ge loss rate	Loss allowance provision
Current	\$ 2,266,307	0%~1%	2,031
1 to 30 days past due	9,546	0%~5%	351
31 to 60 days past due	86,813	0%~10%	4,985
61 to 90 days past due	45,962	0%~15%	5,951
	<u>\$ 2,408,628</u>		<u>13,318</u>

The movement in the loss allowance for notes and accounts receivable were as follows:

	For the years ended December 31,	
	2023	2022
Balance at January 1	\$ 13,318	2,634
Impairment losses	-	9,956
Impairment losses reversed	(5,501)	-
Foreign exchange gains or losses	129	728
Balance at December 31	<u>\$ 7,946</u>	<u>13,318</u>

As of December 31, 2023 and 2022, the notes and account receivable of the Group were not pledged as collaterals.

JARLLYTEC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(d) Other receivables

	December 31, 2023	December 31, 2022
Overpaid business tax returned	\$ 8,101	12,498
Interest receivable	3,330	3,250
Others	<u>26,499</u>	<u>30,361</u>
	<u>\$ 37,930</u>	<u>46,109</u>

For further credit risk information, please refers to note 6(w).

(e) Inventories

	December 31, 2023	December 31, 2022
Raw materials and supplies	\$ 140,366	161,186
Work in process	204,698	192,668
Finished goods	<u>521,876</u>	<u>325,150</u>
	<u>\$ 866,940</u>	<u>679,004</u>

- (i) For the years ended December 31, 2023 and 2022, costs of inventories recognized as costs and expenses of sales amounted to \$6,661,151 thousand and \$5,552,819 thousand, respectively.
- (ii) For the year ended December 31, 2023, as the factors resulting in the net realizable value of inventories lower than the cost are eliminated, the reversal gains on inventory valuation losses of \$19,437 thousand were recognized.
- (iii) For the year ended December 31, 2022, the inventory valuation losses of \$42,207 thousand for writing off the costs of inventories to the net realizable value have been recognized as costs of goods sale.
- (iv) As of December 31, 2023 and 2022, the inventories were not pledged as collaterals.

JARLLYTEC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(f) Prepayments, other current assets and other non-current assets

Components of prepayments, other current assets, and other non-current assets were listed below:

	December 31, 2023	December 31, 2022
Prepayment for mold	\$ 32,422	27,944
Other prepayments	33,138	28,080
Offset against business tax payable	35,087	18,036
Others	<u>5,724</u>	<u>4,745</u>
Total prepayments and other current assets	<u>\$ 106,371</u>	<u>78,805</u>
Other deferred expenses	\$ 58,974	48,657
Refundable deposits	11,282	8,945
Other financial assets - others	44,498	1,228
Others	<u>4,199</u>	<u>1,361</u>
Total other non-current assets	<u>\$ 118,953</u>	<u>60,191</u>

JARLLYTEC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(g) Property, plant and equipment

The cost and accumulated depreciation and impairments of the property, plant and equipment of the Group as of and for the years ended December 31, 2023 and 2022 were as follows:

	Land	Buildings and construction	Machine and equipment	Mold equipment	Rental equipment	Other facilities	Construction in progress and testing equip	Total
Cost:								
Balance at January 1, 2023	\$ 1,054,470	745,848	1,625,169	3,012	98,296	214,401	152	3,741,348
Additions	-	21,311	249,020	-	-	22,283	79,929	372,543
Reclassifications	-	(3,795)	100	-	3,795	(100)	-	-
Disposals	-	(1,664)	(74,664)	-	-	(3,977)	-	(80,305)
Effect of movements in exchange	342	(4,835)	(9,791)	(11)	(1,806)	(1,417)	-	(17,518)
Balance at December 31, 2023	<u>\$ 1,054,812</u>	<u>756,865</u>	<u>1,789,834</u>	<u>3,001</u>	<u>100,285</u>	<u>231,190</u>	<u>80,081</u>	<u>4,016,068</u>
Balance at January 1, 2022	\$ 1,051,950	668,253	1,467,274	3,353	86,227	181,947	60,655	3,519,659
Additions	-	7,995	237,910	-	-	26,764	29,411	302,080
Reclassifications	-	62,057	-	-	10,799	17,051	(89,907)	-
Disposals	-	-	(87,401)	(350)	-	(12,411)	-	(100,162)
Effect of movements in exchange	2,520	7,543	7,386	9	1,270	1,050	(7)	19,771
Balance at December 31, 2022	<u>\$ 1,054,470</u>	<u>745,848</u>	<u>1,625,169</u>	<u>3,012</u>	<u>98,296</u>	<u>214,401</u>	<u>152</u>	<u>3,741,348</u>
Accumulated depreciation:								
Balance at January 1, 2023	\$ -	243,092	883,532	2,950	38,956	118,629	-	1,287,159
Depreciation	-	43,569	203,864	-	-	22,012	-	269,445
Reclassifications	-	(4,629)	90	-	4,629	(90)	-	-
Disposals	-	(1,664)	(67,591)	-	-	(3,651)	-	(72,906)
Effect of movements in exchange	-	(2,231)	(3,846)	(10)	(716)	(982)	-	(7,785)
Balance at December 31, 2023	<u>\$ -</u>	<u>278,137</u>	<u>1,016,049</u>	<u>2,940</u>	<u>42,869</u>	<u>135,918</u>	<u>-</u>	<u>1,475,913</u>
Balance at January 1, 2022	\$ -	209,854	753,694	3,292	31,287	109,033	-	1,107,160
Depreciation	-	35,878	194,485	-	2,734	19,816	-	252,913
Reclassifications	-	(4,497)	-	-	4,497	-	-	-
Disposals	-	-	(67,266)	(350)	-	(10,870)	-	(78,486)
Effect of movements in exchange	-	1,857	2,619	8	438	650	-	5,572
Balance at December 31, 2022	<u>\$ -</u>	<u>243,092</u>	<u>883,532</u>	<u>2,950</u>	<u>38,956</u>	<u>118,629</u>	<u>-</u>	<u>1,287,159</u>
Carrying amount:								
Balance at December 31, 2023	<u>\$ 1,054,812</u>	<u>478,728</u>	<u>773,785</u>	<u>61</u>	<u>57,416</u>	<u>95,272</u>	<u>80,081</u>	<u>2,540,155</u>
Balance at January 1, 2022	<u>\$ 1,051,950</u>	<u>458,399</u>	<u>713,580</u>	<u>61</u>	<u>54,940</u>	<u>72,914</u>	<u>60,655</u>	<u>2,412,499</u>
Balance at December 31, 2022	<u>\$ 1,054,470</u>	<u>502,756</u>	<u>741,637</u>	<u>62</u>	<u>59,340</u>	<u>95,772</u>	<u>152</u>	<u>2,454,189</u>

JARLLYTEC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2023 and 2022, the property, plant and equipment of the Group had been pledged as collateral for bank borrowings. Please refer to Note 8.

(h) Right-of-use assets

Information about leases for which the Group as a lessee was presented below:

	<u>Land</u>	<u>Buildings and structures</u>	<u>Other equipment</u>	<u>Total</u>
Cost:				
Balance at January 1, 2023	\$ 151,179	226,499	777	378,455
Additions	-	32,265	-	32,265
Effect of movement in exchange	(1,976)	(4,038)	-	(6,014)
Balance at December 31, 2023	\$ 149,203	254,726	777	404,706
Balance at January 1, 2022	\$ 160,312	169,935	1,264	331,511
Additions	-	102,156	-	102,156
Disposals	-	(32,715)	(487)	(33,202)
Others	(10,697)	(15,465)	-	(26,162)
Effect of movement in exchange	1,564	2,588	-	4,152
Balance at December 31, 2022	\$ 151,179	226,499	777	378,455
Accumulated depreciation:				
Balance at January 1, 2023	\$ 12,945	111,107	302	124,354
Depreciation	3,734	45,049	259	49,042
Effect of movement in exchange	(252)	(2,723)	-	(2,975)
Balance at December 31, 2023	\$ 16,427	153,433	561	170,421
Balance at January 1, 2022	\$ 8,549	112,389	530	121,468
Depreciation	4,279	41,713	259	46,251
Disposals	-	(32,715)	(487)	(33,202)
Other	-	(11,824)	-	(11,824)
Effect of movement in exchange	117	1,544	-	1,661
Balance at December 31, 2022	\$ 12,945	111,107	302	124,354
Carrying amount:				
Balance at December 31, 2023	\$ 132,776	101,293	216	234,285
Balance at January 1, 2022	\$ 151,763	57,546	734	210,043
Balance at December 31, 2022	\$ 138,234	115,392	475	254,101

JARLLYTEC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(i) Intangible assets

Changes in intangible assets are as follows:

	<u>Software</u>
Costs:	
Balance at January 1, 2023	\$ 121,057
Separate acquisition	9,427
Disposal	(21,661)
Effect of movement in exchange	(577)
Balance at December 31, 2023	<u>\$ 108,246</u>
Balance at January 1, 2022	\$ 113,017
Separate acquisition	8,462
Disposal	(843)
Effect of movement in exchange	421
Balance at December 31, 2022	<u>\$ 121,057</u>
Accumulated amortization:	
Balance at January 1, 2023	\$ 99,342
Amortization	9,429
Disposal	(21,651)
Effect of movement in exchange	(520)
Balance at December 31, 2023	<u>\$ 86,600</u>
Balance at January 1, 2022	\$ 91,196
Amortization	8,439
Disposal	(613)
Effect of movement in exchange	320
Balance at December 31, 2022	<u>\$ 99,342</u>
Carrying amount:	
Balance at December 31, 2023	<u>\$ 21,646</u>
Balance at January 1, 2022	<u>\$ 21,821</u>
Balance at December 31, 2022	<u>\$ 21,715</u>

As of December 31, 2023 and 2022, none of the intangible assets had been pledged as collateral.

(j) Short-term borrowings

The short-term borrowings were summarized as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Unsecured bank loans	\$ 210,000	-
Unused short-term credit lines	419,810	515,833
	<u>\$ 629,810</u>	<u>515,833</u>
Unused credit lines	<u>\$ 518,280</u>	<u>950,215</u>
Range of interest rates	<u>1.70%~3.00%</u>	<u>1.45%~5.15%</u>

JARLLYTEC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(k) Other payables

	December 31, 2023	December 31, 2022
Payroll payables	\$ 210,257	206,651
Payables for equipment	33,455	8,819
Others	913,367	898,501
	<u>\$ 1,157,079</u>	<u>1,113,971</u>

(l) Long-term borrowings

The details were as follows:

December 31, 2023				
	Currency	Interest range	Expiration	Amount
Secured bank loans	TWD	1.16%~1.70%	2024~2029	\$ 126,555
Unsecured bank loans	TWD	1.10%~1.15%	2024	128,366
Less: current portion				(186,111)
Total				<u>\$ 68,810</u>
Unused credit lines				<u>\$ -</u>

December 31, 2022				
	Currency	Interest range	Expiration	Amount
Secured bank loans	TWD	1.035%~1.575%	2024~2029	\$ 215,550
Unsecured bank loans	TWD	0.975%~1.025%	2024	256,732
Less: current portion				(217,361)
Total				<u>\$ 254,921</u>
Unused credit lines				<u>\$ 500,000</u>

Please refer to Note 8 for details of the assets pledged as collateral for bank borrowings.

JARLLYTEC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(m) Bonds payable

The details of bonds payables are as follows:

	December 31, 2023	December 31, 2022
Total amount of convertible bonds	\$ 400,000	400,000
Unamortized balance of discount on bonds payable	-	(13,579)
Accumulated redemption amount	-	-
Accumulated converted amount	(400,000)	-
Bonds payable, ending balance	<u>\$ -</u>	<u>386,421</u>
Embedded derivative-redemption rights (classified as non-current financial assets at fair value through profit or loss)	<u>\$ -</u>	<u>200</u>
Equity component-conversion rights (classified as capital surplus)	<u>\$ -</u>	<u>50,911</u>
	<u>2023</u>	<u>2022</u>
Gains (losses) on remeasurement of embedded derivative instruments at fair value	<u>\$ 389</u>	<u>(200)</u>
Interest expenses	<u>\$ (3,846)</u>	<u>(3,867)</u>

The Group's rights and obligations to the issuance of unsecured convertible bonds outstanding:

Item	The first issuance of domestic unsecured convertible bonds
Aggregate amount	\$400,000 thousand
Issue date	April 28, 2022
Issue period	April 28, 2022 ~ April 28, 2025
Coupon rate	0%
Name of trustee	SinoPac Financial Holdings Company Limited
Terms of repayment	Except for bondholders who convert into common shares of the Company in accordance with Article 10 of these Regulations, or redeemed by the Company in advance in accordance with Article 18 of these Regulations, or the Company buys back at the business place of a securities firm and cancels it, the Company will repay the convertible bonds in cash in one lump sum according to the face value of bonds upon maturity. Payment will be made within five business days (inclusive) from the maturity date.
Terms of redemption prior to maturity	(1) From the next day after the issuance of convertible bonds three months later (July 29, 2022) to 40 days prior to maturity of the issuance period (March 19, 2025), when the closing price of the Company's common share exceeds the current conversion price by 30% (inclusive) for 30 consecutive business days, the Company may, within the next 30 business days, send a 30-day-expired "Bond Redemption Notice" to bondholders by registered mail. The Company will redeem all bonds in cash, the bonds face value as the redemption price, and notify Taipei Exchange by letter to make a public announcement. Upon exercising the redemption request, the Company shall redeem the convertible bonds in cash within five business days after the bond redemption base date. (A 30-day-expired "Bond Redemption Notice" under the preceding paragraph shall

JARLLYTEC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Item	The first issuance of domestic unsecured convertible bonds
Terms of redemption prior to maturity	<p>begin from the Company's mail date and the date of the period expiry shall be taken as the bond redemption base date, and the aforesaid period shall not be the period of suspended conversion period prescribed under Article 9.) (Bondholders under the preceding paragraph refers to those on the bondholders roster on the fifth business day before the "Bond Redemption Notice" is sent; for bondholders who acquire the convertible bonds later due to trading or other reasons, the announcement shall prevail.)</p> <p>(2) From the next day after the issuance of convertible bonds three months later (July 29, 2022) to 40 days prior to maturity of the issuance period (March 19, 2025), when the outstanding balance of converted bonds is 10% lower than the original issuance amount, the Company may, at any time thereafter, send a 30-day-expired "Bond Redemption Notice" to bondholders by registered mail. The Company will redeem all bonds in cash, the bonds face value as the redemption price, and notify Taipei Exchange by letter to make a public announcement. Upon exercising the redemption request, the Company shall redeem the convertible bonds in cash within five business days after the bond redemption base date. (A 30-day-expired "Bond Redemption Notice" under the preceding paragraph shall begin from the Company's mail date and the date of the period expiry shall be taken as the bond redemption base date, and the aforesaid period shall not be the period of suspended conversion period prescribed under Article 9.) (Bondholders under the preceding paragraph refers to those on the bondholders roster on the fifth business day before the "Bond Redemption Notice" is sent; for bondholders who acquire the convertible bonds later due to trading or other reasons, the announcement shall prevail.)</p> <p>(3) If the bondholder fails to reply in written to the Company's shareholder service agent before the base date prescribed on the "Bond Redemption Notice" (the effectiveness at delivery, and the postmark date will prevail for post mails), the Company shall redeem the convertible bonds at face value in cash within five business days after the bond redemption base date.</p> <p>(4) If the Company exercises the redemption request, the deadline for bondholders to request conversion is the second business day after the day when the over-the-counter trading of the converted bonds is terminated.</p>
Conversion period	<p>From the next day after the issuance of convertible bonds three months later (July 29, 2022) to the maturity date (April 28, 2025), the bondholder may at any time, through the original trading brokerage, notify Taiwan Depository & Clearing Corporation ("TDCC") to request the Company's shareholders service agent for conversion into common shares in accordance with Article 10, Article 11, Article 13 and Article 15 of these Regulations, except: (1) during the period in which transfer of common shares is suspended by laws; (2) from the 15th business day before share transfer is suspended for issuance of shares as stock dividends, cash dividends or cash capital increase, to the distribution base date; (3) from the capital reduction base date to the day before the beginning transaction date of reissuing; (4) from the starting date of the suspension of conversion (subscription) for face value alteration to the day before the beginning transaction date of reissuing.</p> <p>The starting date of the suspension of conversion (subscription) for face value alteration referred to in the preceding paragraph shall mean one business day before amendment registration to the Ministry of Economic Affairs. The Company shall announce the period of suspension of conversion four business days before the starting date.</p>
Conversion price	NT\$67

JARLLYTEC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(n) Lease liabilities

	December 31, 2023	December 31, 2022
Current	<u>\$ 29,273</u>	<u>31,911</u>
Non-current	<u>\$ 65,232</u>	<u>77,142</u>

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

The amounts recognized in profit or loss are as follows:

	For the years ended December 31	
	2023	2022
Interest on lease liabilities	<u>\$ 2,445</u>	<u>1,545</u>
Expenses relating to short-term leases	<u>\$ 15,422</u>	<u>13,344</u>

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

	For the years ended December 31	
	2023	2022
Total cash outflow for leases	<u>\$ 63,171</u>	<u>67,191</u>

(i) Real estate leases

The Group leases buildings for its plant and office use, which typically run for a period of three years.

(ii) Other leases

The Group leases employee dormitory and transportation equipment, with contract terms of one to three years. These leases are short-term or leases of low-value items. Therefore, the Group has elected not to recognize its right-of-use assets and lease liabilities for these leases.

(o) Operating lease

A maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date is as follows:

	December 31, 2023	December 31, 2022
Less than one year	\$ 18,825	17,327
One to two years	15,575	13,397
Two to three years	327	10,213
Three to four years	327	-
	<u>\$ 35,054</u>	<u>40,937</u>

JARLLYTEC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(p) Employee benefits

(i) Defined benefit plans

Reconciliation of defined benefit obligation at present value and plan asset at fair value is as follows:

	December 31, 2023	December 31, 2022
Present value of the defined benefit obligations	\$ 57,746	51,619
Fair value of plan assets	(20,479)	(20,347)
Net defined benefit liabilities	<u>\$ 37,267</u>	<u>31,272</u>

The Group 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 retired employees to receive retirement benefits based on their years of service and average monthly salary for the six months prior to retirement.

1) Composition of plan assets

The Group 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 Labor Funds, Ministry of Labor. With regard 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 Group's Bank of Taiwan labor pension reserve account balance amounted to \$20,254 thousand as of December 31, 2023. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of the defined benefit obligations

The movements in the present value of the defined benefit obligations for the years ended December 31, 2023 and 2022 are as follows:

	For the years ended December 31	
	2023	2022
Defined benefit obligations at January 1	\$ 51,619	65,284
Current service costs and interest cost	1,144	653
Remeasurements of the net defined benefit obligations		
— Actuarial loss arising from changes in financial assumptions	299	(2,981)
— Actuarial loss arising from experience adjustments	5,939	(10,621)
Benefits paid	(1,255)	(716)
Defined benefit obligations at December 31	<u>\$ 57,746</u>	<u>51,619</u>

JARLLYTEC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

3) Movements in fair value of plan assets

The movements in the fair value of the plan assets for the years ended December 31, 2023 and 2022 are as follows:

	For the years ended December 31	
	2023	2022
Fair value of plan assets at January 1	\$ 20,347	18,490
Interest income	305	94
Remeasurements of the net defined benefit liabilities		
— Return on plan assets (excluding interest income)	122	1,519
Contributions paid by the employer	960	960
Benefits paid	(1,255)	(716)
Fair value of plan assets at December 31	\$ 20,479	20,347

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the years ended December 31, 2023 and 2022 are as follows:

	For the years ended December 31	
	2023	2022
Current service costs	\$ 483	377
Net interest of net liabilities for defined benefit obligations	356	182
	\$ 839	559
	2023	2022
Administration expenses	\$ 839	559

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

Accumulated remeasurement of the defined benefit liability recognized in other comprehensive income is as follows:

	For the years ended December 31	
	2023	2022
Accumulated amount at January 1	\$ (6,732)	(21,853)
Recognized during the period	(6,116)	15,121
Accumulated amount at December 31	\$ (12,848)	(6,732)

JARLLYTEC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

6) Actuarial assumptions

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

	December 31, 2023	December 31, 2022
Discount rate	1.375%	1.50%
Future salary increase rate	2.00%	2.00%

The expected allocation payment to be made by the Group to the defined benefit plans for the one-year period after the reporting date of 2023 was \$293 thousand.

The weighted average lifetime of the defined benefits plans was 9.50 years as of December 31, 2023.

7) Sensitivity analysis

As of December 31, 2023 and 2022, if the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation are as follows:

	Influences of defined benefit obligations	
	Increase by 0.25%	Decrease by 0.25%
December 31, 2023		
Discount rate	(593)	617
Future salary increasing rate	599	(578)
December 31, 2022		
Discount rate	(681)	713
Future salary increasing rate	688	(661)

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

There were no changes in the method and assumptions used in the preparation of sensitivity analysis compared with those used in the financial statements of the prior period.

JARLLYTEC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Defined contribution plans

The Group 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 Group allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

Foreign entities of the Group adopt defined contribution plans. The contribution of pension is made in accordance with local regulations, and the pension that shall be provided in the period is recognized as pension expenses in full.

The pension expenses incurred from the defined contribution plans amounted to \$64,823 thousand and \$64,147 thousand for the years ended December 31, 2023 and 2022, respectively.

(p) Income taxes

(i) Income tax expense

The components of the income tax in the years 2023 and 2022 are as follows:

	For the years ended December 31	
	2023	2022
Current tax expense		
Current period	\$ 208,494	189,140
Underestimation of income tax in prior periods	9,245	18,356
Deferred tax expense (benefit)		
Origination and reversal of temporary differences	(15,046)	43,034
	<u>\$ 202,693</u>	<u>250,530</u>

Reconciliation of income tax expenses and the profit before income tax for the years ended December 31, 2023 and 2022 is as follows:

	For the years ended December 31	
	2023	2022
Profit before income tax	<u>\$ 737,971</u>	<u>724,498</u>
Income tax using the Company's domestic tax rate	\$ 147,594	144,900
Tax effect of different tax rates applicable in foreign jurisdiction	52,538	35,118
Recognition of prior unrecognized tax losses	69	4,595
Tax incentive	-	(15,042)
Undistributed earnings additional tax	8,504	-
Underestimation of income tax in prior periods	9,245	18,356
Others	(15,257)	62,603
	<u>\$ 202,693</u>	<u>250,530</u>

JARLLYTEC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for the years ended December 31, 2023 and 2022 are as follows:

	Inventory valuation losses	Others	Total
Deferred tax assets:			
Balance at January 1, 2023	\$ 17,217	12,573	29,790
Recognized in profit or loss	(1,404)	16,343	14,939
Balance at December 31, 2023	<u>\$ 15,813</u>	<u>28,916</u>	<u>44,729</u>
Balance at January 1, 2022	\$ 16,588	23,041	39,629
Recognized in profit or loss	629	(10,468)	(9,839)
Balance at December 31, 2022	<u>\$ 17,217</u>	<u>12,573</u>	<u>29,790</u>
	Share of profit or loss of subsidiaries accounted for using equity method and others		
Deferred tax liabilities:			
Balance at January 1, 2023	\$ 181,549		
Recognized in profit or loss	(107)		
Balance at December 31, 2023	<u>\$ 181,442</u>		
Balance at January 1, 2022	\$ 148,354		
Recognized in profit or loss	33,195		
Balance at December 31, 2022	<u>\$ 181,549</u>		

The Group has resolved by the board of directors in March, 2023 that since 2023, as the Group is able to control the time point of the reversal of the temporary differences arising from investments in subsidiaries in Mainland China (including unappropriated earnings, etc.), and it is probable that the temporary differences will not reverse in the foreseeable future, deferred income tax assets and liabilities are not recognized.

(iii) Assessment of tax

The Company tax returns for the years through 2021 were assessed by the National Taiwan Bureau.

(r) Capital and other equity

As of December 31, 2023 and 2022, the number of authorized ordinary share each consisted were \$1,200,000 and \$1,000,000, respectively. In addition, the issuance of ordinary shares each consisted of 64,815 thousand and 60,121 thousand of shares, respectively, with a par value of \$10 per share.

JARLLYTEC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Reconciliation of the numbers of outstanding shares as of December 31, 2023 and 2022 is as follows:

(Expressed in thousands of shares)	Ordinary shares	
	For the years ended December 31	
	2023	2022
Beginning balance	60,121	60,121
Conversion of convertible bonds	4,694	-
Ending balance	64,815	60,121

(i) Ordinary shares

The Company issued 5,970 thousand of new shares at par with total amount of \$59,700 thousand for the conversion by convertible bonds holders for the year ended December 31, 2023. Among the new shares, the legal registration process of 4,694 thousand of shares (with total amount of \$46,939 thousand) has been completed, and the rest 1,276 thousand of shares (with total amount of \$12,761 thousand) have been listed under “advance receipts for share capital,” and the legal registration process has been completed on February 27, 2024.

(ii) Capital surplus

The balances of capital surplus are as follows:

	December 31, 2023	December 31, 2022
Additional paid-in capital	\$ 1,694,899	1,314,010
Treasury share transactions	6,195	6,195
Employee share options (including those ceased to be effective)	14,329	14,329
Issuance of convertible bond options	-	50,911
Total	\$ 1,715,423	1,385,445

According to the regulation of the Company Act, where a company incurs no loss, it may distribute the income derived from the issuance of new shares at a premium, and the income from endowments received by the Company, by issuing new shares which shall be distributable as dividend shares to its original shareholders in proportion to the number of shares being held by each of them or by cash. Based on the relevant regulations of Securities and Exchange Act, where a company intends to capitalize the aforementioned capital surplus, the total amount per year shall not exceed 10% of paid-in capital.

(iii) Retained earnings

The Company’s article of incorporation stipulate that any Company’s net earnings should first be used to offset the prior years’ deficits, before paying any income taxes. Then 10% of the remaining balance is to be appropriated as legal reserve, unless such legal reserve has amounted to the paid-in capital. The remainder, if any, should be set aside as special reserve in accordance

JARLLYTEC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

with the operating requirement and the laws, together with any undistributed retained earnings that can be distributed up to 90% of the shareholder dividend after the board of directors has made the proposal of earnings distribution, wherein the distributable dividend and bonus may be paid by issuing new shares after a resolution has been adopted in the shareholders' meeting.

When the Company allocates special reserve in accordance with law, it shall be allocated from the cumulative net amount of other deductions from equity in the preceding period and the cumulative net amount of increase in investment property fair value in the preceding period. If it is insufficient to make the allocation mentioned above, before earnings distribution, the Company shall allocate an amount of special reserve equal to the amount allocated to undistributed earnings for the preceding period. If there remains any insufficiency, allocate it from the amount of the after-tax net profit for the period, plus items other than after-tax net profit for the period, that are included in the undistributed earnings of the period.

According to Article 240, paragraphs 5 of Company Act, the distributable dividends and bonus, in whole or in part, or the legal reserve and capital reserved, in whole or in part, which are brought in Article 241, paragraphs 1 of Company Act, may be paid in cash after a resolution has been adopted by a majority vote at a meeting of the board of directors attended by two-thirds of the total number of directors, and in addition thereto, a report of such distribution shall be submitted to the shareholders' meeting.

Before the distribution of dividends, the Company shall first take into consideration its operating environment, industry developments, and the long-term interests of stockholders, as well as its programs to maintain operating efficiency and meet its capital expenditure budget and financial goals in determining the stock or cash dividends to be paid. After the above appropriations, the current and prior-period earnings that remain undistributed will be proposed for distribution by the board of directors to be approved during the meeting of the shareholders. The cash dividends shall not be more than 10% 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 fund, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

2) Special reserve

According to the FSC, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as special earnings reserve during earnings distribution. The amount to be reclassified should equal the current-period total net reduction of other shareholders' equity. Similarly, 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.

3) Earnings distribution

The amounts of cash dividends on the appropriations of earnings for 2022 and 2021 had been approved during the board meetings on March 13, 2023 and May 11, 2022, respectively.

JARLLYTEC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
The relevant dividend distributions to shareholders were as follows:

	2022		2021	
	Amount per share	Total amount	Amount per share	Total amount
Dividends distributed to ordinary shareholders				
Cash	\$ 3.00	<u>180,364</u>	2.00	<u>120,243</u>

(iv) Other equity

	Exchange differences on translation of foreign financial statements	Unrealized gain (losses) from financial assets measured at fair value through other comprehensive income	Total
Balance at January 1, 2023	\$ (58,328)	11,149	(47,179)
Exchange differences on foreign operations	(69,777)	-	(69,777)
Unrealized losses from financial assets measures at fair value through other comprehensive income:			
The Company	-	15,722	15,722
Subsidiaries	-	(77)	(77)
Balance at December 31, 2023	<u>\$ (128,105)</u>	<u>26,794</u>	<u>(101,311)</u>

	Exchange differences on translation of foreign financial statements	Unrealized gain (losses) from financial assets measured at fair value through other comprehensive income	Total
Balance at January 1, 2022	\$ (95,607)	19,122	(76,485)
Exchange differences on foreign operations	37,279	-	37,279
Unrealized losses from financial assets measures at fair value through other comprehensive income	-	(7,973)	(7,973)
Balance at December 31, 2022	<u>\$ (58,328)</u>	<u>11,149</u>	<u>(47,179)</u>

JARLLYTEC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(s) Earnings per share

Basic and diluted earnings per share are calculated as follows:

	For the years ended December 31	
	2023	2022
Basic earnings per share		
Profit attributable to ordinary shareholders of the Company	<u>\$ 535,278</u>	<u>473,968</u>
Weighted average number of ordinary shares at December 31 (in thousands)	<u>61,630</u>	<u>60,121</u>
Basic earnings per share (in dollars)	<u>\$ 8.69</u>	<u>7.88</u>
Diluted earnings per share		
Profit attributable to ordinary shareholders of the Company (basic)	\$ 535,278	473,968
After-tax effects of convertible bonds	<u>3,077</u>	<u>3,094</u>
Profit attributable to ordinary shareholders of the Company (diluted)	<u>\$ 538,355</u>	<u>477,062</u>
Weighted average number of ordinary shares (diluted) at December 31 (in thousands)	61,630	60,121
Effect of employee share bonus (in thousands)	407	873
Effect of convertible bonds conversion (in thousands)	<u>4,462</u>	<u>3,915</u>
Weighted average number of ordinary shares (after adjusting the effects of dilutive potential ordinary shares) (in thousands)	<u>66,499</u>	<u>64,909</u>
Diluted earnings per share (in dollars)	<u>\$ 8.10</u>	<u>7.35</u>

JARLLYTEC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(t) Revenue from contracts with customers

(i) Details of revenue

For the year ended December 31, 2023			
	Hinge department	Fiber optic department	Total
Primary geographical markets:			
China	\$ 7,665,955	143,763	7,809,718
America	12,361	58,884	71,245
Thailand	143,801	-	143,801
Taiwan	78,876	664	79,540
Other country	109,741	6,618	116,359
	<u>\$ 8,010,734</u>	<u>209,929</u>	<u>8,220,663</u>
Main product/service line:			
Electronic component manufacturing and sales	<u>\$ 8,010,734</u>	<u>209,929</u>	<u>8,220,663</u>
 For the year ended December 31, 2022			
	Hinge department	Fiber optic department	Total
Primary geographical markets:			
China	\$ 6,484,645	86,074	6,570,719
America	97,327	183,546	280,873
Thailand	1,627	-	1,627
Taiwan	126,001	1,693	127,694
Other country	33,353	6,342	39,695
Total	<u>\$ 6,742,953</u>	<u>277,655</u>	<u>7,020,608</u>
Main product/service line:			
Electronic component manufacturing and sales	<u>\$ 6,742,953</u>	<u>277,655</u>	<u>7,020,608</u>

JARLLYTEC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Contract balances

	December 31, 2023	December 31, 2022	January 1, 2022
Notes receivable	\$ 361	1,144	1,750
Accounts receivable	3,026,383	2,407,484	3,183,259
Less: loss allowance	<u>(7,946)</u>	<u>(13,318)</u>	<u>(2,634)</u>
Total	<u>\$ 3,018,798</u>	<u>2,395,310</u>	<u>3,182,375</u>

Please refer to Note 6(c) for the disclosure on notes and accounts receivables and the impairments.

(u) Remuneration to employees, and directors

The Group's articles of incorporation, which were authorized by the board of directors but has yet to be approved by the shareholders, require that earnings shall first be offset against any deficit, then, a minimum of 2% will be distributed as employee remuneration, and a maximum of 2% will be allocated as remuneration to directors. Employees who are entitled to receive the abovementioned employee remuneration, in share or cash, include the employees of the Group's subsidiaries who meet certain specific requirements.

For the years ended December 31, 2023 and 2022, the Group accrued and recognized its employee remuneration amounting to \$47,162 thousand and \$50,996 thousand, respectively; as well as its remuneration to directors amounting to \$11,791 thousand and \$12,749 thousand, respectively. These amounts were calculated by using the Company's pre-tax net profit for the period before deducting the amounts of the remuneration to employees and directors, multiplied by the distribution of ratio of the remuneration to employees and directors based on the Company's articles of incorporation, and expensed under operating costs or expenses. Related information would be available at the Market Observation Post System website. The amounts, as stated in the financial statements are identical to those of the actual distributions for 2023 and 2022.

JARLLYTEC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(v) Non-operating income and expenses

(i) Other income

The details of other income are as follows:

	For the years ended December 31	
	2023	2022
Rent income	\$ 26,297	30,085
Dividend income	7,211	16,374
Sample income	7,112	11,560
Mold income	6,429	9,804
Others	65,823	89,875
	<u>\$ 112,872</u>	<u>157,698</u>

(ii) Other gains and losses

The details of other gains and losses are as follows:

	For the years ended December 31	
	2023	2022
Losses on disposal of property, plant and equipment	\$ (5,629)	(11,507)
Lease modification losses	-	(8,095)
Net gains (Losses) on financial assets at fair value through profit or loss	14,903	(8,939)
Sample expenses	(13,890)	(14,649)
Mold expenses	(8,997)	(5,977)
Foreign exchange gains	27,760	190,014
Others	(12,840)	(30,333)
	<u>\$ 1,307</u>	<u>110,514</u>

JARLLYTEC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Finance costs

The details of finance costs are as follows:

	For the years ended December 31	
	2023	2022
Interest on bank loans	\$ (15,185)	(15,075)
Interest on lease liabilities	(2,445)	(1,545)
Amortization of convertible corporate bond discount	(3,846)	(3,867)
	<u>\$ (21,476)</u>	<u>(20,487)</u>

(iv) Interest income

The details of interest income are as follows:

	For the years ended December 31	
	2023	2022
Interest income from bank deposits	\$ 54,309	23,880
Other interest income	697	193
	<u>\$ 55,006</u>	<u>24,073</u>

(w) Financial instruments

(i) Credit risk

1) Credit risk exposure

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

2) Concentration of credit risk

The major customers of the Group are centralized in the high-tech computer industry. As of December 31, 2023 and 2022, 50% and 33%, respectively, of accounts receivable were concentrated on 5 and 4 major customers, respectively. To minimize credit risk, the Group periodically evaluates the Group's financial positions and the possibility of collecting accounts receivables.

3) Credit risk of receivables

For credit risk exposure of note and accounts receivables, please refer to note 6(c).

Other financial assets at amortized cost include other receivables. For the details on the provision of loss allowances, please refer to note 6(d).

As all of these financial assets are considered with low risk, and thus, the loss allowances are measured at the amount equal to 12-month expected credit losses.

JARLLYTEC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Liquidity risk

The following table shows the contractual maturities of financial liabilities, including the effects of estimated interests.

	Carrying amount	Contractual cash flow	within six months	6-12 months	1-2 years	2-5 years	over 5 years
December 31, 2023							
Non derivative financial liabilities							
Short-term borrowings	\$ 629,810	632,321	632,321	-	-	-	-
Notes and accounts payable	2,431,380	2,431,380	2,431,380	-	-	-	-
Other payables	1,157,079	1,157,079	1,157,079	-	-	-	-
Lease liabilities	94,505	107,044	22,430	17,938	32,445	34,231	-
Long-term borrowings							
(current portion included)	<u>254,921</u>	<u>258,827</u>	<u>109,951</u>	<u>78,071</u>	<u>14,719</u>	<u>43,183</u>	<u>12,903</u>
	<u>\$ 4,567,695</u>	<u>4,586,651</u>	<u>4,353,161</u>	<u>96,009</u>	<u>47,164</u>	<u>77,414</u>	<u>12,903</u>
December 31, 2022							
Non derivative financial liabilities							
Short-term borrowings	\$ 515,833	522,908	482,113	40,795	-	-	-
Notes and accounts payable	1,573,815	1,573,815	1,573,815	-	-	-	-
Other payables	1,113,971	1,113,971	1,113,971	-	-	-	-
Bond payables	386,421	400,000	-	-	-	400,000	-
Lease liabilities	109,053	119,727	20,859	20,491	34,353	44,024	-
Long-term borrowings							
(current portion included)	<u>472,282</u>	<u>480,722</u>	<u>110,979</u>	<u>110,397</u>	<u>187,793</u>	<u>44,301</u>	<u>27,252</u>
	<u>\$ 4,171,375</u>	<u>4,211,143</u>	<u>3,301,737</u>	<u>171,683</u>	<u>222,146</u>	<u>488,325</u>	<u>27,252</u>

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

(iii) Currency risk

1) Exposure to foreign currency risk

The Group's significant exposure to foreign currency risk was as follows:

	December 31, 2023			December 31, 2022		
	Foreign currency	Exchange rate	New Taiwan Dollars	Foreign currency	Exchange rate	New Taiwan Dollars
Financial assets						
<u>Monetary items</u>						
USD	\$	91,329	30.705	100,132	30.710	3,075,065
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD		32,492	30.705	47,198	30.710	1,449,458

JARLLYTEC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the conversion of the foreign currency exchange gains and losses on cash and cash equivalents, accounts and other receivables, loans and borrowings, and accounts and other payables that are denominated in foreign currency. Assuming all other variable factors remain constant, a weakening or strengthening of 5% of the NTD against the USD as of December 31, 2023 and 2022 would have increased or decreased the net profit before tax by \$90,330 thousand and \$81,280 thousand, respectively. The analysis for the two periods were on the same basis.

3) Foreign exchange gain and loss on monetary items

Since the Group transacts in different functional currencies, the information on foreign exchange gains (losses) on monetary items is disclosed by total amount. For the years ended December 31, 2023 and 2022, the foreign exchange gain (loss) (including realized and unrealized portions) amounted to \$27,760 thousand and \$190,014 thousand, respectively.

(iv) Interest rate analysis

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

If the interest rate had increased or decreased by 1% basis points, the Group's net income would have decreased or increased by \$8,847 thousand and \$9,881 thousand for the years ended December 31, 2023 and 2022, assuming all other variable factors remain constant. This is mainly due to the Group's borrowing in floating variable rates.

(v) Other price risk

If the price of securities changes at the reporting date (the analysis was performed on the same basis for both periods, and assuming that other factors remained unchanged), the impact on the comprehensive income was as follows:

JARLLYTEC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	2023		2022	
Security price at the report date	After-tax amount of other comprehensive income	Pre-tax profit or loss	After-tax amount of other comprehensive income	Pre-tax profit or loss
Rise by 1%	\$ 1,222	154	830	192
Fall by 1%	\$ (1,222)	(154)	(830)	(192)

(vi) Fair value of financial instruments

1) Types of financial instruments and fair value

The carrying amount and fair value of the Group's financial assets and liabilities are as follows (including the information on fair value hierarchy; however, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and for equity investments that has no quoted prices in the active markets and whose fair value cannot be reliably measured, disclosure of fair value information is not required):

	December 31, 2023				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	\$ 15,640	15,386	-	254	15,640
Financial assets at fair value through other comprehensive income	122,164	-	-	122,164	122,164
Loans and receivables					
Cash and cash equivalents	2,967,196	-	-	-	-
Notes and accounts receivable	3,018,798	-	-	-	-
Other receivables	37,930	-	-	-	-
Subtotal	6,023,924	-	-	-	-
Total	\$ 6,161,728	15,386	-	122,418	137,804
Financial liabilities at amortized cost:					
Short-term borrowings	\$ 629,810	-	-	-	-
Notes and accounts payables	2,431,380	-	-	-	-
Other payables	1,157,079	-	-	-	-
Lease liabilities	94,505	-	-	-	-
Long-term borrowings (current portion included)	254,921	-	-	-	-
Subtotal	4,567,695	-	-	-	-
Total	\$ 4,567,695	-	-	-	-

JARLLYTEC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

December 31, 2022

	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	\$ 29,812	29,155	200	457	29,812
Financial assets at fair value through other comprehensive income	83,032	-	-	83,032	83,032
Loans and receivables					
Cash and cash equivalents	2,841,048	-	-	-	-
Notes and accounts receivable	2,395,310	-	-	-	-
Other receivables	46,109	-	-	-	-
Subtotal	5,282,467	-	-	-	-
Total	<u>\$ 5,395,311</u>	<u>29,155</u>	<u>200</u>	<u>83,489</u>	<u>112,844</u>
Financial liabilities at amortized cost					
Short-term borrowings	\$ 515,833	-	-	-	-
Notes and accounts payable	1,573,815	-	-	-	-
Other payables	1,113,971	-	-	-	-
Bond payables	386,421	-	-	-	-
Lease liabilities	109,053	-	-	-	-
Long-term borrowings (current portion included)	472,282	-	-	-	-
Total	<u>\$ 4,171,375</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

The methods and assumptions used for estimating the instruments not measured at fair value are as follows:

(2.1) Financial assets at amortized cost

If public quoted prices in active markets are available, the market prices are the fair value. If there is no market price for reference, the fair value shall be estimated by valuation method or the counterparty prices.

(2.2) Financial assets and liabilities at amortized cost

If quoted prices of deals or market makers are available, fair value shall be evaluated on the basis of the recent deal prices or quoted prices. If there is no market price for reference, fair value shall be estimated by valuation method. The estimates and assumptions used in the valuation method are estimating fair value by the discounted cash flows.

3) Valuation techniques for financial instruments measured at fair value

(3.1) non-derivative financial instruments

If there are public quoted prices in an active market for a financial instrument, the public quoted prices are the fair value of the financial instrument.

JARLLYTEC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The market prices in major exchanges, and the market prices of hot bonds declared by central government bond OTC center are the basis of listed equity instruments and debt instruments with market public quoted prices in active markets.

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. If the aforementioned conditions do not conform, then the market is regarded as inactive. In general, a market with high bid-ask spreads, significant increase in bid-ask spreads, or low trading volume is indicated as inactive.

Unquoted equity instruments: the fair value shall be estimated by discounted cash flow model, which is assumed on the investors' expected future cash flows that are discounted by the rate of return reflecting time value of money and investment risk.

(3.2) Derivatives

Valuations are based on valuation models widely accepted by market users, such as discounting methods and option pricing models. Forward exchange agreements are usually valued based on the current forward rate. Structured interest rate derivatives are based on an appropriate option pricing model (such as the Black-Scholes model) or other evaluation methods, such as Monte Carlo simulation.

4) Details of changes in level 3 fair value measurement

	Measured at fair value through profit or loss	Measured at fair value through other comprehensive income
Balance at January 1, 2023	\$ 457	83,032
Total gains or losses		
Recognized in profit or loss	(203)	-
Recognized in other comprehensive income	-	15,645
Additions	-	34,111
Refund of paid-up capital due to capital decrease	-	(10,150)
Effect of movements in exchange	-	(474)
Balance at December 31, 2023	<u>\$ 254</u>	<u>122,164</u>

JARLLYTEC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	Measured at fair value through profit or loss	Measured at fair value through other comprehensive income
Balance at January 1, 2022	\$ 31,972	90,631
Total gains or losses		
Recognized in profit or loss	(1,107)	-
Recognized in other comprehensive income	-	(7,973)
Additions	1,540,155	-
Disposals	(1,571,011)	-
Effect of movements in exchange	<u>448</u>	<u>374</u>
Balance at December 31, 2022	<u>\$ 457</u>	<u>83,032</u>

The aforementioned total gains or losses were presented under “other gains and losses” and “unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income.” The portion related to the assets held by the Group as of December 31, 2023 and 2022 is as follows:

	For the year ended December 31, 2023	For the year ended December 31, 2022
Total gains or losses		
Recognized in profit or loss (presented under “other gains and losses”)	\$ (203)	(1,107)
Recognized in other comprehensive income (presented under “unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income”)	15,645	(7,973)

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

The Group's financial instruments classified as Level 3 fair value measurements primarily consist of "financial assets measured at fair value through profit or loss - equity investments."

The majority of fair value measurements of the Group are classified as Level 3 are with only single significant unobservable input. Only equity investments without active markets are with multiple significant unobservable input. As the significant unobservable inputs are independent with each other, there is no interrelationship among them.

JARLLYTEC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
Quantified information of significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets at fair value through other comprehensive income - equity investments without an active market	Net Asset Value Method	<ul style="list-style-type: none"> Net asset value The market illiquidity discount rate (30% on December 31, 2023 and 2022) 	The higher market illiquidity discount, the lower fair value
Financial assets at fair value through profit or loss-Private offered funds	Net Asset Value Method	<ul style="list-style-type: none"> Net asset value 	Not applicable

6) Fair value measurements in Level 3 — sensitivity analysis of reasonably possible alternative assumptions

The fair value measurement of financial instruments by the Group is reasonable, but the use of different evaluation models or evaluation parameters may result in different evaluation results. For fair value measurements in Level 3, if the evaluation parameters change, would have the following effects of profit or loss or other comprehensive income:

	Input	Assumptions	Profit or loss		Other comprehensive income	
			Favorable	Unfavorable	Favorable	Unfavorable
December 31, 2023						
Financial assets at fair value through profit or loss-Private offered funds	Net asset value	5%	13	(13)	-	-
Financial assets at fair value through other comprehensive income						
Equity investments without an active market	30%	5%	-	-	6,108	(6,108)
December 31, 2022						
Financial assets at fair value through profit or loss-Private offered funds	Net asset value	5%	33	(33)	-	-
Financial assets at fair value through other comprehensive income						
Equity investments without an active market	30%	5%	-	-	4,152	(4,152)

The favorable and unfavorable effects represent the changes in fair value, and fair value is based on a variety of unobservable inputs calculated using a valuation technique. The analysis above only reflects the effects of changes in a single input, and it does not include the interrelationships with another input.

JARLLYTEC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(x) Financial risk management

(i) Overview

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

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

The following likewise discusses the Group's objectives, policies and processes for measuring and managing the abovementioned risks. For more disclosures about the quantitative effects of these risk exposures, please refer to the respective notes in the accompanying financial statements.

(ii) Risk management framework

The Group oversees how the managements supervision is in compliance with the Group's risk management policies and procedures. The general manager is responsible for developing and monitoring the Group's risk management policies and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures.

JARLLYTEC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Credit risk

Credit risk is the risk of financial loss to the Group 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 investments in securities.

1) Accounts and other receivables

The Group has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered.

The credit risk exposure is affected by the individual conditions of each customer. However, the management also considers the basic statistic data of customers, including the industries that the customers operate in, and the default risk of the countries, because those factors may affect credit risk. In order to reduce the credit risk, the Group also regularly assesses the financial statues of its customers, if necessary, and will require its customers to provide security or guarantee.

The Group sets allowance for doubtful accounts to reflect the estimated loss resulted from its accounts and notes receivable. The main portion of allowance for doubtful accounts included specific loss component related to significant exposure and loss component occurred but not recognized on similar group of assets. The allowance for doubtful accounts of the group was based on the statistic information of past payment of similar financial assets.

2) Investments

The exposure to credit risk for the bank deposits, fixed income investments, and other financial instruments is measured and monitored by the Group's finance department. As the Group only deals with banks with good credit rating, there is no concern about performance of contracts. Therefore, there is no significant credit risk.

3) Guarantees

As of December 31, 2023 and 2022, the Group did not provide endorsements and guarantees.

(iv) Liquidity risk

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

Loans and borrowings from the bank form an important source of liquidity for the Group. As of December 31, 2023 and 2022, the Group's long-term and short-term unused credit line amounted to \$518,280 thousand and \$1,450,215 thousand, respectively.

JARLLYTEC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(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 Group'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.

1) Currency risk

The Group is exposed to currency risk on sales, purchases, and borrowings that are denominated in a currency other than the respective functional currencies of the Group's entities. The functional currencies of the entities in the Group are primarily NTD, and also USD and CNY. The transactions are primarily denominated in NTD, USD, and CNY.

Interests arising from borrowings are denominated in the currencies of the principal of the borrowings. Generally, the currencies of the borrowings are the same as the currencies of the cash flows generated by the operation of the Group, primarily NTD and USD. Under this condition, as economic hedging is provided, derivative instruments shall not be used. Therefore, hedge accounting is not used.

As for other monetary assets and liabilities denominated in other foreign currencies, when there are short-term unbalances, the Group ensure the net exposure to keep on an acceptable level by purchasing or selling foreign currencies by spot exchange rates.

2) Interest rate risk

The Group maintains an appropriate combination of the fixed and floating interest rate instruments to manage interest rate risk

(y) Capital management

The board of directors' policies are maintaining sound capital base, to maintain the confidence of investors, creditors, and the market, and to support the development of future operation. The capital includes share capital, capital surplus, retained earnings, and non-controlling interests. The board of directors manages the level of dividends of ordinary shares.

The Group's debt-to-equity ratios as of December 31, 2023 and 2022 are as follows:

	December 31, 2023	December 31, 2022
Total liabilities	\$ 4,893,384	4,474,281
Less: cash and cash equivalents	<u>(2,967,196)</u>	<u>(2,841,048)</u>
Net liabilities	<u>\$ 1,926,188</u>	<u>1,633,233</u>
Total equity	<u>\$ 5,262,895</u>	<u>4,578,551</u>
Debt-to-equity ratio	<u>36.60%</u>	<u>35.67%</u>

JARLLYTEC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(z) Investment and financing activities from non-cash transactions

Investment and financing activities from non-cash transactions for the years ended December 31, 2023 and 2022 are as follows:

(a) Right-of-use assets acquired through leasing, please refer to Note 6(h).

(b) Reconciliation of assets from financing activities is as follows:

	Jan. 1, 2023	Cash Flows	Non-cash changes				December 31, 2023
			Acquisition	Exchange rate	Interest expenses	Others	
Short-term borrowings	\$ 515,833	121,287	-	(7,310)	-	-	629,810
Long-term borrowings (current portion included)	472,282	(217,361)	-	-	-	-	254,921
Bonds payables	386,421	-	-	-	3,846	(390,267)	-
Lease liabilities	109,053	(45,304)	32,265	(2,018)	-	509	94,505
Total liabilities arising from financing activities	<u>\$ 1,483,589</u>	<u>(141,378)</u>	<u>32,265</u>	<u>(9,328)</u>	<u>3,846</u>	<u>(389,758)</u>	<u>979,236</u>

	Jan. 1, 2022	Cash Flows	Non-cash changes				December 31, 2022
			Acquisition	Exchange rate	Interest expenses	Others	
Short-term borrowings	\$ 652,614	(208,844)	-	72,063	-	-	515,833
Long-term borrowings (current portion included)	647,393	(175,111)	-	-	-	-	472,282
Bonds payables	-	436,932	-	-	-	(50,511)	386,421
Lease liabilities	39,977	(52,302)	102,156	17,603	-	1,619	109,053
Total liabilities arising from financing activities	<u>\$ 1,339,984</u>	<u>675</u>	<u>102,156</u>	<u>89,666</u>	<u>-</u>	<u>(48,892)</u>	<u>1,483,589</u>

(7) Related-party transactions:

Key management personnel compensation comprised:

	For the years ended December 31	
	2023	2022
Short-term employee benefits	\$ 29,977	27,011
Post-employment benefits	859	797
	<u>\$ 30,836</u>	<u>27,808</u>

(8) Pledged assets:

The carrying values of pledged assets were as follows:

Pledged assets	Object	December 31, 2023	December 31, 2022
Land	Secured loans	\$ 1,016,281	1,016,281
Buildings	Secured loans	226,692	233,691
		<u>\$ 1,242,973</u>	<u>1,249,972</u>

JARLLYTEC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(9) Commitments and contingencies:

The Group's significant contractual commitments were as follows:

	December 31, 2023	December 31, 2022
Acquisition of property, plant and equipment	<u>\$ 86,249</u>	<u>81,306</u>

(10) Losses Due to Major Disasters: None

(11) Subsequent Events:

- (a) The Company has resolved by the board of directors on November 10, 2023 to merge Jarson Precision Technology Co., Ltd. (Jarson Precision) by a short-form merger. The based date of the combination is January 1, 2024. After the combination, the Company is the surviving company, and Jarson Precision is the dissolved company, and the Company generally assumes all rights and obligations of Jarson Precision.
- (b) The Company issued 8,000 units of the second domestic unsecured convertible bonds with three years of duration at 0% of coupon rate on January 8, 2024. The principal amounted to \$800,000 thousand.
- (c) The Company resolved to change the investment structure of Zhejiang Jarlly Precision Technology Co., Ltd. by the board of directors on January 24, 2024. Jarlly Technology (Shanghai) Co., Ltd. acquired 100% of the shares of Zhejiang Jarlly Precision Technology Co., Ltd from Royal Jarlly Holding Ltd. The based date is February 1, 2024. As of the date the financial statements are authorized for issuance, the legal registration procedures have not been completed.

(12) Other:

The employee benefits, depreciation, and amortization expenses categorized by function, were as follows:

By item	2023			2022		
	Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Employee benefits						
Salaries	835,552	402,631	1,238,183	740,552	377,532	1,118,084
Labor and health insurance	48,260	23,658	71,918	47,332	22,962	70,294
Pension	47,724	17,938	65,662	47,102	17,604	64,706
Remuneration of directors	-	13,347	13,347	-	14,108	14,108
Others	43,790	17,242	61,032	41,775	15,599	57,374
Depreciation	265,600	52,887	318,487	257,801	41,363	299,164
Amortization	9,491	19,893	29,384	7,718	16,406	24,124

JARLLYTEC CO., 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:

(i) Loans to other parties:

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Nature of financing (Note 3)	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits (Note 1 & 2)	Maximum limit of fund financing (Note 1 & 2)
													Item	Value		
0	The Company	Jarson Precision Technology Co., Ltd.	Other receivables	Yes	40,000	20,000	20,000 (Note 4)	2%	2	-	Operating turnover	-		-	701,719	2,105,158
0	The Company	Jarlllytec (Vietnam) Co., Ltd.	Other receivables	Yes	122,820	-	-	2%	2	-	Operating turnover	-		-	701,719	2,105,158
1	Fu Qing Jarlly Electronics Co., Ltd.	Xiamen Jarlly Electronics Co., Ltd.	Other receivables	Yes	25,962	-	-	2%	2	-	Operating turnover	-		-	697,217	697,217
1	Fu Qing Jarlly Electronics Co., Ltd.	Kunshan Jarlly Electronics Co., Ltd.	Other receivables	Yes	108,175	43,270	43,270 (Note 4)	2%	2	-	Operating turnover	-		-	697,217	697,217
2	Jarlly Technology (Chongqing) Co., Ltd.	Kunshan Jarlly Electronics Co., Ltd.	Other receivables	Yes	30,289	30,289	30,289 (Note 4)	2%	2	-	Operating turnover	-		-	250,168	250,168
2	Jarlly Technology (Chongqing) Co., Ltd.	Jarlly Technology (Shanghai) Co., Ltd.	Other receivables	Yes	86,540	-	-	2%	2	-	Operating turnover	-		-	250,168	250,168
3	Smart Hinge Holdings Ltd.	Great Hinge Trading Ltd.	Other receivables	Yes	55,269	55,269	55,269 (Note 4)	0%	2	-	Operating turnover	-		-	2,130,911	2,130,911
4	Jarlly Electronics Technology (Shanghai) Co., Ltd.	Jarlly Technology (Shanghai) Co., Ltd.	Other receivables	Yes	43,270	-	-	2%	2	-	Operating turnover	-		-	277,498	277,498
5	Jarlly Technology (Shanghai) Co., Ltd.	Kunshan Jarlly Electronics Co., Ltd.	Other receivables	Yes	43,270	43,270	-	3%	2	-	Operating turnover	-		-	649,703	649,703

Note 1: The total amount available for financing purposes shall not exceed 40% of the Company's net worth. The total amount for short-term financing to one entity shall not exceed one third of the Company's loanable amount or 40% of the net transaction amount in recent year, whichever is lower.

Note 2: Subsidiaries

- (a) The total amount available for financing purposes shall not exceed 60% of the subsidiaries' net worth. The total amount for short-term financing to one entity shall not exceed one third of the subsidiaries' loanable amount or 40% of the transaction amount in recent year, whichever is lower.
- (b) For the entities that have short-term financing needs but have no business transaction with the Company, the total amount available for financing purposes shall not exceed 40% of the subsidiaries' net worth.
- (c) For short-term financing needs, the amount available for financing of each entity shall not exceed 1/3 of the Company's loanable amount.
- (d) For those foreign subsidiaries in which the Company, directly or indirectly, owned 100% of their shares the amount available for financing shall not exceed the 60% of the Company's net worth.

Note 3: Financing purpose

- (a) 1 for entities the Company has business transactions with.
- (b) 2 for entities that have short-term financing needs.

Note 4: The transaction has been eliminated in the consolidated financial statements.

JARLLYTEC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Guarantees and endorsements for other parties:

No.	Name of guarantor and endorsements	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 (Note 3)	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 (Note 1)	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 (Note 2)										
0	The Company	Jarllly Technology (Shanghai) Co., Ltd.	2	1,754,298	368,460	245,640	-	-	4.67%	2,105,158	Y	N	Y
0	The Company	Jarson Precision Technology Co., Ltd.	2	1,754,298	80,000	40,000	-	-	0.76%	2,105,158	Y	N	N
0	The Company	Jarllly Technology (Chongqing) Co., Ltd.	2	1,754,298	122,820	61,410	-	-	1.17%	2,105,158	Y	N	Y
0	The Company	Kunshan Jarllly Electronics Ltd.	2	1,754,298	122,820	59,280	-	-	1.13%	2,105,158	Y	N	Y
0	The Company	Jarlllytec (Vietnam) Co., Ltd.	2	1,754,298	122,820	122,820	-	-	2.33%	2,105,158	Y	N	N

Note 1: The total amount available for endorsement provided to others shall not exceed 40% of the Company's net worth (audited by Certified Public Accountant on December 31, 2023); and the total amount for endorsement provided to one entity shall not exceed one third of the Company's net worth.

Note 2: 7 forms of relationships in which corporate guarantees exist are defined as follows:

- Entities have business relations with the Company.
- The Company directly or indirectly holds more than 50% of voting shares of its subsidiaries.
- Investees directly or indirectly own more than 50% of voting shares of the Company.
- The Company directly or indirectly holds 90% of voting shares of its subsidiaries.
- Entities have construction contract agreements with the Company.
- The reason for The Company jointly invested in the entities is to provide proportionate endorsements.
- The Company has contractual pre-sold home agreements with its related parties under the Consumer Protection Law.

Note 3: The transaction has been eliminated in the consolidated financial statements.

(iii) Securities held as of December 31, 2023 (excluding investment in subsidiaries, associates and joint ventures):

Expressed in thousands of shares/thousands of units

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Highest Percentage of ownership (%)	Note
				Shares (thousands)	Carrying value	Percentage of ownership (%)	Fair value		
The Company	WK Technology Fund IX Ltd., stock	-	Non-current financial assets at fair value through other comprehensive income	3,599	62,861	4.61 %	62,861	3,599	-
Jarwin Investment Co., Ltd.	Second phase Stock of WK Innovation Ltd.	-	Non-current financial assets at fair value through other comprehensive income	3,000	29,923	2.67 %	29,923	3,000	-
Fu Qing Jarllly Electronics Co., Ltd.	Fuqing Jelly Plastic Product Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	-	3,462	16.00 %	3,462	3,462	-
Fu Qing Jarllly Electronics Co., Ltd.	Chongqing Jelly Plastics Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	-	4,673	18.00 %	4,673	4,673	-
Fu Qing Jarllly Electronics Co., Ltd.	Chongqing Yuli Hardware Products Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	-	2,336	18.00 %	2,336	2,336	-
Xiamen Jarllly Electronics Co., Ltd.	Xiamen Jinli Hardware Products Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	-	4,111	19.00 %	4,111	4,111	-
Xiamen Jarllly Electronics Co., Ltd.	Xiamen Jinyaoli Precision Hardware Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	-	8,221	19.00 %	8,221	8,221	-
Kunshan Jarllly Electronics Co., Ltd.	Kunshan Huli Precision Hardware Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	-	6,577	19.00 %	6,577	6,577	-
Jarwin Investment Co., Ltd.	TSMC, stock	-	Current financial assets at fair value through profit or loss	20	11,860	- %	11,860	20	-
Jarwin Investment Co., Ltd.	Evergreen Marine Corporation, stock	-	Current financial assets at fair value through profit or loss	12	1,722	- %	1,722	12	-
Jarwin Investment Co., Ltd.	O-TA Precision Industry Co., LTD., stock	-	Current financial assets at fair value through profit or loss	20	1,804	- %	1,804	20	-

JARLLYTEC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Highest Percentage of ownership (%)	Note
				Shares (thousands)	Carrying value	Percentage of ownership (%)	Fair value		
Jarwin Investment Co., Ltd.	Treasure Cay Private Equity Fund Limited Partnership	-	Non-current financial assets at fair value through profit or loss	-	254	1.587 %	254	-	-

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock:

Name of company	Category and name of security	Account name	Name of counter-party	Relationship with the company	Beginning Balance		Purchases		Sales				Ending Balance	
					Shares (thousands)	Amount	Shares	Amount	Shares	Price	Cost	Gain (loss) on disposal	Shares	Amount
Jarllly Technology (Shanghai) Co., Ltd.	Product of Fubon China (Redemption)	Current financial assets at fair value through profit or loss	Fubon Bank (China) Co., Ltd.	Non-related party	-	-	-	257,457	-	258,204	257,457	747	-	-
Jarllly Technology (Shanghai) Co., Ltd.	Product of SinoPac China (Redemption)	Current financial assets at fair value through profit or loss	SinoPac Bank	Non-related party	-	-	-	282,120	-	283,665	282,120	1,545	-	-
Jarllly Electronics Technology (Shanghai) Co., Ltd.	Product of Fubon China (Redemption)	Current financial assets at fair value through profit or loss	Fubon Bank (China) Co., Ltd.	Non-related party	-	-	-	174,811	-	176,528	174,811	1,717	-	-
Fu Qing Jarllly Electronics Co., Ltd.	Bank of China linked structured finance products	Current financial assets at fair value through profit or loss	Bank of China	Non-related party	-	-	-	155,772	-	157,064	155,772	1,292	-	-
Jarllly Technology (Chongqing) Co., Ltd.	Product of Fubon China (Redemption)	Current financial assets at fair value through profit or loss	Fubon Bank (China) Co., Ltd.	Non-related party	-	-	-	173,080	-	174,456	173,080	1,376	-	-

(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

JARLLYTEC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

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)	
Jarson Precision Technology Co., Ltd.	The Company	Associates	Sale	(138,614)	88.49%	150 days	-	150 days for related parties; 30~180 days for third-parties.	14,620	76.26%	Note
The Company	Jarson Precision Technology Co., Ltd.	Associates	Purchase	138,614	8.71%	150 days	-	150 days for related parties; 30~180 days for third-parties.	(14,620)	2.72%	Note
Kunshan Jarlly Electronics Ltd.	The Company	Associates	Sale	(485,053)	46.02%	150 days	-	150 days for related parties; 30~180 days for third-parties.	148,117	42.69%	Note
The Company	Kunshan Jarlly Electronics Ltd.	Associates	Purchase	485,053	30.46%	150 days	-	150 days for related parties; 30~180 days for third-parties.	(148,117)	27.61%	Note
Jarlly Technology (Chongqing) Co., Ltd.	The Company	Associates	Sale	(409,662)	43.81%	150 days	-	150 days for related parties; 30~180 days for third-parties.	207,411	51.47%	Note
The Company	Jarlly Technology (Chongqing) Co., Ltd.	Associates	Purchase	409,662	25.73%	150 days	-	150 days for related parties; 30~180 days for third-parties.	(207,411)	38.66%	Note
Kunshan Jarlly Electronics Ltd.	Fu Qing Jarlly Electronics Co., Ltd.	Associates	Sale	(291,465)	22.13%	150 days	-	150 days for related parties; 30~180 days for third-parties.	121,103	20.19%	Note
Fu Qing Jarlly Electronics Co., Ltd.	Kunshan Jarlly Electronics Ltd.	Associates	Purchase	291,465	37.02%	150 days	-	150 days for related parties; 30~180 days for third-parties.	(121,103)	34.52%	Note
Fu Qing Jarlly Electronics Co., Ltd.	Jarlllytec (Thailand) Co., Ltd.	Associates	Sale	(206,842)	15.70%	150 days	-	150 days for related parties; 30~180 days for third-parties.	141,222	23.54%	Note
Jarlllytec (Thailand) Co., Ltd.	Fu Qing Jarlly Electronics Co., Ltd.	Associates	Purchase	206,842	92.79%	150 days	-	150 days for related parties; 30~180 days for third-parties.	(141,222)	99.54%	Note

Note: The amount was eliminated in the consolidated financial statements.

JARLLYTEC CO., 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:

Name of company	Counter-party	Nature of relationship	Ending balance (Note)	Turnover rate	Overdue		Amounts received in subsequent period	Allowance for bad debts
					Amount	Action taken		
Kunshan Jarlly Electronics Ltd.	The Company	Associates	148,117	1.94	-	-	60,355	-
Jarlly Technology (Chongqing) Co., Ltd.	The Company	Associates	207,411	3.37	-	-	20,205	-
Fu Qing Jarlly Electronics Co., Ltd.	Kunshan Jarlly Electronics Ltd.	Associates	121,103	3.27	-	-	62,540	-
Fu Qing Jarlly Electronics Co., Ltd.	Jarllytec (Thailand) Co., Ltd.	Associates	141,222	2.93	-	-	38,168	-

Note: The amount was eliminated in the consolidated financial statements.

(ix) Trading in derivative instruments: Please refer to Note 6(b) and (m).

(x) Business relationships and significant intercompany transactions:

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
1	Jarson Precision Technology Co., Ltd.	The Company	2	Sales revenue	138,614	mark up by cost	1.69%
2	Jarlly Technology (Chongqing) Co., Ltd.	The Company	2	Sales revenue	409,662	mark up by cost	4.98%
2	Jarlly Technology (Chongqing) Co., Ltd.	The Company	2	Accounts receivables	207,411	150 days	2.04%
2	Jarlly Technology (Chongqing) Co., Ltd.	Kunshan Jarlly Electronics Ltd.	3	Other receivables	30,289	follow the agreement	0.30%
3	Fu Qing Jarlly Electronics Co., Ltd.	The Company	2	Sales revenue	40,096	mark up by cost	0.49%
3	Fu Qing Jarlly Electronics Co., Ltd.	Kunshan Jarlly Electronics Ltd.	3	Sales revenue	286,441	mark up by cost	3.48%
3	Fu Qing Jarlly Electronics Co., Ltd.	Kunshan Jarlly Electronics Ltd.	3	Accounts receivables	121,103	150 days	1.19%
3	Fu Qing Jarlly Electronics Co., Ltd.	Kunshan Jarlly Electronics Ltd.	3	Other receivables	43,270	follow the agreement	0.43%
4	Kunshan Jarlly Electronics Ltd.	The Company	2	Sales revenue	485,053	mark up by cost	5.90%
4	Kunshan Jarlly Electronics Ltd.	The Company	2	Accounts receivables	148,117	150 days	1.46%
5	Jarlly Technology (Shanghai) Co., Ltd.	The Company	2	Sales revenue	67,801	mark up by cost	0.82%
6	Xiamen Jarlly Electronics Co., Ltd.	The Company	2	Sales revenue	25,793	mark up by cost	0.31%
6	Xiamen Jarlly Electronics Co., Ltd.	Fu Qing Jarlly Electronics Co., Ltd.	3	Sales revenue	52,217	mark up by cost	0.64%
7	Dong Guan Jarlly Electronics Co., Ltd.	The Company	2	Sales revenue	76,625	mark up by cost	0.93%
8	Smart Hinge	Great Hinge	3	Other receivables	55,269	follow the agreement	0.54%

Note 1: (a) 0 represents The Company

(b) 1 and thereafter represent subsidiaries

Note 2: The relationships between guarantor and guarantee are as follows:

(a) Parent to subsidiary

(b) Subsidiary to parent

(c) Subsidiary to subsidiary

Note 3: Disclose only operating revenue and accounts receivable; related purchase, expense, and prepayment are neglected.

JARLLYTEC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2023 (excluding information on investees in Mainland China):

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2023			Highest Percentage of ownership (%)	Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2023	December 31, 2022	Shares (thousands)	Percentage of ownership	Carrying value				
The Company	Great Hinge Trading Ltd.	British Virgin Islands	Investment industry	64,208	318	12	100.00%	86,102	100%	20,054	20,054	Note
The Company	Smart Hinge Holdings Ltd.	British Virgin Islands	Investment industry	904,601	750,588	28,434	100.00%	3,540,700	100%	637,066	625,216	Note
The Company	Jarson Precision Technology Co., Ltd.	Taiwan	Powder metallurgy industry	134,076	134,076	15,000	100.00%	188,261	100%	(65,539)	(65,426)	Note
The Company	Jarwin Investment Co., Ltd.	Taiwan	Investment industry	80,000	50,000	8,000	100.00%	82,732	100%	8,866	8,866	Note
The Company	Jarlllytec Singapore Pte. Ltd.	Singapore	Computer design and service	423	423	-	100.00%	828	100%	706	706	Note
Great Hinge Trading Ltd.	Jarlllytec (Vietnam) Co., Ltd.	Vietnam	Sale and produce Precision Hinge	230,613	166,723	-	100.00%	158,658	100%	(18,467)	(18,467)	Note
Smart Hinge Holdings Ltd.	Royal Jarlly Holding Ltd.	Hong Kong	Investment industry	904,601	750,588	28,434	100.00%	3,495,878	100%	630,542	630,542	Note
Royal Jarlly Holding Ltd.	Jarlllytec (Thailand) Co., Ltd.	Thailand	Sale and produce Precision Hinge	189,973	149,229	2,000	100.00%	164,149	100%	(10,177)	(10,177)	Note

Note: The amount was eliminated in the consolidated financial statements.

(c) Information on overseas branches and representative offices:

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

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment (Note 1)	Accumulated outflow of investment from Taiwan as of January 1, 2023	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2023	Net income (losses) of the investee	Percentage of ownership	Highest Percentage of ownership	Invest income (losses) (Note 2, 3)	Carrying amount (Note 3)	Accumulated remittance of earnings in current period
					Outflow	Inflow							
Jarlly Technology (Shanghai) Co., Ltd.	Sale and produce special purpose material of component equipment	261,462	(2)	131,272	-	-	131,272	402,123	100.00%	100.00%	402,123	1,082,839	-
Fu Qing Jarlly Electronics Co., Ltd.	Sale and produce Precision Hinge	240,658	(2)	27,370	-	-	27,370	77,470	100.00%	100.00%	77,470	716,117	-
Dong Guan Jarlly Electronics Co., Ltd.	Sale and produce Precision Hinge	81,466	(2)	81,466	-	-	81,466	1,076	100.00%	100.00%	1,076	114,832	15,366
Kunshan Jarlly Electronics Ltd.	Sale and produce Precision Hinge	71,906	(2)	65,369	-	-	65,369	72,916	100.00%	100.00%	72,916	185,310	-
Jarlly Electronics Technology (Shanghai) Co., Ltd.	Sale and produce Precision Hinge	473,450	(2)	386,330	-	-	386,330	9,826	100.00%	100.00%	9,826	462,498	-
Xiamen Jarlly Electronics Co., Ltd.	Sale and produce Precision Hinge	43,801	(2)	29,281	-	-	29,281	10,730	100.00%	100.00%	10,730	108,706	-
Jarlly Technology (Chongqing) Co., Ltd.	Sale and produce Precision Hinge	61,722	(2)	29,500	-	-	29,500	100,349	100.00%	100.00%	100,349	416,947	-
ZheJiang Zhaowang Precision Technology Co. Ltd.	Sale and produce Powder metallurgy and other metal products	154,013	(2)	-	154,013	-	154,013	(10,547)	100.00%	100.00%	(10,547)	141,248	-

Note 1: Investments are made through one of three ways:

- (1) Direct investment from Mainland China
- (2) Indirect investment from third-party country
- (3) Others

Note 2: The recognition of gain and loss on investment based on the financial report which was assured by R.O.C. Accountant.

Note 3: The amount was eliminated in the consolidated financial statements.

JARLLYTEC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2023	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
904,601 (USD28,434)	1,272,231 (USD41,434)	3,157,737

(iii) Significant transactions:

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

(d) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
Sunrise Investment Co., Ltd.		6,100,000	9.22%
Dellson Investment Co., Ltd.		3,864,000	5.84%

Note:1. The information on major shareholders, which is provided by Taiwan Depositor & Clearing Corporation, summarized the shareholders who held over 5% of total non-physical common stocks and preferred stocks (including treasury stocks) on the last business date of each quarter. The registered non-physical stocks may be different from the capital stocks disclosed in the financial statement due to different calculation basis.

2. If shares are entrusted, the above information regarding such shares will be revealed by each trustor of individual trust account. The shareholders holding more than 10% of the total shares of the company should declare insider's equity according to Securities and Exchange Act. The numbers if the shares declared by the insider include the shares of the trust assets which the insiders has discretion over use. For details of the insider's equity announcement please refer to the TWSE website.

(14) Segment information:

(a) Information on profit or loss of reportable segments, segment assets, segment liabilities, and the basis for measurement and reconciliation

The Group uses the profit or loss before tax of segments (excluding extraordinary gains and losses and exchange gains and losses) in the internal management report reviewed by the chief operating decision maker as the basis for the management to allocate resources and assess performance. As income tax, extraordinary gains and losses, and exchange gains and losses are managed on the basis of the Group, the Group allocate income tax expenses (benefits), extraordinary gains and losses, and exchange gains and losses to reportable segments. In addition, not all the profit or loss of reportable segments include significant non-cash items other than depreciation and amortization. The reported amounts are the same as those in the report used by the chief operating decision maker.

The accounting policies of operating segments are the same as those explained in Note 4 “Explanation of significant accounts.”

JARLLYTEC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The Group's operating segment information and reconciliation were as follows:

For the year ended December 31, 2023				
	Segment hinge	Segment fiber optic	Reconciliation and elimination	Total
Revenue				
Revenue from external customers	\$ 8,010,734	209,929	-	8,220,663
Intersegment revenues	-	-	-	-
Total revenue	\$ 8,010,734	209,929	-	8,220,663
Reportable segment profit or loss	\$ 715,387	22,584	-	737,971

For the year ended December 31, 2022				
	Segment hinge	Segment fiber optic	Reconciliation and elimination	Total
Revenue				
Revenue from external customers	\$ 6,742,953	277,655	-	7,020,608
Intersegment revenues	-	-	-	-
Total revenue	\$ 6,742,953	277,655	-	7,020,608
Reportable segment profit or loss	\$ 678,460	46,038	-	724,498

Note: The amounts of intersegment assets were not provided to the Group, thus, there were no disclosed amounts.

(a) Product and service information

Revenue from the external customers of the Group was as follows:

Product and service	For the years ended December 31,	
	2023	2022
Hinge	\$ 8,010,734	6,742,953
Fiber optic	209,929	277,655
Total	\$ 8,220,663	7,020,608

JARLLYTEC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(b) Geographic information

In presenting information on the basis of geography, segment revenue was based on the geographical location of customers, while segment assets were based on the geographical location of the assets.

<u>Geographical information</u>	<u>For the years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Revenue from external customers:		
China	\$ 7,809,718	6,570,719
United States	71,245	280,873
Thailand	143,801	1,627
Taiwan	79,540	127,694
Other countries	<u>116,359</u>	<u>39,695</u>
	<u>\$ 8,220,663</u>	<u>7,020,608</u>
	<u>December 31,</u>	<u>December 31,</u>
	<u>2023</u>	<u>2022</u>
Non-current assets:		
Taiwan	\$ 1,586,861	1,681,497
China	1,103,210	1,178,784
Other countries	<u>235,821</u>	<u>-</u>
Total	<u>\$ 2,925,892</u>	<u>2,860,281</u>

Non-current assets include property, plant and equipment, right-of-use assets, intangible assets, prepayment for business facilities, and other assets, excluding financial instruments and deferred tax assets.

(c) Major customers

	<u>For the year ended December 31,</u>	
	<u>2023</u>	
F customer of hinge division	\$ 3,692,942	
A customer of hinge division	<u>748,832</u>	
	<u>\$ 4,441,774</u>	
	<u>For the year ended December 31,</u>	
	<u>2022</u>	
F customer of hinge division	\$ 2,081,313	
E customer of hinge division	<u>1,232,920</u>	
	<u>\$ 3,314,233</u>	

Independent Auditors' Report

To the Board of Directors of Jarllytec Co., Ltd.:

Opinion

We have audited the financial statements of Jarllytec Co., Ltd. ("the Company"), which comprise the balance sheets as of December 31, 2023 and 2022, the statements 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, 2023 and 2022, 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 Statement Audit and Attestation Engagements of Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements section of our report. We are independent of the Group 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 for 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 for the year ended December 31, 2022. 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. The key audit matters we judge that shall be communicated in the audit report are as follows:

1. Revenue recognition

Please refer to Note 4(m) "Revenue recognition"

Description of key audit matter:

The major business of the Group is the development and manufacturing of various hinges which are applied in computer, communication and consumer electronics, etc. The Operating Revenue is the main indicator for the investor to evaluate the financial and business performance of the Group. Therefore, it has been identified as a key audit matter.

How the matter was addressed in our audit:

Our principal audit procedures included:

- (1) Understanding the design and implementation of internal controls over revenue recognition and verifying the compliance of accounting policy.
- (2) Testing the manual control of sales and collection cycle.
- (3) Analyzing the changes in sales revenue from top ten clients and comparing them with those of the same period in the previous year to confirm whether or not there are significant exceptions or irregular transactions exist.
- (4) Examining the vouchers to determine the appropriate cut offs for revenue recognition within selected periods before and after the balance sheet date to evaluate whether the revenue was recorded in the appropriate period.

2. Impairment evaluation of accounts receivable

Please refer to Note 4(f)(i)(1) “Financial assets measured at amortized cost”; Note 5(a) “Significant accounting assumptions and judgments, and major sources of estimation uncertainty”, and Note 6(c) “Notes and accounts receivables”.

Description of key audit matter:

The Company measured its accounts receivable by the recoverable amounts due to the provision of bad debt allowance that is subject to the management’s judgement. Therefore, it has been identified as a key audit matter.

How the matter was addressed in our audit:

Our principal audit procedures included:

- (1) Assessing the rationality of the provision policy and verifying the compliance of provision policy for accounts receivable allowance.
- (2) Examining the aging analysis table and checking the amount of receivables received after the balance date, as well as discussing with the management to assess the whether or not the provision is reasonable.
- (3) Evaluating the adequacy of the Company’s disclosure for bad debt allowance.

3. Inventory valuation

Please refer to Note 4(g) “Inventories”; Note 5(b) “Significant accounting assumptions and judgments, and major sources of estimation uncertainty”, and Note 6(e) “Inventories”.

Description of key audit matter:

Inventories are measured at the lower of cost and net realizable value in the financial statements. However, with the rapid development of the consumer market and the volatility of sales, that may result in the cost of inventory may exceed its net realizable value. Therefore, it has been identified as a key audit matter.

How the matter was addressed in our audit:

Our principal audit procedures included:

- (1) Examining the inventory aging report and analyzing the trends of inventory aging.

- (2) Evaluating the rationality of the provision policy and verifying the compliance of provision policy for inventory valuation.
- (3) Assessing the adequacy of the Company's disclosure for inventories.

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 parent company only 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 **parent company only** 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 members of 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 parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 auditing standards generally accepted in 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 auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the parent company only 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 parent company only 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 auditors' 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 parent company only financial statements, including the disclosures, and whether the parent company only 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 for the year ended December 31, 2023 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 Hsu, Ming-Fang and Zhuang, Jun-Wei.

KPMG

Taipei, Taiwan (Republic of China)
March 8, 2024

Notes to Readers

The accompanying parent company only financial statements are intended only to present the 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.

For the convenience of readers, the independent auditors' report and the accompanying parent company only financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and parent company only financial statements shall prevail.

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

JARLLYTEC CO., LTD.

Balance Sheets

December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2023		December 31, 2022				December 31, 2023		December 31, 2022								
		Amount	%	Amount	%			Amount	%	Amount	%							
Assets																		
Current assets:																		
1100	Cash and cash equivalents (Note 6(a))	\$	952,451	13	1,190,405	16												
1170	Notes and accounts receivables, net (Note 6(c)(s))		698,021	10	982,658	14												
1180	Accounts receivables – related parties, net (Note 6(c)(s) and 7)		1,051	-	3,285	-	2100	Short-term borrowings (Note 6(i))	\$	500,000	7	100,000	2					
1200	Other receivables, net (Note 6(d))		21,584	-	17,888	-	2170	Notes and accounts payables		122,366	2	196,609	3					
1210	Other receivables 0 related parties (Note 6(d) and 7)		102,715	1	53,575	1	2180	Accounts payables - related parties(Note 7)		414,512	6	665,806	9					
130X	Inventories (Note 6(e))		207,057	3	305,169	4	2200	Other payables (Note 6(j))		680,184	9	688,835	9					
1410	Prepayments and other current assets		30,178	-	25,936	-	2220	Other payables - related parties (Note 7)		9,972	-	1,559	-					
	Total current assets		<u>2,013,057</u>	<u>27</u>	<u>2,578,916</u>	<u>35</u>	2230	Current income tax liabilities		2,920	-	6,474	-					
Non-current assets:												2280	Current lease liabilities (Note 6(m))		262	-	259	-
1510	Non-current financial assets at fair value through profit or loss (Note 6(b))		-	-	200	-	2322	Long-term borrowings, current portion (Note 6(k) and 8)		186,111	2	217,361	3					
1517	Non-current financial assets at fair value through other comprehensive income (Note 6(b))		62,861	1	57,289	1	2399	Other current liabilities		13,814	-	8,462	-					
								Total current liabilities		<u>1,930,141</u>	<u>26</u>	<u>1,885,365</u>	<u>26</u>					
1550	Investments accounted for using equity method (Note 6(f))		3,898,623	52	3,131,597	43		Non-Current liabilities:										
1600	Property, plant and equipment (Note 6(g))		1,431,355	19	1,499,573	21	2531	bonds payables (Note 6(l))		-	-	386,421	5					
1755	Right-of-use assets (Note 6(h))		216	-	475	-	2540	Long-term borrowings (Note 6(k) and 8)		68,810	1	254,921	4					
1780	Intangible assets		7,758	-	9,913	-	2570	Deferred income tax liabilities (Note 6(p))		181,442	3	181,549	2					
1840	Deferred income tax assets (Note 6(p))		44,729	1	29,790	-	2580	Non-current lease liabilities (Note 6(q))		-	-	262	-					
1915	Prepayments for equipment		16,664	-	8,123	-	2640	Net defined benefit liability, non-current (Note 6(s))		37,267	-	31,272	-					
1990	Other non-current assets, others		5,632	-	2,805	-	2670	Other non-current liabilities, others		340	-	340	-					
	Total non-current assets		<u>5,467,838</u>	<u>73</u>	<u>4,739,765</u>	<u>65</u>		Total non-current liabilities		<u>287,859</u>	<u>4</u>	<u>854,765</u>	<u>11</u>					
								Total liabilities		<u>2,218,000</u>	<u>30</u>	<u>2,740,130</u>	<u>37</u>					
												Equity (Note 6(q)):						
												Share capital:						
							3110	Ordinary share		648,153	9	601,214	8					
							3140	Advance receipts for share capital		12,761	-	-	-					
								Total share capital		660,914	9	601,214	8					
							3200	Capital surplus		1,715,423	23	1,385,445	20					
								Retained earnings:										
							3310	Legal reserve		453,672	6	404,763	6					
							3320	Special reserve		47,179	1	76,485	1					
							3350	Unappropriated retained earnings		2,487,018	33	2,157,823	29					
								Total retained earnings		2,987,869	40	2,639,071	36					
								Other equity:										
							3410	Exchange differences on translation of foreign financial statements		(128,105)	(2)	(58,328)	(1)					
							3420	Unrealized gain or loss on financial assets at fair value through other comprehensive income		26,794	-	11,149	-					
								Total other equity		(101,311)	(2)	(47,179)	(1)					
								Total equity		5,262,895	70	4,578,551	63					
								Total liabilities and equity		<u>\$ 7,480,895</u>	<u>100</u>	<u>7,318,681</u>	<u>100</u>					
Total assets		\$	7,480,895	100	7,318,681	100												

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
JARLLYTEC CO., LTD.
Statements of Comprehensive Income
For the years ended December 31, 2023 and 2022
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Common Share)

		2023		2022	
		Amount	%	Amount	%
4000	Operating revenue (Note 6(s) and 7)	\$ 2,276,307	100	3,376,042	100
5000	Operating costs (Note 6(e)(o) and 7)	<u>2,148,643</u>	<u>94</u>	<u>2,869,992</u>	<u>85</u>
	Gross profit	127,664	6	506,050	15
5910	Unrealized loss (profit) from sales	<u>(439)</u>	<u>-</u>	<u>535</u>	<u>-</u>
	Net gross profit	<u>127,225</u>	<u>6</u>	<u>506,585</u>	<u>15</u>
	Operating expenses (Note 6(c)(m)(o)(t)):				
6100	Selling expenses	73,317	3	212,555	6
6200	Administrative expenses	188,924	8	187,522	6
6300	Research and development expenses	123,051	5	109,223	3
6450	Expect credit loss (gain)	<u>(3,968)</u>	<u>-</u>	<u>7,431</u>	<u>-</u>
	Total operating expenses	<u>381,324</u>	<u>16</u>	<u>516,731</u>	<u>15</u>
	Net operating income (loss)	<u>(254,099)</u>	<u>(10)</u>	<u>(10,146)</u>	<u>-</u>
	Non-operating income and expenses:				
7010	Other income (Note 6(u) and 7)	186,852	8	111,655	3
7020	Other gains and losses, net (Note 6(b)(u) and 7)	(16,777)	(1)	93,754	3
7050	Finance costs (Note 6(l)(m)(u))	(11,513)	(1)	(9,312)	-
7070	Share of profit of associates accounted for using equity method	589,416	26	373,151	11
7100	Interest income (Note 6(u))	<u>36,693</u>	<u>2</u>	<u>14,600</u>	<u>-</u>
	Total non-operating income and expenses	<u>784,671</u>	<u>34</u>	<u>583,848</u>	<u>17</u>
7900	Profit from continuing operations before tax	530,572	24	573,702	17
7950	Less: Income tax expenses (benefits) (Note 6(p))	<u>(4,706)</u>	<u>-</u>	<u>99,734</u>	<u>3</u>
	Profit	<u>535,278</u>	<u>24</u>	<u>473,968</u>	<u>14</u>
8300	Other comprehensive income:				
8310	Components of other comprehensive income (loss) that will not be reclassified to profit or loss				
8311	Remeasurements of defined benefit plans (Note 6(o))	(6,116)	-	15,121	-
8316	Unrealized gains from investments in equity instruments measured at fair value through other comprehensive income	15,722	1	(7,973)	-
8330	Share of other comprehensive income of subsidiaries accounted for using equity method – items that will not be reclassified to profit or loss	(77)	-	-	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Components of other comprehensive income (loss) that will not be reclassified to profit or loss	<u>9,529</u>	<u>1</u>	<u>7,148</u>	<u>-</u>
8360	Components of other comprehensive income (loss) that will be reclassified to profit or loss				
8361	Exchange differences on translation of foreign financial statements	(69,777)	(3)	37,279	1
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Components of other comprehensive income (loss) that will be reclassified to profit or loss	<u>(69,777)</u>	<u>(3)</u>	<u>37,279</u>	<u>1</u>
8300	Other comprehensive income, net of tax	<u>(60,248)</u>	<u>(2)</u>	<u>44,427</u>	<u>1</u>
8500	Total comprehensive income	<u><u>\$ 475,030</u></u>	<u><u>22</u></u>	<u><u>518,395</u></u>	<u><u>15</u></u>
	Earnings per share (NT dollars) (Note 6(R))				
9750	Basic earnings per share	<u><u>\$ 8.69</u></u>		<u><u>7.88</u></u>	
9850	Diluted earnings per share	<u><u>\$ 8.10</u></u>		<u><u>7.35</u></u>	

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

JARLLYTEC CO., LTD.

Statements of Changes in Equity

For the years ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

				Retained earnings			Other equity		Total equity
							Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	
	Ordinary shares	Advance receipts for share capital	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings			
Balance at January 1, 2022	<u>\$ 601,214</u>	<u>-</u>	<u>1,334,534</u>	<u>380,412</u>	<u>1,292</u>	<u>1,888,521</u>	<u>(95,607)</u>	<u>19,122</u>	<u>4,129,488</u>
Profit	-	-	-	-	-	473,968	-	-	473,968
Other comprehensive income	-	-	-	-	-	15,121	37,279	(7,973)	44,427
Total comprehensive income	-	-	-	-	-	489,089	37,279	(7,973)	518,395
Appropriation and distribution of retained earnings:									
Legal reserve	-	-	-	24,351	-	(24,351)	-	-	-
Special reserve	-	-	-	-	75,193	(75,193)	-	-	-
Cash dividends on ordinary shares	-	-	-	-	-	(120,243)	-	-	(120,243)
Other changes in capital surplus:									
Due to recognition of equity component of convertible bonds issued	-	-	50,911	-	-	-	-	-	50,911
Balance at December 31, 2022	<u>601,214</u>	<u>-</u>	<u>1,385,445</u>	<u>404,763</u>	<u>76,485</u>	<u>2,157,823</u>	<u>(58,328)</u>	<u>11,149</u>	<u>4,578,551</u>
Profit	-	-	-	-	-	535,278	-	-	535,278
Other comprehensive income	-	-	-	-	-	(6,116)	(69,777)	15,645	(60,248)
Total comprehensive income	-	-	-	-	-	529,162	(69,777)	15,645	475,030
Appropriation and distribution of retained earnings:									
Legal reserve	-	-	-	48,909	-	(48,909)	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	(180,364)	-	-	(180,364)
Reversal of special reserve	-	-	-	-	(29,306)	(29,306)	-	-	-
Conversion of convertible bonds	46,939	12,761	329,978	-	-	-	-	-	389,678
Balance at December 31, 2023	<u>\$ 648,153</u>	<u>12,761</u>	<u>1,715,423</u>	<u>453,672</u>	<u>47,179</u>	<u>2,487,018</u>	<u>(128,105)</u>	<u>26,794</u>	<u>5,262,895</u>

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

JARLLYTEC CO., LTD.

Statements of Cash Flows

For the years ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Profit before tax	\$ 530,572	573,702
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	121,542	130,388
Amortization expense	8,965	7,843
Expected credit loss (gain)	(3,968)	7,431
Net loss (gain) on financial assets and liabilities at fair value through profit or loss	(389)	200
Interest expense	11,513	9,311
Interest revenue	(36,693)	(14,600)
Dividend revenue	(2,503)	(9,597)
Share of profit or loss of subsidiaries, associates and joint ventures accounted for using equity method	(589,416)	(373,151)
Gain from disposal of property, plant and equipment	(4)	(1,133)
Loss on disposals of investments	-	106
Unrealized loss (gain) from sales	439	(535)
Total adjustments to reconcile profit (loss)	<u>(490,514)</u>	<u>(243,737)</u>
Changes in operating assets and liabilities:		
Notes receivables	370	283
Accounts receivables	288,235	435,689
Accounts receivables-related parties	2,234	13,413
Other receivables	(4,027)	6,220
Other receivable-related parties	(49,140)	30,736
Inventories	98,112	(72,254)
Prepayments	(4,775)	4,841
Other current assets	533	2,180
Notes payables	(2,135)	(16,732)
Accounts payables	(72,108)	(165,701)
Accounts payables-related parties	(251,294)	(140,525)
Other payables	(8,843)	168,556
Other payables-related parties	8,413	(2,520)
Other current liabilities	5,352	(12,061)
Net defined benefit liability	(121)	(401)
Total changes in operating assets and liabilities	<u>10,806</u>	<u>251,724</u>
Total adjustments	<u>(479,708)</u>	<u>7,987</u>
Cash inflow generated from operations	50,864	581,689
Interest received	37,024	11,514
Interest paid	(7,475)	(9,329)
Income taxes paid	<u>(13,894)</u>	<u>(60,045)</u>
Net cash flows from operating activities	<u>66,519</u>	<u>523,829</u>
Cash flows used in investing activities:		
Proceeds from refund of paid-up capital of financial assets at fair value through other comprehensive income	10,150	-
Acquisition of investments accounted for using equity method	(247,903)	-
Disposal of subsidiaries	-	33
Acquisition of property, plant and equipment	(32,001)	(21,636)
Disposal of property, plant and equipment	5	2,211
Acquisition of intangible assets	(1,571)	(3,350)
Disposal of intangible assets	-	230
Increase in prepayments for equipment	(29,607)	(31,366)
Increase in other non-current assets - others	(8,065)	(2,713)
Dividends received	2,503	15,899
Net cash flows used in investing activities	<u>(306,489)</u>	<u>(40,692)</u>
Cash flows from financing activities:		
Increase in short-term borrowings	400,000	-
Decrease in short-term borrowings	-	(115,000)
Issuance of corporate bonds	-	436,932
Proceeds from long-term borrowings	-	62,945
Repayments of long-term borrowings	(217,361)	(238,056)
Payment of principal of lease liabilities	(259)	(257)
Cash dividends paid	<u>(180,364)</u>	<u>(120,243)</u>
Net cash flows from financing activities	<u>2,016</u>	<u>26,321</u>
Net increase (decrease) in cash and cash equivalents	<u>(237,954)</u>	<u>509,458</u>
Cash and cash equivalents at beginning of period	<u>1,190,405</u>	<u>680,947</u>
Cash and cash equivalents at end of period	<u><u>\$ 952,451</u></u>	<u><u>1,190,405</u></u>

JARLLYTEC CO., LTD.

Notes to the Financial Statements

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

JARLLYTEC CO., LTD.

Notes to the Financial Statements

For the years ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Company history

JARLLYTEC CO., LTD. (the “Company”) was legally established with the approval of the Ministry of Economic Affairs (R.O.C.) on July 7, 2004, with registered address at No.13, Wugong 5th Rd., Sin Jhuang Dist., New Taipei City, Taiwan (R.O.C.). The Company has been actively developing, designing, production, assembly, inspection, manufacturing and sell stamping parts, hinges and MIM, which are widely applied in NB, LCD monitor, LCD TV, 3C-related products.

(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 March 8, 2024.

(3) New standards, amendments and interpretations adopted:

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

The Company 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 Company has initially adopted the following new amendments, 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”

- (e) The impact of IFRS issued 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, 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 Sale and Leaseback”

JARLLYTEC CO., LTD.

Notes to the Financial Statements

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

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 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 IAS 21 “Lack of Exchangeability”

(4) Summary of material accounting policies:

The accompanying 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 parent company only financial statements, the Chinese version shall prevail.

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

These 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).

(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) Financial assets at fair value through other comprehensive income are measured at fair value; and
- 3) The defined benefit liabilities (asset) are measured at fair value of the plan assets less the present value of the defined benefit obligation, limited as explained in note4(o).

(ii) Functional and presentation currency

The functional currency of the Company entity is determined based on the primary economic environment in which the entity operates. The financial statements are presented in New Taiwan Dollars, which is the Company’s functional currency. All financial information presented in New Taiwan Dollars has been rounded to the nearest thousand.

(c) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Company entities at the 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. Non-monetary items

JARLLYTEC CO., LTD.

Notes to the Financial Statements

denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

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 that 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 New Taiwan Dollars at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the New Taiwan Dollars at the 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 only a 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 interests. When the Company disposes only a 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.

JARLLYTEC CO., LTD.

Notes to the Financial Statements

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

An asset is classified 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 cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

An entity shall classify a liability as current when:

- (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 any unconditional right to defer the settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments that do not affect its classification.

(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

Accounts 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 an accounts 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. An accounts receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

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

JARLLYTEC CO., LTD.

Notes to the Financial Statements

On initial recognition, a financial asset is classified as measured at: amortized cost; Fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or 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 other comprehensive income (FVOCI)

A debt investment is measured at FVOCI 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 achieved by both collecting contractual cash flows and selling financial assets; 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.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

JARLLYTEC CO., LTD.

Notes to the Financial Statements

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Company's right to receive payment is established.

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above (e.g. financial assets held for trading and those that are managed and whose performance is evaluated on a fair value basis) 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.

4) Business model assessment

The company holds a portfolio of listed and over-the-counter equity securities and funds for trading purposes..

5) 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 accounts receivables, other receivable, guarantee deposit paid and other financial assets), debt investments measured at FVOCI and contract assets.

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 accounts receivables and contract assets are always measured at an amount equal to lifetime ECL.

JARLLYTEC CO., LTD.

Notes to the Financial Statements

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 30 days past due.

The Company considers a financial asset to be in default when the financial asset is more than 90 days past due or the debtor is unlikely to pay its credit obligations to the Company in full.

The Company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade' which is considered to be BBB- or higher per Standard & Poor's, Baa3 or higher per Moody's or twA or higher per Taiwan Ratings.

ECLs are 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). ECLs 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 asset 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 90 days past due;
- 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 that financial assets because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt investment at FVOCI, loss allowances are recognized in other comprehensive income instead of reducing the carrying amount of the asset.

JARLLYTEC CO., LTD.

Notes to the Financial Statements

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. 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. Based on its experience, the overdue amount will not be recovered after 90 days.

6) 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 instruments

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.

Interest related to the financial liability is recognized in profit or loss, and included in non-operating income and expenses. On conversion, the financial liability is reclassified to equity, and no gain or loss is recognized.

3) Treasury shares

When shares recognized as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is recognized in capital surplus or retained earnings (if the capital surplus is not sufficient to be written down).

JARLLYTEC CO., LTD.

Notes to the Financial Statements

4) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other 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.

5) 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.

6) 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.

(iii) Derivative financial instruments

The Company holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss.

(g) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated using 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.

JARLLYTEC CO., LTD.

Notes to the Financial Statements

(h) Investment in subsidiaries

When preparing the parent company only financial statements, investment in subsidiaries which are controlled by the Company is accounted for using the equity method. Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of profit or loss and other comprehensive income of the subsidiary as well as the distribution received. The Company also recognized its share in the changes in the equity of subsidiaries.

Changes in a parent's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity.

(i) 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 cost

Subsequent expenditure is capitalized only if it is probable that the 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 current and comparative periods are as follows:

1) Buildings and construction	3 to 37 years
2) Machinery and equipment	3 to 8 years
3) Molding Equipment	3 years
4) Asset leased to others	3 to 37 years
5) Office and Other equipment	1 to 6 years

JARLLYTEC CO., LTD.

Notes to the Financial Statements

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

(j) 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 lease

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;
- 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.

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 purchase, extension or termination option; or
- there is any lease modification

JARLLYTEC CO., LTD.

Notes to the Financial Statements

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 Company 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 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 that have a lease term of 12 months or less and leases of low-value assets. 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 'leases income'.

(k) Intangible assets

(i) Recognition and measurement

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

JARLLYTEC CO., LTD.

Notes to the Financial Statements

(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, 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.

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

(l) Impairment of non-derivative financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories, contract assets, deferred tax assets and investment properties and biological assets, measured at fair value, less costs) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

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 CGUs.

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 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.

(m) Revenue recognition

Revenue from contracts with customers

(i) Sell goods

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods to a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control of a good to a customer.

JARLLYTEC CO., LTD.

Notes to the Financial Statements

The Company manufactures various hinges which applied in 3C related products and sells them to computer manufacturers. 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 Company has objective evidence that all criteria for acceptance have been satisfied.

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.

(ii) Financial Components

The Company expects that the interval between the time it transfers goods or services to customers and the time customers pay for those goods or services will not exceed one year for all customer contracts. Therefore, the Company does not adjust the transaction price for the time value of money component.

(n) Government grants and government assistance

The Company recognizes an unconditional government grant related to a COVID-19 asset in profit or loss as other operating revenue when the grant becomes receivable. Grants that compensate the Company for expenses or losses incurred are recognized in profit or loss on a systematic basis in the periods in which the expenses or losses are recognized.

(o) 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 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 any 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

JARLLYTEC CO., LTD.

Notes to the Financial Statements

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.

(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.

(p) Income taxes

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or 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. 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

JARLLYTEC CO., LTD.

Notes to the Financial Statements

- (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
- 2) Different taxable entities which intend 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.

- (q) 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.

- (r) Operating segment

The Company discloses the operating segments information in the consolidated financial statements. Therefore, the Company does not disclose such information in the parent company only financial statements.

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

The preparation of the financial statements in conformity with the Regulations and the IFRSs 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.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment of the book value of assets and liabilities within the next financial year and has reflected the impact of the COVID-19 epidemic is as follows:

- (a) Impairment of accounts receivable

When there is objective evidence of impairment loss, the Company takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding possible future credit losses) discounted at the financial asset's original effective interest rate. When the actual future cash flows are less than expected, a material impairment loss may arise. Please refer to note 6(c) for further description of the impairment of accounts receivable.

JARLLYTEC CO., LTD.

Notes to the Financial Statements

(b) 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. Please refer to note 6(e) for further description of the valuation of inventories.

(c) Measurement of defined benefit obligations

Accrued pension liabilities and resulting pension expenses under defined benefit pension plans are calculated using the Projected Unit Credit Method. Actuarial assumptions comprise the discount rate, rate of employee turnover, future salary increase rate, etc. Changes in economic circumstances and market conditions will affect these assumptions and may have a material impact on the amount of the expense and the liability. Please refer to note 6(m) for further description of the actuarial assumptions and sensitivity analysis.

The Company's accounting policies include measuring financial and non-financial assets and liabilities at fair value through profit or loss. The Company's financial instrument valuation group conducts independent verification on fair value by using data sources that are independent, reliable, and representative of exercise prices. This financial instrument valuation group also periodically adjusts valuation models, conducts back-testing, renews input data for valuation models, and makes all other necessary fair value adjustments to assure the rationality of fair value.

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.

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2023	December 31, 2022
Cash on hand	\$ 201	234
Demand deposits and checking deposits	340,265	502,267
Time deposits	611,985	687,904
	<u>\$ 952,451</u>	<u>1,190,405</u>

JARLLYTEC CO., LTD.

Notes to the Financial Statements

(b) Financial instrument

(i) Financial assets at fair value through profit or loss:

	December 31, 2023	December 31, 2022
Equity investments at fair value through profit or loss-non-current		
Convertible bonds redemption right	\$ -	200

(ii) Financial assets at fair value through other comprehensive income:

	December 31, 2023	December 31, 2022
Equity investments at fair value through other comprehensive income-non-current		
Stocks of domestic unlisted companies	\$ 62,861	57,289

The Company designated the investment shown above as equity securities at fair value through other comprehensive income because these equity securities represent those investments that the Company intends to hold for long-term strategic purpose, instead of for trading purpose.

(iii) Gains on trading of derivative financial instruments for the year ended December 31, 2023 amounted to \$644 thousand, which were recognized under other gains and losses.

(iv) As of December 31, 2023 and 2022, the aforementioned financial assets were not pledged as collateral.

(c) Notes and accounts receivables

	December 31, 2023	December 31, 2022
Notes receivable	\$ 243	613
Accounts receivables	702,626	990,861
Accounts receivables-related parties	1,051	3,285
Less: loss allowance	(4,848)	(8,816)
	\$ 699,072	985,943

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 the incorporated forward-looking information. The analysis of expected credit losses of the notes and accounts receivables of the Company is as follows:

JARLLYTEC CO., LTD.
Notes to the Financial Statements

	December 31, 2023		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	\$ 666,629	0%~1%	330
1 to 90 days past due	25,040	0%~15%	850
More than 90 days past due	12,251	30%~100%	3,668
	<u>\$ 703,920</u>		<u>4,848</u>

	December 31, 2022		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	\$ 856,758	0%~1%	379
1 to 90 days past due	137,715	0%~15%	8,351
More than 90 days past due	286	30%~100%	86
	<u>\$ 994,759</u>		<u>8,816</u>

The movement in the allowance for note and accounts receivable were as follows:

	For the years ended December 31,	
	2023	2022
Balance at January 1	\$ 8,816	1,385
Impairment loss recognized	-	7,431
Reversal of impairment loss	(3,968)	-
Balance at December 31	<u>\$ 4,848</u>	<u>8,816</u>

As of December 31, 2023 and 2022, the notes and account receivable of the Company were not pledged as collaterals.

(d) Other receivables

	December 31, 2023	December 31, 2022
Income tax refund receivable	\$ 8,146	7,774
Interest receivables	2,785	3,116
Other receivables-related parties	102,715	53,575
Others	10,653	6,998
	<u>\$ 124,299</u>	<u>71,463</u>

For further credit risk information, please refers to note 6(v).

JARLLYTEC CO., LTD.
Notes to the Financial Statements

(e) Inventories

	December 31, 2023	December 31, 2022
Raw materials and supplies	\$ 36,012	29,216
Work in process	104,679	146,523
Finished goods	66,366	129,430
	<u>\$ 207,057</u>	<u>305,169</u>

For the years ended December 31, 2023 and 2022, costs of inventories recognized as costs and expenses of sales amounted to \$2,126,327 thousand and \$2,867,526 thousand, respectively.

For the year ended December 31, 2023, as the factors resulting in the net realizable value of inventories lower than the cost are eliminated, the costs of goods sold decreased by \$7,018 thousand for increase in net realizable value.

For the year ended December 31, 2022, the inventory valuation losses of \$3,147 thousand for writing off the costs of inventories to the net realizable value have been recognized as costs of goods sale.

As of December 31, 2023 and 2022, the inventories were not pledged as collaterals.

(f) Investments accounted for using equity method

The components of the investments accounted for using equity method were as follows:

	December 31, 2023	December 31, 2022
Subsidiaries	<u>\$ 3,898,623</u>	<u>3,131,597</u>

- (i) Please refer to the consolidated financial statements for the year ended December 31, 2023 for the relevant information on subsidiaries of the Company.
- (ii) As of December 31, 2023 and 2022, the aforementioned investments accounted for using equity method were not pledged as collateral.

JARLLYTEC CO., LTD.
Notes to the Financial Statements

(g) Property, plant and equipment

The cost and accumulated depreciation and impairments of the property, plant and equipment of the Company as of and for the years ended December 31, 2023 and 2022 were as follows:

	<u>Land</u>	<u>Buildings and construction</u>	<u>Machine and equipment</u>	<u>Mold equipment</u>	<u>Rental equipment</u>	<u>Other facilities</u>	<u>Construction in progress and testing equipment</u>	<u>Total</u>
Cost or deemed cost:								
Balance at January 1, 2023	\$ 720,246	281,939	841,551	2,388	370,919	67,294	152	2,284,489
Additions	-	6,342	29,825	-	-	2,715	14,185	53,067
Reclassifications	-	18,603	-	-	(4,561)	-	(14,042)	-
Disposals	-	(1,664)	(25,095)	-	-	(1,712)	-	(28,471)
Balance at December 31,	<u>\$ 720,246</u>	<u>305,220</u>	<u>846,281</u>	<u>2,388</u>	<u>366,358</u>	<u>68,297</u>	<u>295</u>	<u>2,309,085</u>
2023								
Balance at January 1, 2022	\$ 720,246	254,434	766,660	2,738	370,637	62,342	18,588	2,195,645
Additions	-	7,747	77,991	-	-	9,945	1,604	97,287
Reclassifications	-	19,758	-	-	282	-	(20,040)	-
Disposals	-	-	(3,100)	(350)	-	(4,993)	-	(8,443)
Balance at December 31,	<u>\$ 720,246</u>	<u>281,939</u>	<u>841,551</u>	<u>2,388</u>	<u>370,919</u>	<u>67,294</u>	<u>152</u>	<u>2,284,489</u>
2022								
Accumulated depreciation:								
Balance at January 1, 2023	\$ -	89,647	607,529	2,388	33,485	51,867	-	784,916
Depreciation	-	22,794	88,170	-	4,589	5,730	-	121,283
Reclassifications	-	4,106	-	-	(4,106)	-	-	-
Disposals	-	(1,664)	(25,093)	-	-	(1,712)	-	(28,469)
Balance at December 31,	<u>\$ -</u>	<u>114,883</u>	<u>670,606</u>	<u>2,388</u>	<u>33,968</u>	<u>55,885</u>	<u>-</u>	<u>877,730</u>
2023								
Balance at January 1, 2022	\$ -	69,849	510,387	2,738	28,695	50,483	-	662,152
Depreciation	-	19,798	99,163	-	4,790	6,378	-	130,129
Reclassifications	-	-	-	-	-	-	-	-
Disposals	-	-	(2,021)	(350)	-	(4,994)	-	(7,365)
Balance at December 31,	<u>\$ -</u>	<u>89,647</u>	<u>607,529</u>	<u>2,388</u>	<u>33,485</u>	<u>51,867</u>	<u>-</u>	<u>784,916</u>
2022								
Carrying amount:								
Balance at December 31, 2023	<u>\$ 720,246</u>	<u>190,337</u>	<u>175,675</u>	<u>-</u>	<u>332,390</u>	<u>12,412</u>	<u>295</u>	<u>1,431,355</u>
Balance at January 1, 2022	<u>\$ 720,246</u>	<u>184,585</u>	<u>256,273</u>	<u>-</u>	<u>341,942</u>	<u>11,859</u>	<u>18,588</u>	<u>1,533,493</u>
Balance at December 31,	<u>\$ 720,246</u>	<u>192,292</u>	<u>234,022</u>	<u>-</u>	<u>337,434</u>	<u>15,427</u>	<u>152</u>	<u>1,499,573</u>
2022								

JARLLYTEC CO., LTD.
Notes to the Financial Statements

As of December 31, 2023 and 2022, the property, plant and equipment of the Company had been pledged as collateral for bank borrowings. Please refer to Note 8.

(h) Right-of-use assets

Information about leases for which the Company as a lessee was presented below:

	Buildings and construction	Transportation equipment	Total
Cost:			
Balance at January 1, 2023	\$ 801	777	1,578
Reductions	(801)	-	(801)
Balance at December 31, 2023	<u>\$ -</u>	<u>777</u>	<u>777</u>
Balance at January 1, 2022	\$ 801	777	1,578
Balance at December 31, 2022	<u>\$ 801</u>	<u>777</u>	<u>1,578</u>
Accumulated depreciation:			
Balance at January 1, 2023	\$ 801	302	1,103
Depreciation	-	259	259
Reductions	(801)	-	(801)
Balance at December 31, 2023	<u>\$ -</u>	<u>561</u>	<u>561</u>
Balance at January 1, 2022	\$ 801	43	844
Depreciation	-	259	259
Balance at December 31, 2022	<u>\$ 801</u>	<u>302</u>	<u>1,103</u>
Carrying amount:			
Balance at December 31, 2023	<u>\$ -</u>	<u>216</u>	<u>216</u>
Balance at January 1, 2022	<u>\$ -</u>	<u>734</u>	<u>734</u>
Balance at December 31, 2022	<u>\$ -</u>	<u>475</u>	<u>475</u>

JARLLYTEC CO., LTD.

Notes to the Financial Statements

(i) Short-term borrowings

	December 31, 2023	December 31, 2022
Unsecured bank loans	\$ 210,000	-
Unused short-term credit lines	290,000	100,000
	<u>\$ 500,000</u>	<u>100,000</u>
Unused credit lines	<u>\$ 419,000</u>	<u>819,000</u>
Range of interest rates	<u>1.70%</u>	<u>1.45%~1.62%</u>

Please refer to Note 8 for the assets pledged as collaterals for bank borrowings.

(j) Other payables

	December 31, 2023	December 31, 2022
Processing fee payables	\$ 52,179	58,283
Payroll payables	131,894	129,559
Others	496,111	500,993
	<u>\$ 680,184</u>	<u>688,835</u>

(k) Long-term borrowings

The details were as follows:

December 31, 2023				
	Currency	Interest range	Expiration	Amount
Secured bank loans	TWD	1.16%~1.70%	2024~2029	\$ 126,555
Unsecured bank loans	TWD	1.10%~1.15%	2024	128,366
Less: current portion				(186,111)
Total				<u>\$ 68,810</u>
Unused credit lines				<u>\$ -</u>

December 31, 2022				
	Currency	Interest range	Expiration	Amount
Secured bank loans	TWD	0.91%~1.45%	2024~2029	\$ 215,550
Unsecured bank loans	TWD	0.975%~1.025%	2024	256,732
Less: current portion				(217,361)
Total				<u>\$ 254,921</u>
Unused credit lines				<u>\$ 500,000</u>

Please refer to Note 8 for the assets pledged as collaterals for bank borrowings.

JARLLYTEC CO., LTD.

Notes to the Financial Statements

(1) Bonds payable

The details of bonds payables are as follows:

	December 31, 2023	December 31, 2022
Total amount of convertible bonds	\$ 400,000	400,000
Unamortized balance of discount on bonds payable	-	(13,579)
Accumulated redemption amount	-	-
Accumulated converted amount	(400,000)	-
Bonds payable, ending balance	<u>\$ -</u>	<u>386,421</u>
Embedded derivative-redemption rights (classified as non-current financial assets at fair value through profit or loss)	<u>\$ -</u>	<u>200</u>
Equity component-conversion rights (classified as capital surplus)	<u>\$ -</u>	<u>50,911</u>
	<u>2023</u>	<u>2022</u>
Gains (losses) on remeasurement of embedded derivative instruments at fair value	<u>\$ 389</u>	<u>(200)</u>
	<u>\$ (3,846)</u>	<u>(3,867)</u>
Interest expenses		

The Company's rights and obligations to the issuance of unsecured convertible bonds outstanding:

Item	The first issuance of domestic unsecured convertible bonds
Aggregate amount	\$400,000 thousand
Issue date	April 28, 2022
Issue period	April 28, 2022 ~ April 28, 2025
Coupon rate	0%
Name of trustee	SinoPac Financial Holdings Company Limited
Terms of repayment	Except for bondholders who convert into common shares of the Company in accordance with Article 10 of these Regulations, or redeemed by the Company in advance in accordance with Article 18 of these Regulations, or the Company buys back at the business place of a securities firm and cancels it, the Company will repay the convertible bonds in cash in one lump sum according to the face value of bonds upon maturity. Payment will be made within five business days (inclusive) from the maturity date.

JARLLYTEC CO., LTD.

Notes to the Financial Statements

Item	The first issuance of domestic unsecured convertible bonds
Terms of redemption prior to maturity	<p>(1) From the next day after the issuance of convertible bonds three months later (July 29, 2022) to 40 days prior to maturity of the issuance period (March 19, 2025), when the closing price of the Company's common share exceeds the current conversion price by 30% (inclusive) for 30 consecutive business days, the Company may, within the next 30 business days, send a 30-day-expired "Bond Redemption Notice" to bondholders by registered mail. The Company will redeem all bonds in cash, the bonds face value as the redemption price, and notify Taipei Exchange by letter to make a public announcement. Upon exercising the redemption request, the Company shall redeem the convertible bonds in cash within five business days after the bond redemption base date. (A 30-day-expired "Bond Redemption Notice" under the preceding paragraph shall begin from the Company's mail date and the date of the period expiry shall be taken as the bond redemption base date, and the aforesaid period shall not be the period of suspended conversion period prescribed under Article 9.) (Bondholders under the preceding paragraph refers to those on the bondholders roster on the fifth business day before the "Bond Redemption Notice" is sent; for bondholders who acquire the convertible bonds later due to trading or other reasons, the announcement shall prevail.)</p> <p>(2) From the next day after the issuance of convertible bonds three months later (July 29, 2022) to 40 days prior to maturity of the issuance period (March 19, 2025), when the outstanding balance of converted bonds is 10% lower than the original issuance amount, the Company may, at any time thereafter, send a 30-day-expired "Bond Redemption Notice" to bondholders by registered mail. The Company will redeem all bonds in cash, the bonds face value as the redemption price, and notify Taipei Exchange by letter to make a public announcement. Upon exercising the redemption request, the Company shall redeem the convertible bonds in cash within five business days after the bond redemption base date. (A 30-day-expired "Bond Redemption Notice" under the preceding paragraph shall begin from the Company's mail date and the date of the period expiry shall be taken as the bond redemption base date, and the aforesaid period shall not be the period of suspended conversion period prescribed under Article 9.) (Bondholders under the preceding paragraph refers to those on the bondholders roster on the fifth business day before the "Bond Redemption Notice" is sent; for bondholders who acquire the convertible bonds later due to trading or other reasons, the announcement shall prevail.)</p> <p>(3) If the bondholder fails to reply in written to the Company's shareholder service agent before the base date prescribed on the "Bond Redemption Notice" (the effectiveness at delivery, and the postmark date will prevail for post mails), the Company shall redeem the convertible bonds at face value in cash within five business days after the bond redemption base date.</p> <p>(4) If the Company exercises the redemption request, the deadline for bondholders to request conversion is the second business day after the day when the over-the-counter trading of the converted bonds is terminated.</p>

JARLLYTEC CO., LTD.

Notes to the Financial Statements

Item	The first issuance of domestic unsecured convertible bonds
Conversion period	From the next day after the issuance of convertible bonds three months later (July 29, 2022) to the maturity date (April 28, 2025), the bondholder may at any time, through the original trading brokerage, notify Taiwan Depository & Clearing Corporation (“TDCC”) to request the Company’s shareholders service agent for conversion into common shares in accordance with Article 10, Article 11, Article 13 and Article 15 of these Regulations, except: (1) during the period in which transfer of common shares is suspended by laws; (2) from the 15th business day before share transfer is suspended for issuance of shares as stock dividends, cash dividends or cash capital increase, to the distribution base date; (3) from the capital reduction base date to the day before the beginning transaction date of reissuing; (4) from the starting date of the suspension of conversion (subscription) for face value alteration to the day before the beginning transaction date of reissuing. The starting date of the suspension of conversion (subscription) for face value alteration referred to in the preceding paragraph shall mean one business day before amendment registration to the Ministry of Economic Affairs. The Company shall announce the period of suspension of conversion four business days before the starting date.
Conversion price	NT\$67

(m) Lease liabilities

	December 31, 2023	December 31, 2022
Current	\$ <u>262</u>	<u>259</u>
Non-current	\$ <u>-</u>	<u>262</u>

For the maturity analysis, please refer to note 6(v) “Financial instruments.”

The amounts recognized in profit or loss were as follows:

	For the years ended December 31	
	2023	2022
Interest on lease liabilities	\$ <u>3</u>	<u>6</u>
Expenses relating to short-term leases	\$ <u>2,144</u>	<u>1,284</u>

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

	For the years ended December 31	
	2023	2022
Total cash outflow for leases	\$ <u>2,406</u>	<u>1,547</u>

The Company leases transportation equipment, which typically run for a period of 3 years.

JARLLYTEC CO., LTD.

Notes to the Financial Statements

(n) Operating lease

A maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date were as follows:

	December 31, 2023	December 31, 2022
Less than one year	\$ 69	849
One to two years	23	23
Total undiscounted leases payments	<u>\$ 92</u>	<u>872</u>

(o) Employee benefits

(i) Defined benefit plans

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

	December 31, 2023	December 31, 2022
Present value of the defined benefit obligations	\$ 57,746	51,619
Fair value of plan assets	(20,479)	(20,347)
Net defined benefit liabilities	<u>\$ 37,267</u>	<u>31,272</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 retired employees to receive retirement benefits based on their 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 Labor Funds, Ministry of Labor. With regard 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.

JARLLYTEC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The Company's Bank of Taiwan labor pension reserve account balance amounted to \$20,254 thousand as of December 31, 2023. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of the defined benefit obligations

The movements in the present value of the defined benefit obligations for the years ended December 31, 2023 and 2022 are as follows:

	For the years ended December 31	
	2023	2022
Defined benefit obligations at January 1	\$ 51,619	65,284
Current service costs and interest cost	1,144	653
Remeasurements of the net defined benefit obligations		
— Actuarial loss arising from changes in financial assumptions	299	(2,981)
— Actuarial loss arising from experience adjustments	5,939	(10,621)
Benefits paid	(1,255)	(716)
Defined benefit obligations at December 31	<u><u>\$ 57,746</u></u>	<u><u>51,619</u></u>

JARLLYTEC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

3) Movements in fair value of plan assets

The movements in the fair value of the plan assets for the years ended December 31, 2023 and 2022 are as follows:

	For the years ended December 31	
	2023	2022
Fair value of plan assets at January 1	\$ 20,347	18,490
Interest income	305	94
Remeasurements of the net defined benefit liabilities		
— Return on plan assets (excluding interest income)	122	1,519
Contributions paid by the employer	960	960
Benefits paid	(1,255)	(716)
Fair value of plan assets at December 31	<u>\$ 20,479</u>	<u>20,347</u>

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the years ended December 31, 2023 and 2022 are as follows:

	For the years ended December 31	
	2023	2022
Current service costs	\$ 483	377
Net interest of net liabilities for defined benefit obligations	356	182
	<u>\$ 839</u>	<u>559</u>
	2023	2022
Administration expenses	<u>\$ 839</u>	<u>559</u>

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

Accumulated remeasurement of the defined benefit liability recognized in other comprehensive income is as follows:

	For the years ended December 31	
	2023	2022
Accumulated amount at January 1	\$ (6,732)	(21,853)
Recognized during the period	(6,116)	15,121
Accumulated amount at December 31	<u>\$ (12,848)</u>	<u>(6,732)</u>

JARLLYTEC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

6) Actuarial assumptions

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

	December 31, 2023	December 31, 2022
Discount rate	1.375%	1.50%
Future salary increase rate	2.00%	2.00%

The expected allocation payment to be made by the Company to the defined benefit plans for the one-year period after the reporting date of 2023 was \$293 thousand.

The weighted average lifetime of the defined benefits plans was 9.50 years as of December 31, 2023.

7) Sensitivity analysis

As of December 31, 2023 and 2022, if the actuarial assumptions had changed, the impacts on the present value of the defined benefit obligation are as follows:

	Influences of defined benefit obligations	
	Increase by 0.25%	Decrease by 0.25%
December 31, 2023		
Discount rate	(593)	617
Future salary increasing rate	599	(578)
December 31, 2022		
Discount rate	(681)	713
Future salary increasing rate	688	(661)

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

There were no changes in the method and assumptions used in the preparation of sensitivity analysis compared with those used in the financial statements of the prior period.

JARLLYTEC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(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 expenses incurred from the defined contribution plans amounted to \$14,522 thousand and \$14,383 thousand for the years ended December 31, 2023 and 2022, respectively.

(p) Income taxes

(i) Income tax expense (benefit)

The components of the income tax in the years 2023 and 2022 were as follows:

	For the years ended December 31	
	2023	2022
Current tax expense		
Current period	\$ 8,729	32,151
Underestimation of income tax in prior periods	1,611	24,549
Deferred tax expense (benefit)		
Origination and reversal of temporary differences	(15,046)	43,034
	<u>\$ (4,706)</u>	<u>99,734</u>

Reconciliation of income tax expenses and the profit before income tax for the years ended December 31, 2023 and 2022 is as follows:

	For the years ended December 31	
	2023	2022
Profit before income tax	<u>\$ 530,572</u>	<u>573,702</u>
Income tax using the Company's domestic tax rate	\$ 106,114	114,740
Tax incentive	-	(14,396)
Undistributed earnings additional tax	8,504	-
Underestimation of income tax in prior periods	1,611	24,549
Others	(120,935)	(25,159)
Total	<u>\$ (4,706)</u>	<u>99,734</u>

JARLLYTEC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for the years ended December 31, 2023 and 2022 were as follows:

	<u>Inventory valuation losses</u>	<u>Others</u>	<u>Total</u>
Deferred tax assets:			
Balance at January 1, 2023	\$ 17,217	12,573	29,790
Recognized in profit or loss	<u>(1,404)</u>	<u>16,343</u>	<u>14,939</u>
Balance at December 31, 2023	<u>\$ 15,813</u>	<u>28,916</u>	<u>44,729</u>
Balance at January 1, 2022	\$ 16,588	23,041	39,629
Recognized in profit or loss	<u>629</u>	<u>(10,468)</u>	<u>(9,839)</u>
Balance at December 31, 2022	<u>\$ 17,217</u>	<u>12,573</u>	<u>29,790</u>

	<u>Profit or loss of subsidiaries accounted for using equity method and others</u>
Deferred tax liabilities:	
Balance at January 1, 2023	\$ 181,549
Recognized in profit or loss	<u>(107)</u>
Balance at December 31, 2023	<u>\$ 181,442</u>
Balance at January 1, 2022	\$ 148,354
Recognized in profit or loss	<u>33,195</u>
Balance at December 31, 2022	<u>\$ 181,549</u>

The Company has resolved by the board of directors in March, 2023 that since 2023, as the Company is able to control the time point of the reversal of the temporary differences arising from investments in subsidiaries in Mainland China (including unappropriated earnings, etc.), and it is probable that the temporary differences will not reverse in the foreseeable future, deferred income tax assets and liabilities are not recognized.

(iii) Assessment of tax

The Company's tax returns for the years through 2021 were assessed by the Taiwan National Tax Administration.

JARLLYTEC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(q) Capital and other equity

As of December 31, 2023 and 2022, the number of authorized ordinary share each consisted were \$1,200,000 and \$1,000,000, respectively. In addition, the issuance of ordinary shares each consisted of 64,815 thousand and 60,121 thousand of shares, respectively, with a par value of \$10 per share.

Reconciliation of the numbers of outstanding shares as of December 31, 2023 and 2022 is as follows:

(Expressed in thousands of shares)	Ordinary shares	
	For the years ended December 31	
	2023	2022
Beginning balance	60,121	60,121
Conversion of convertible bonds	4,694	-
Ending balance	64,815	60,121

(i) Ordinary shares

The Company issued 5,970 thousand of new shares at par with total amount of \$59,700 thousand for the conversion by convertible bonds holders for the year ended December 31, 2023. Among the new shares, the legal registration process of 4,694 thousand of shares (with total amount of \$46,939 thousand) has been completed, and the rest 1,276 thousand of shares (with total amount of \$12,761 thousand) have been listed under “advance receipts for share capital,” and the legal registration process has been completed on February 27, 2024.

(ii) Capital surplus

The balances of capital surplus are as follows:

	December 31, 2023	December 31, 2022
Additional paid-in capital	\$ 1,694,899	1,314,010
Treasury share transactions	6,195	6,195
Employee share options (including those ceased to be effective)	14,329	14,329
Issuance of convertible bond options	-	50,911
Total	\$ 1,715,423	1,385,445

According to the regulation of the Company Act, where a company incurs no loss, it may distribute the income derived from the issuance of new shares at a premium, and the income from endowments received by the Company, by issuing new shares which shall be distributable as dividend shares to its original shareholders in proportion to the number of shares being held by each of them or by cash. Based on the relevant regulations of Securities and Exchange Act, where a company intends to capitalize the aforementioned capital surplus, the total amount per year shall not exceed 10% of paid-in capital.

JARLLYTEC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Retained earnings

The Company's article of incorporation stipulate that any Company's net earnings should first be used to offset the prior years' deficits, before paying any income taxes. Then 10% of the remaining balance is to be appropriated as legal reserve, unless such legal reserve has amounted to the paid-in capital. The remainder, if any, should be set aside as special reserve in accordance with the operating requirement and the laws, together with any undistributed retained earnings that can be distributed up to 90% of the shareholder dividend after the board of directors has made the proposal of earnings distribution, wherein the distributable dividend and bonus may be paid by issuing new shares after a resolution has been adopted in the shareholders' meeting.

When the Company allocates special reserve in accordance with law, it shall be allocated from the cumulative net amount of other deductions from equity in the preceding period and the cumulative net amount of increase in investment property fair value in the preceding period. If it is insufficient to make the allocation mentioned above, before earnings distribution, the Company shall allocate an amount of special reserve equal to the amount allocated to undistributed earnings for the preceding period. If there remains any insufficiency, allocate it from the amount of the after-tax net profit for the period, plus items other than after-tax net profit for the period, that are included in the undistributed earnings of the period.

According to Article 240, paragraphs 5 of Company Act, the distributable dividends and bonus, in whole or in part, or the legal reserve and capital reserved, in whole or in part, which are brought in Article 241, paragraphs 1 of Company Act, may be paid in cash after a resolution has been adopted by a majority vote at a meeting of the board of directors attended by two-thirds of the total number of directors, and in addition thereto, a report of such distribution shall be submitted to the shareholders' meeting.

Before the distribution of dividends, the Company shall first take into consideration its operating environment, industry developments, and the long-term interests of stockholders, as well as its programs to maintain operating efficiency and meet its capital expenditure budget and financial goals in determining the stock or cash dividends to be paid. After the above appropriations, the current and prior-period earnings that remain undistributed will be proposed for distribution by the board of directors to be approved during the meeting of the shareholders. The cash dividends shall not be more than 10% of total dividends.

JARLLYTEC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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 fund, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

2) Special reserve

According to the FSC, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as special earnings reserve during earnings distribution. The amount to be reclassified should equal the current-period total net reduction of other shareholders' equity. Similarly, 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.

3) Earnings distribution

The amounts of cash dividends on the appropriations of earnings for 2022 and 2021 had been approved during the board meetings on March 13, 2023 and May 11, 2022, respectively.

The relevant dividend distributions to shareholders were as follows:

	2022		2021	
	Amount per share	Total amount	Amount per share	Total amount
Dividends distributed to ordinary shareholders				
Cash	\$ 3.00	<u><u>180,364</u></u>	2.00	<u><u>120,243</u></u>

JARLLYTEC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iv) Other equity

	Exchange differences on translation of foreign financial statements	Unrealized gain (losses) from financial assets measured at fair value through other comprehensive income	Total
Balance at January 1, 2023	\$ (58,328)	11,149	(47,179)
Exchange differences on foreign operations	(69,777)	-	(69,777)
Unrealized losses from financial assets measures at fair value through other comprehensive income:			
The Company	-	15,722	15,722
Subsidiaries	-	(77)	(77)
Balance at December 31, 2023	<u><u>\$ (128,105)</u></u>	<u><u>26,794</u></u>	<u><u>(101,311)</u></u>
	Exchange differences on translation of foreign financial statements	Unrealized gain (losses) from financial assets measured at fair value through other comprehensive income	Total
Balance at January 1, 2022	\$ (95,607)	19,122	(76,485)
Exchange differences on foreign operations	37,279	-	37,279
Unrealized losses from financial assets measures at fair value through other comprehensive income	-	(7,973)	(7,973)
Balance at December 31, 2022	<u><u>\$ (58,328)</u></u>	<u><u>11,149</u></u>	<u><u>(47,179)</u></u>

JARLLYTEC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(r) Earnings per share

Basic and diluted earnings per share are calculated as follows:

	For the years ended December 31	
	2023	2022
Basic earnings per share		
Profit attributable to ordinary shareholders of the Company	<u>\$ 535,278</u>	<u>473,968</u>
Weighted average number of ordinary shares at December 31 (in thousands)	<u>61,630</u>	<u>60,121</u>
Basic earnings per share (in dollars)	<u>\$ 8.69</u>	<u>7.88</u>
Diluted earnings per share		
Profit attributable to ordinary shareholders of the Company (basic)	\$ 535,278	473,968
After-tax effects of convertible bonds	<u>3,077</u>	<u>3,094</u>
Profit attributable to ordinary shareholders of the Company (diluted)	<u>\$ 538,355</u>	<u>477,062</u>
Weighted average number of ordinary shares (diluted) at December 31 (in thousands)	61,630	60,121
Effect of employee share bonus (in thousands)	407	873
Effect of convertible bonds conversion (in thousands)	<u>4,462</u>	<u>3,915</u>
Weighted average number of ordinary shares (after adjusting the effects of dilutive potential ordinary shares) (in thousands)	<u>66,499</u>	<u>64,909</u>
Diluted earnings per share (in dollars)	<u>\$ 8.10</u>	<u>7.35</u>

JARLLYTEC CO., LTD.

Notes to the Financial Statements

(s) Revenue from contracts with customers

(i) Details of revenue

For the year ended December 31, 2023			
	Hinge department	Fiber optic department	Total
Primary geographical markets:			
China	\$ 1,905,817	143,763	2,049,580
America	7,578	58,884	66,462
Thailand	1,291	-	1,291
Taiwan	70,574	664	71,238
Other country	81,118	6,618	87,736
	\$ 2,066,378	209,929	2,276,307
Main product/service line:			
Electronic component manufacturing and sales	\$ 2,066,378	209,929	2,276,307

For the year ended December 31, 2022			
	Hinge department	Fiber optic department	Total
Primary geographical markets:			
China	\$ 2,895,682	86,074	2,981,756
America	79,594	183,546	263,140
Thailand	1,675	-	1,675
Taiwan	112,257	1,693	113,950
Other country	9,179	6,342	15,521
Total	\$ 3,098,387	277,655	3,376,042
Main product/service line:			
Electronic component manufacturing and sales	\$ 3,098,387	277,655	3,376,042

(ii) Contract balances

	December 31, 2023	December 31, 2022	January 1, 2022
Notes receivable	\$ 243	613	896
Accounts receivables	702,626	990,861	1,426,550
Accounts receivables-related parties	1,051	3,285	16,698
Less: loss allowance	(4,848)	(8,816)	(1,385)
Total	\$ 699,072	985,943	1,442,759

Please refer to Note 6(c) for the disclosure on notes and accounts receivables and the impairments.

JARLLYTEC CO., LTD.

Notes to the Financial Statements

(t) Remuneration to employees and directors

The Company's articles of incorporation, which were authorized by the board of directors but has yet to be approved by the shareholders, require that earnings shall first be offset against any deficit, then, a minimum of 2% will be distributed as employee remuneration, and a maximum of 2% will be allocated as remuneration to directors. Employees who are entitled to receive the abovementioned employee remuneration, in share or cash, include the employees of the Company's subsidiaries who meet certain specific requirements.

For the years ended December 31, 2023 and 2022, the Company accrued and recognized its employee remuneration amounting to \$47,162 thousand and \$50,996 thousand, respectively; as well as its remuneration to directors amounting to \$11,791 thousand and \$12,749 thousand, respectively. These amounts were calculated by using the Company's pre-tax net profit for the period before deducting the amounts of the remuneration to employees and directors, multiplied by the distribution of ratio of the remuneration to employees and directors based on the Company's articles of incorporation, and expensed under operating costs or expenses. Related information would be available at the Market Observation Post System website. The amounts, as stated in the financial statements are identical to those of the actual distributions for 2023 and 2022.

(u) Non-operating income and expenses

(i) Other income

The details of other income are as follows:

	For the years ended December 31	
	2023	2022
Management and production technology service income	\$ 148,152	72,800
Dividend income	2,503	9,597
Rent income	9,725	9,689
Mold income	4,436	5,918
Sample income	6,712	8,409
Other income	15,324	5,242
	<u>\$ 186,852</u>	<u>111,655</u>

JARLLYTEC CO., LTD.

Notes to the Financial Statements

(ii) Other gains and losses

The details of other gains and losses were as follows:

	For the years ended December 31	
	2023	2022
Gains on disposal of property, plant and equipment	\$ 4	1,133
Foreign exchange gains (losses)	(2,783)	109,622
Gains (Losses) on financial assets at fair value through profit or loss	1,386	(200)
Sample expenses	(13,834)	(13,589)
Mold expenses	(1,550)	(3,345)
Others	-	133
	\$ (16,777)	93,754

(iii) Financial costs

	For the years ended December 31	
	2023	2022
Interest on bank loans	\$ (7,664)	(5,439)
Interest on lease liabilities	(3)	(6)
Amortization of discount on convertible bonds	(3,846)	(3,867)
	\$ (11,513)	(9,312)

(iv) Interest income

The details of interest income were as follows:

	For the years ended December 31	
	2023	2022
Interest income from bank deposits	\$ 36,002	14,412
Other interest income	691	188
Total Interest income	\$ 36,693	14,600

(u) Financial instruments

(i) Credit risk

1) Credit risk exposure

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

JARLLYTEC CO., LTD.

Notes to the Financial Statements

The major customers of the Company are centralized in the high-tech computer industry. As of December 31, 2023 and 2022, 68% and 60% of the accounts receivable were concentrated on 7 and 6 major customers, respectively. To minimize credit risk, the Company periodically evaluates the Company's financial positions and the possibility of collecting accounts receivables.

2) Credit risk of receivables

For credit risk exposure of note and accounts receivables, please refer to note 6(c).

Other financial assets at amortized cost include other receivables. For the details on the provision of loss allowances, please refer to note 6(d).

As all of these financial assets are considered with low risk, and thus, the loss allowances are measured at the amount equal to 12-month expected credit losses.

(ii) Liquidity risk

The following table shows the contractual maturities of financial liabilities, including the effects of estimated interests.

	<u>Carrying amount</u>	<u>Contractual cash flow</u>	<u>within six months</u>	<u>6-12 months</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>over 5 years</u>
December 31, 2023							
Non derivative financial liabilities							
Short-term borrowings	\$ 500,000	501,370	501,370	-	-	-	-
Notes and accounts payables	122,366	122,366	122,366	-	-	-	-
Accounts payables-related parties	414,512	414,512	414,512	-	-	-	-
Other payables	680,184	680,184	680,184	-	-	-	-
Other payables-related parties	9,972	9,972	9,972	-	-	-	-
Lease liabilities	262	262	131	131	-	-	-
Long-term borrowings	<u>254,921</u>	<u>258,827</u>	<u>109,951</u>	<u>78,071</u>	<u>14,719</u>	<u>43,183</u>	<u>12,903</u>
(current portion included)							
	<u>\$ 1,982,217</u>	<u>1,987,493</u>	<u>1,838,486</u>	<u>78,202</u>	<u>14,719</u>	<u>43,183</u>	<u>12,903</u>
December 31, 2022							
Non derivative financial liabilities							
Short-term borrowings	\$ 100,000	100,182	100,182	-	-	-	-
Notes and accounts payables	196,609	196,609	196,609	-	-	-	-
Accounts payable-related parties	665,806	665,806	665,806	-	-	-	-
Other payables	688,835	688,835	688,835	-	-	-	-
Other payables-related parties	1,559	1,559	1,559	-	-	-	-
Bond payables	386,421	400,000	-	-	-	400,000	-
Lease liabilities	521	525	131	131	263	-	-
Long-term borrowings	<u>472,282</u>	<u>480,722</u>	<u>110,979</u>	<u>110,397</u>	<u>187,793</u>	<u>44,301</u>	<u>27,252</u>
(current portion included)							
	<u>\$ 2,512,033</u>	<u>2,534,238</u>	<u>1,764,101</u>	<u>110,528</u>	<u>188,056</u>	<u>444,301</u>	<u>27,252</u>

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

JARLLYTEC CO., LTD.

Notes to the Financial Statements

(iii) Currency risk

1) Exposure to foreign currency risk

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

	December 31, 2023			December 31, 2022			
	Foreign currency	Exchange rate	New Taiwan Dollars	Foreign currency	Exchange rate	New Taiwan Dollars	
<u>Financial assets</u>							
<u>Monetary items</u>							
USD	\$	52,509	30.705	1,612,296	68,670	30,710	2,108,863

	December 31, 2023			December 31, 2022		
	Foreign currency	Exchange rate	New Taiwan Dollars	Foreign currency	Exchange rate	New Taiwan Dollars
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	27,897	30.705	856,582	36,181	30.710	1,111,103

2) Sensitivity analysis

The Company's exposure to foreign currency risk arises from the conversion of the foreign currency exchange gains and losses on cash and cash equivalents, notes and accounts receivables, and accounts payables that are denominated in foreign currency. Assuming all other variable factors remain constant, a weakening or strengthening of 5% of the NTD against the USD as of December 31, 2023 and 2022 would have increased or decreased the net profit before tax by \$37,786 thousand and \$49,888 thousand, respectively. The analysis for the two periods were on the same basis.

3) Foreign exchange gain and loss on monetary items

Since the Company transacts in different functional currencies, the information on foreign exchange gains (losses) on monetary items is disclosed by total amount. For the years ended December 31, 2023 and 2022, the foreign exchange gain (loss) (including realized and unrealized portions) amounted to \$(2,784) thousand and \$109,622 thousand, respectively.

(iv) Interest rate analysis

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

JARLLYTEC CO., LTD.

Notes to the Financial Statements

If the interest rate had increased or decreased by 1% basis points, the Company's net income would have decreased or increased by \$7,549 thousand and \$5,723 thousand for the years ended December 31, 2023 and 2022, assuming all other variable factors remain constant. This is mainly due to the Company's borrowing in floating variable rates.

(v) Other price risk

If the price of securities changes at the reporting date (the analysis was performed on the same basis for both periods, and assuming that other factors remained unchanged), the impact on the comprehensive income was as follows:

	2023		2022	
Security price at the report date	After-tax amount of other comprehensive income	Pre-tax profit or loss	After-tax amount of other comprehensive income	Pre-tax profit or loss
Rise by 1%	\$ 629	-	573	-
Fall by 1%	\$ (629)	-	(573)	-

(vi) Fair value of financial instruments

1) Types of financial instruments and fair value

The carrying amount and fair value of the Company's financial assets and liabilities are as follows (including the information on fair value hierarchy; however, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and for equity investments that has no quoted prices in the active markets and whose fair value cannot be reliably measured, disclosure of fair value information is not required):

	December 31, 2023				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income	\$ 62,861	-	-	62,861	62,861
Loans and receivables					
Cash and cash equivalents	952,451	-	-	-	-
Notes and accounts receivables (related parties included)	699,072	-	-	-	-
Other receivable (related parties included)	124,299	-	-	-	-
Subtotal	1,775,822	-	-	-	-
Total	\$ 1,838,683	-	-	62,861	62,861
Financial liabilities at amortized cost					

JARLLYTEC CO., LTD.

Notes to the Financial Statements

December 31, 2023

	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Short-term borrowings	\$ 500,000	-	-	-	-
Notes and accounts payable (related parties included)	536,878	-	-	-	-
Other payables (related parties included)	690,156	-	-	-	-
Lease liabilities	262	-	-	-	-
Long term borrowings (current portion included)	254,921	-	-	-	-
Total	<u>\$ 1,982,217</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

December 31, 2022

	Carrying amount	Fair value			
		Level 1	Level 2	Lever 3	Total
Financial assets at fair value through profit or loss	<u>\$ 200</u>	<u>-</u>	<u>200</u>	<u>-</u>	<u>200</u>
Financial assets at fair value through other comprehensive income	<u>57,829</u>	<u>-</u>	<u>-</u>	<u>57,829</u>	<u>57,829</u>
Loans and receivables					
Cash and cash equivalents	1,190,405	-	-	-	-
Notes and accounts receivables (related parties included)	985,943	-	-	-	-
Other receivables (related parties included)	<u>71,463</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>2,247,811</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 2,305,840</u>	<u>-</u>	<u>200</u>	<u>57,829</u>	<u>58,029</u>
Financial liabilities at amortized cost					
Short-term borrowings	\$ 100,000	-	-	-	-
Notes and accounts payables (related parties included)	862,415	-	-	-	-
Other payables (related parties included)	690,394	-	-	-	-
Bond payables	386,421	-	-	-	-
Lease liabilities	521	-	-	-	-
Long-term borrowings (current portion included)	<u>472,282</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 2,512,033</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

JARLLYTEC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

The methods and assumptions used for estimating the instruments not measured at fair value are as follows:

(2.1) Financial assets at amortized cost

If public quoted prices in active markets are available, the market prices are the fair value. If there is no market price for reference, the fair value shall be estimated by valuation method or the counterparty prices.

(2.2) Financial assets and liabilities at amortized cost

If quoted prices of deals or market makers are available, fair value shall be evaluated on the basis of the recent deal prices or quoted prices. If there is no market price for reference, fair value shall be estimated by valuation method. The estimates and assumptions used in the valuation method are estimating fair value by the discounted cash flows.

3) Valuation techniques for financial instruments measured at fair value

(3.1) non-derivative financial instruments

If there are public quoted prices in an active market for a financial instrument, the public quoted prices are the fair value of the financial instrument.

The market prices in major exchanges, and the market prices of hot bonds declared by central government bond OTC center are the basis of listed equity instruments and debt instruments with market public quoted prices in active markets.

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. If the aforementioned conditions do not conform, then the market is regarded as inactive. In general, a market with high bid-ask spreads, significant increase in bid-ask spreads, or low trading volume is indicated as inactive.

Unquoted equity instruments: the fair value shall be estimated by discounted cash flow model, which is assumed on the investors' expected future cash flows that are discounted by the rate of return reflecting time value of money and investment risk.

(3.2) Derivatives

Valuations are based on valuation models widely accepted by market users, such as discounting methods and option pricing models. Forward exchange agreements are usually valued based on the current forward rate. Structured interest rate derivatives are based on an appropriate option pricing model (such as the Black-Scholes model) or other evaluation methods, such as Monte Carlo simulation.

JARLLYTEC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

4) Details of changes in level 3 fair value measurement

	Measured at fair value through other comprehensive income
Balance at January 1, 2023	\$ 57,289
Total gains or losses	
Recognized in other comprehensive income	15,722
Refund of paid-up capital due to capital decrease	(10,150)
Balance at December 31, 2023	<u>\$ 62,861</u>
Balance at January 1, 2022	\$ 65,262
Total gains or losses	
Recognized in other comprehensive income	(7,973)
Balance at December 31, 2022	<u>\$ 57,289</u>

The aforementioned total gains or losses were presented under “other gains and losses” and “unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income.” The portion related to the assets held by the Company as of December 31, 2023 and 2022 is as follows:

	For the year ended December 31, 2023	For the year ended December 31, 2022
Total gains or losses		
Recognized in profit or loss (presented under “other gains and losses”)	\$ -	-
Recognized in other comprehensive income (presented under “unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income”)	15,722	(7,973)

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

The Company's financial instruments classified as Level 3 fair value measurements primarily consist of "financial assets measured at fair value through profit or loss - equity investments."

The majority of fair value measurements of the Company are classified as Level 3 are with only single significant unobservable input. Only equity investments without active markets are with multiple significant unobservable input. As the significant unobservable inputs are independent with each other, there is no interrelationship among them.

Quantified information of significant unobservable inputs was as follows:

JARLLYTEC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets at fair value through other comprehensive income - equity investments without an active market	Net Asset Value Method	<ul style="list-style-type: none"> Net asset value The market illiquidity discount rate (30% on December 31, 2023 and 2022) 	<ul style="list-style-type: none"> The higher market illiquidity discount, the lower fair value

6) Fair value measurements in Level 3 — sensitivity analysis of reasonably possible alternative assumptions

The fair value measurement of financial instruments by the Company is reasonable, but the use of different evaluation models or evaluation parameters may result in different evaluation results. For fair value measurements in Level 3, if the evaluation parameters change, would have the following effects of profit or loss or other comprehensive income:

			Profit or loss		Other comprehensive income	
	Input	Assumptions	Favorable	Unfavorable	Favorable	Unfavorable
December 31, 2023						
Financial assets at fair value through other comprehensive income						
Equity investments without an active market	30%	5%	-	-	3,143	(3,143)
December 31, 2022						
Financial assets at fair value through other comprehensive income						
Equity investments without an active market	30%	5%	-	-	2,864	(2,864)

The favorable and unfavorable effects represent the changes in fair value, and fair value is based on a variety of unobservable inputs calculated using a valuation technique. The analysis above only reflects the effects of changes in a single input, and it does not include the interrelationships with another input.

JARLLYTEC CO., LTD.

Notes to the Financial Statements

(w) 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

The following likewise discusses the Company's objectives, policies and processes for measuring and managing the abovementioned risks. For more disclosures about the quantitative effects of these risk exposures, please refer to the respective notes in the accompanying financial statements.

(ii) Risk management framework

The Company oversees how the managements supervision is in compliance with the Company's risk management policies and procedures. The general manager is responsible for developing and monitoring the Company's risk management policies and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Company is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures.

(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 investments in securities.

1) Accounts and other receivables

The Company has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered.

The credit risk exposure is affected by the individual conditions of each customer. However, the management also considers the basic statistic data of customers, including the industries that the customers operate in, and the default risk of the countries, because those factors may affect credit risk. In order to reduce the credit risk, the Company also regularly assesses the financial statues of its customers, if necessary, and will require its customers to provide security or guarantee.

The Company sets allowance for doubtful accounts to reflect the estimated loss resulted from its accounts and notes receivable. The main portion of allowance for doubtful accounts included specific loss component related to significant exposure and loss component occurred but not recognized on similar Group of assets. The allowance for doubtful accounts of the Company was based on the statistic information of past payment of similar financial assets.

JARLLYTEC CO., LTD.

Notes to the Financial Statements

2) Investments

The exposure to credit risk for the bank deposits, fixed income investments, and other financial instruments is measured and monitored by the Group's finance department. As the Group only deals with banks with good credit rating, there is no concern about performance of contracts. Therefore, there is no significant credit risk.

3) Guarantees

The Company's policy is to only provide financial guarantees to its wholly owned subsidiaries. As of December 31, 2023 and 2022, no other guarantees were outstanding.

(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 consistency with the terms of loan agreements.

Loans and borrowings from the bank form an important source of liquidity for the Company. As of December 31, 2023 and 2022, the Company's unused credit line amounted to \$419,000 thousand and \$1,319,000 thousand 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.

1) Currency risk

The Company is exposed to currency risk on sales, purchases, and borrowings that are denominated in a currency other than the functional currency of the Company, primarily NTD and USD.

2) Interest rate risk

The Company maintains an appropriate combination of the fixed and floating interest rate instruments to manage interest rate risk.

(x) Capital management

The board of directors' policies are maintaining sound capital base, to maintain the confidence of investors, creditors, and the market, and to support the development of future operation. The capital includes share capital, capital surplus, retained earnings, and non-controlling interests. The board of directors manages the level of dividends of ordinary shares.

The Company's debt-to-equity ratios as of December 31, 2023 and 2022 are as follows:

JARLLYTEC CO., LTD.
Notes to the Financial Statements

	December 31, 2023	December 31, 2022
Total liabilities	\$ 2,218,000	2,740,130
Less: cash and cash equivalents	<u>(952,451)</u>	<u>(1,190,405)</u>
Net liabilities	<u>\$ 1,265,549</u>	<u>1,549,725</u>
Total equity	<u>\$ 5,262,895</u>	<u>4,578,551</u>
Debt-to-equity ratio	<u>24.05%</u>	<u>33.85%</u>

(y) Investment and financing activities from non-cash transactions

Investment and financing activities from non-cash transactions for the years ended December 31, 2023 and 2022 are as follows:

(c) Right-of-use assets acquired through leasing, please refer to Note 6(h).

(d) Reconciliation of assets from financing activities is as follows:

	Jan. 1, 2023	Cash Flows	Non-cash changes				December 31, 2023
			Acquisition	Exchange rate	Interest expenses	Others	
Short-term borrowings	\$ 100,000	400,000	-	-	-	-	500,000
Long-term borrowings (current portion included)	472,282	(217,361)	-	-	-	-	254,921
Bonds payables	386,421	-	-	-	3,846	(390,267)	-
Lease liabilities	521	(259)	-	-	-	-	262
Total liabilities arising from financing activities	<u>\$ 959,224</u>	<u>182,380</u>	<u>-</u>	<u>-</u>	<u>3,846</u>	<u>(390,267)</u>	<u>755,183</u>

	Jan. 1, 2022	Cash Flows	Non-cash changes				December 31, 2022
			Acquisition	Exchange rate	Interest expenses	Others	
Short-term borrowings	\$ 215,000	(115,000)	-	-	-	-	100,000
Long-term borrowings (current portion included)	647,393	(175,111)	-	-	-	-	472,282
Bonds payables	-	436,932	-	-	-	(50,511)	386,421
Lease liabilities	778	(257)	-	-	-	-	521
Total liabilities arising from financing activities	<u>\$ 863,171</u>	<u>146,564</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(50,511)</u>	<u>959,224</u>

JARLLYTEC CO., LTD.

Notes to the Financial Statements

(7) Related-party transactions:

(a) Names and relationship with related parties

<u>Name of related party</u>	<u>Relationship with the Company</u>
Jarson Precision Technology Co., Ltd.	Subsidiary
Jarwin Investment Co., Ltd.	"
Great Hinge Trading Ltd.	"
Smart Hinge Holdings Ltd.	"
Royal Jarlly Holding Ltd.	"
Jarlly Technology (Shanghai) Co., Ltd.	"
Fu Qing Jarlly Electronics Co., Ltd.	"
Dong Guan Jarlly Electronics Co., Ltd.	"
Kunshan Jarlly Electronics Ltd.	"
Jarlly Electronics Technology (Shanghai) Co., Ltd.	"
Xiamen Jarlly Electronics Co., Ltd.	"
Jarlly Technology (Chongqing) Co., Ltd.	"
Jarllytec (Thailand) Co., Ltd.	"
Jarllytec (Vietnam) Co., Ltd.	"
Jarllytec (Singapore) Co., Ltd.	"
Zhejiang Jarlly Precision Technology Co., Ltd.	"

(b) Significant transactions with related parties

(i) Operating revenue

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

	<u>For the years ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Subsidiary	<u>\$ 11,729</u>	<u>13,071</u>

The credit term with the related parties is 150 days, and the credit term with third-parties ranged from 30 days to 180 days. As the Company exclusively sold raw materials and semi-finished goods to its related parties, there is no comparison for the selling price to its related parties from those of its third parties. The Company price its raw material and semi-finished goods using the cost mark-up method.

JARLLYTEC CO., LTD.

Notes to the Financial Statements

(ii) Purchases

The amounts of significant purchases by the Company from its related parties were as follows:

	For the years ended December 31	
	2023	2022
Subsidiaries		
Kunshan Jarlly Electronics Co. Ltd.	\$ 483,222	797,784
Jarlly Technology (Shanghai) Co., Ltd.	67,806	252,950
Jarson Precision Technology Co., Ltd.	138,614	222,901
Dong Guan Jarlly Electronics Co., Ltd.	76,950	220,267
Jarlly Technology (Chongqing) Co., Ltd.	413,729	149,044
Other subsidiaries	66,658	202,553
	<u><u>\$ 1,246,979</u></u>	<u><u>1,845,499</u></u>

As the Company does not purchase similar goods from other suppliers, there is no base for comparison. The terms and pricing of purchase transactions with related parties were not significantly different from those offered by other vendors.

(iii) Loans to Related Parties

The actual usage of the loans to related parties is as follows:

	December 31, 2023	December 31, 2022
Subsidiary:		
Jarson Precision Technology Co., Ltd.	<u><u>\$ 20,000</u></u>	<u><u>20,000</u></u>

The interest charged by the Company to its related parties was based on the market interest rate. The loans to related parties were unsecured. There is no expected credit loss required after the management's assessment.

(iv) Other

For the years ended December 31, 2023 and 2022, the amounts of management and production technical services provided by the Company to its subsidiaries were \$148,152 thousand and \$72,800 thousand which were accounted for as other income.

For the years ended December 31, 2023 and 2022, the amounts of leasing office provided by the Company to its subsidiaries were \$9,679 thousand and \$9,643 thousand, respectively, which were recognized as other income.

For the year ended December 31, 2022, the amount of fixed assets sold from the Company to its subsidiaries was \$1,622 thousand, and the resulting gain on disposal was \$314 thousand.

JARLLYTEC CO., LTD.

Notes to the Financial Statements

(v) Receivables from Related Parties

Receivables from related parties were as follows

Account	Relationship	December 31, 2023	December 31, 2022
Accounts receivables	Subsidiary	<u>\$ 1,051</u>	<u>3,285</u>
Other receivables	Subsidiary	<u>\$ 102,715</u>	<u>53,575</u>

(vi) Payables to Related Parties

The payables to related parties were as follows:

Account	Relationship	December 31, 2023	December 31, 2022
Accounts payables	Jarson Precision Technology Co., Ltd.	\$ 14,620	94,133
Accounts payables	Kunshan Jarlly Electronics Co. Ltd.	148,399	351,848
Accounts payables	Jarlly Technology (Shanghai) Co., Ltd.	11,891	105,818
Accounts payables	Jarlly Technology (Chongqing) Co., Ltd.	207,805	35,831
Other payables	Other subsidiaries	<u>31,797</u>	<u>78,176</u>
		<u>\$ 414,512</u>	<u>665,806</u>
Other payables	Subsidiaries	<u>\$ 9,972</u>	<u>1,559</u>

(vii) Guarantees

As of December 31, 2023 and 2022, the amounts of guarantees used to secure loans for its subsidiaries were \$529,150 thousand and \$694,200 thousand, respectively,

(d) Key management personnel compensation

Key management personnel compensation comprised:

	For the years ended December 31	
	2023	2022
Short-term employee benefits	\$ 27,116	24,197
Post-employment benefits	<u>859</u>	<u>797</u>
	<u>\$ 27,975</u>	<u>24,994</u>

JARLLYTEC CO., LTD.
Notes to the Financial Statements

(8) Pledged assets:

The carrying values of pledged assets were as follows:

Pledged assets	Object	December 31, 2023	December 31, 2022
Land	Secured loans	\$ 720,246	720,246
Buildings	Secured loans	190,337	192,292
Leased assets	Secured loans	332,390	337,434
		<u>\$ 1,242,973</u>	<u>1,249,972</u>

(9) Commitments and contingencies:

The Company's significant contractual commitments were as follows:

	December 31, 2023	December 31, 2022
Acquisition of property, plant and equipment	<u>\$ 17,453</u>	<u>4,272</u>

(10) Losses Due to Major Disasters: None

(11) Significant Subsequent Events:

- (d) The Company has resolved by the board of directors on November 10, 2023 to merge Jarson Precision Technology Co., Ltd. (Jarson Precision) by a short-form merger. The based date of the combination is January 1, 2024. After the combination, the Company is the surviving company, and Jarson Precision is the dissolved company, and the Company generally assumes all rights and obligations of Jarson Precision.
- (e) The Company issued 8,000 units of the second domestic unsecured convertible bonds with three years of duration at 0% of coupon rate on January 8, 2024. The principal amounted to \$800,000 thousand.
- (f) The Company resolved to change the investment structure of Zhejiang Jarlly Precision Technology Co., Ltd. by the board of directors on January 24, 2024. Jarlly Technology (Shanghai) Co., Ltd. acquired 100% of the shares of Zhejiang Jarlly Precision Technology Co., Ltd from Royal Jarlly Holding Ltd. The based date is February 1, 2024. As of the date the financial statements are authorized for issuance, the legal registration procedures have not been completed.

JARLLYTEC CO., LTD.

Notes to the Financial Statements

(12) Other:

The employee benefits, depreciation, and amortization expenses categorized by function, were as follows:

By function By item	2023			2022		
	Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Employee benefits						
Salaries	159,123	192,807	351,930	175,237	200,566	375,803
Labor and health	18,679	15,456	34,135	18,967	14,851	33,818
Pension	6,852	8,509	15,361	6,846	8,096	14,942
Remuneration of directors	-	13,347	13,347	-	14,108	14,108
Other employee benefits	8,187	4,617	12,804	11,016	5,367	16,383
Depreciation	101,499	20,043	121,542	112,814	17,574	130,388
Amortization	4,764	4,201	8,965	4,675	3,168	7,843

The information on the Company's employee and employee for the years ended 2023 and 2022 were as follow:

	For the years ended December 31	
	2023	2022
Number of employees	<u>534</u>	<u>571</u>
Number of non-employee directors	<u>5</u>	<u>5</u>
The average employee benefit	<u>\$ 783</u>	<u>779</u>
The average salaries and wages	<u>\$ 665</u>	<u>664</u>
Adjustment of average salaries	<u>0.15%</u>	<u>11.78%</u>
Supervisors compensation	<u>\$ -</u>	<u>-</u>

The remuneration policy (including directors, managers and employees) is as follows:

According to Article 22, Chapter 6 of the Company's Article of Incorporation, bonuses to directors are not more than 2% of the current year net profit. When allocating the net profits for each fiscal year, the Company shall first offset its losses in previous years.

In addition, the Company's Regulations of Board of Directors' operating performance provide the evaluation standards of the Company's participation and contribution (such as the interactions with the teams and the degree of understanding), even compare to the criteria at home and aboard, on which the Company formulates the employees' remuneration.

The performance evaluation and the reasonableness of the salary are reviewed by the Company's Remuneration Committee and Board of Directors, and are adjusted timely based on the Company's operating situation and the regulation announced by the government.

The remuneration of managers and employees (including salary, year-end bonus and dividend (variable payment)) is based on the regulations of the Company, considering the position, education, experience, industry status, and their performance and achievement of long and short-term goals. The remuneration is adjusted according to the profitability and operational risk of the Company. The remuneration of managers is submitted to the Board of Directors for approval.

JARLLYTEC CO., LTD.

Notes to the 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) Loans to other parties:

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Nature of financing (Note 3)	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits (Note 1 & 2)	Maximum limit of fund financing (Note 1 & 2)
													Item	Value		
0	The Company	Jarson Precision Technology Co., Ltd.	Other receivables	Yes	40,000	20,000	20,000	2%	2	-	Operating turnover	-		-	701,719	2,105,158
0	The Company	Jarlllytec (Vietnam) Co., Ltd.	Other receivables	Yes	122,820	-	-	2%	2	-	Operating turnover	-		-	701,719	2,105,158
1	Fu Qing Jarlly Electronics Co., Ltd.	Xiamen Jarlly Electronics Co., Ltd.	Other receivables	Yes	25,962	-	-	2%	2	-	Operating turnover	-		-	697,217	697,217
1	Fu Qing Jarlly Electronics Co., Ltd.	Kunshan Jarlly Electronics Ltd.	Other receivables	Yes	108,175	43,270	43,270	2%	2	-	Operating turnover	-		-	697,217	697,217
2	Jarlly Technology (Chongqing) Co., Ltd.	Kunshan Jarlly Electronics Ltd.	Other receivables	Yes	30,289	30,289	30,289	2%	2	-	Operating turnover	-		-	250,168	250,168
2	Jarlly Technology (Chongqing) Co., Ltd.	Jarlly Technology (Shanghai) Co., Ltd.	Other receivables	Yes	86,540	-	-	2%	2	-	Operating turnover	-		-	250,168	250,168
3	Smart Hinge Holdings Ltd.	Great Hinge Trading Ltd.	Other receivables	Yes	55,269	55,269	55,269	0%	2	-	Operating turnover	-		-	2,130,911	2,130,911
4	Jarlly Electronics Technology (Shanghai) Co., Ltd.	Jarlly Technology (Shanghai) Co., Ltd.	Other receivables	Yes	43,270	-	-	2%	2	-	Operating turnover	-		-	277,498	277,498
5	Jarlly Technology (Shanghai) Co., Ltd.	Kunshan Jarlly Electronics Ltd.	Other receivables	Yes	43,270	43,270	-	3%	2	-	Operating turnover	-		-	649,703	649,703

Note 1: Loan limit from the Company:

- The total amount available for financing purposes shall not exceed 40% of the Company's net worth.
- The total amount to one entity which has business transactions with the Company shall not exceed one third of the Company's loanable amount or 40% of the net transaction amount (the amount of purchasing or selling, whichever is higher) in recent year, whichever is lower.
- For short-term financing needs, the amount available for financing of each entity shall not exceed one third of the Company's loanable amount.

Note 2: Loan limit from subsidiaries:

- The total amount available for financing purposes shall not exceed 60% of the subsidiaries' net worth. The total amount for short-term financing to one entity shall not exceed one third of the subsidiaries' loanable amount or 40% of the transaction amount in recent year, whichever is lower.
- The total amount to one entity which has business transactions with the Company shall not exceed one third of the Company's loanable amount or 60% of the net transaction amount (the amount of purchasing or selling, whichever is higher) in recent year, whichever is lower.
- For short-term financing needs, the amount available for financing of each entity shall not exceed one third of the Company's loanable amount.
- For those foreign subsidiaries in which the Company, directly or indirectly, owned 100% of their shares the amount available for financing shall not exceed the 60% of the Company's net worth.

Note 3: Financing purpose:

- 1 for entities the Company has business transactions with.
- 2 for entities that have short-term financing needs.

JARLLYTEC CO., LTD.

Notes to the Financial Statements

(ii) Guarantees and endorsements for other parties:

No.	Name of guarantor and endorsements	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 (Note 3)	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 (Note 1)	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 (Note 2)										
0	The Company	Jarllly Technology (Shanghai) Co., Ltd.	2	1,754,298	368,460	245,640	-	-	4.67%	2,105,158	Y	N	Y
0	The Company	Jarllly Precision Technology Co., Ltd.	2	1,754,298	80,000	40,000	-	-	0.76%	2,105,158	Y	N	N
0	The Company	Jarllly Technology (Chongqing) Co., Ltd.	2	1,754,298	122,820	61,410	-	-	1.17%	2,105,158	Y	N	Y
0	The Company	Kunshan Jarllly Electronics Ltd.	2	1,754,298	122,820	59,280	-	-	1.13%	2,105,158	Y	N	Y
0	The Company	Jarlllytec (Vietnam) Co., Ltd.	2	1,754,298	122,820	122,820	-	-	2.33%	2,105,158	Y	N	N

Note 1: The total amount available for endorsement provided to others shall not exceed 40% of the Company's net worth (audited by Certified Public Accountant on December 31, 2023); and the total amount for endorsement provided to one entity shall not exceed one third of the Company's net worth.

Note 2: 7 forms of relationships in which corporate guarantees exist are defined as follows:

- Entities have business relations with the Company.
- The Company directly or indirectly holds more than 50% of voting shares of its subsidiaries.
- Investees directly or indirectly own more than 50% of voting shares of the Company.
- The Company directly or indirectly holds 90% of voting shares of its subsidiaries.
- Entities have construction contract agreements with the Company.
- The reason for The Company jointly invested in the entities is to provide proportionate endorsements.
- The Company has contractual pre-sold home agreements with its related parties under the Consumer Protection Law.

(iii) Securities held as of December 31, 2022 (excluding investment in subsidiaries, associates and joint ventures):

Expressed in thousands of shares/thousands of units

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
The Company	WK Technology Fund IX Ltd., stock	-	Non-current financial assets at fair value through other comprehensive income	3,599	62,861	4.61 %	62,861	-
Jarwin Investment Co., Ltd.	Second phase Stock of WK Innovation Ltd.	-	Non-current financial assets at fair value through other comprehensive income	3,000	29,923	2.67 %	29,923	-
Fu Qing Jarllly Electronics Co., Ltd.	Fuqing Jelly Plastic Product Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	-	3,462	16.00 %	3,462	-
Fu Qing Jarllly Electronics Co., Ltd.	Chongqing Jelly Plastics Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	-	4,673	18.00 %	4,673	-
Fu Qing Jarllly Electronics Co., Ltd.	Chongqing Yuli Hardware Products Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	-	2,336	18.00 %	2,336	-
Xiamen Jarllly Electronics Co., Ltd.	Xiamen Jinli Hardware Products Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	-	4,111	19.00 %	4,111	-
Xiamen Jarllly Electronics Co., Ltd.	Xiamen Jinyaoli Precision Hardware Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	-	8,221	19.00 %	8,221	-
Kunshan Jarllly Electronics Co., Ltd.	Kunshan Huli Precision Hardware Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	-	6,577	19.00 %	6,577	-

JARLLYTEC CO., LTD.

Notes to the Financial Statements

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
Jarwin Investment Co., Ltd.	TSMC, stock	-	Current financial assets at fair value through profit or loss	20	11,860	- %	11,860	-
Jarwin Investment Co., Ltd.	Evergreen Marine Corporation, stock	-	Current financial assets at fair value through profit or loss	12	1,722	- %	1,722	-
Jarwin Investment Co., Ltd.	O-TA Precision Industry Co., LTD., stock	-	Current financial assets at fair value through profit or loss	20	1,804	- %	1,804	-
Jarwin Investment Co., Ltd.	Treasure Cay Private Equity Fund Limited Partnership	-	Non-current financial assets at fair value through profit or loss	-	254	1.587 %	254	-

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock:

Name of company	Category and name of security	Account name	Name of counter-party	Relationship with the company	Beginning Balance		Purchases		Sales				Ending Balance	
					Shares (thousands)	Amount	Shares	Amount	Shares	Price	Cost	Gain (loss) on disposal	Shares	Amount
Jarllly Technology (Shanghai) Co., Ltd.	Product of Fubon China (Redemption)	Current financial assets at fair value through profit or loss	Fubon Bank (China) Co., Ltd.	Non-related party	-	-	-	257,457	-	258,204	257,457	747	-	-
Jarllly Technology (Shanghai) Co., Ltd.	Product of SinoPac China (Redemption)	Current financial assets at fair value through profit or loss	SinoPac Bank	Non-related party	-	-	-	282,120	-	283,665	282,120	1,545	-	-
Jarllly Electronics Technology (Shanghai) Co., Ltd.	Product of Fubon China (Redemption)	Current financial assets at fair value through profit or loss	Fubon Bank (China) Co., Ltd.	Non-related party	-	-	-	174,811	-	176,528	174,811	1,717	-	-
Fu Qing Jarllly Electronics Co., Ltd.	Bank of China linked structured finance products	Current financial assets at fair value through profit or loss	Bank of China	Non-related party	-	-	-	155,772	-	157,064	155,772	1,292	-	-
Jarllly Technology (Chongqing) Co., Ltd.	Product of Fubon China (Redemption)	Current financial assets at fair value through profit or loss	Fubon Bank (China) Co., Ltd.	Non-related party	-	-	-	173,080	-	174,456	173,080	1,376	-	-

(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

JARLLYTEC CO., LTD.

Notes to the Financial Statements

(vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

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)	
Jarson Precision Technology Co., Ltd.	The Company	Associates	Sale	(138,614)	88.49%	150 days	-	150 days for related parties; 30~180 days for third-parties.	14,620	76.26%	-
The Company	Jarson Precision Technology Co., Ltd.	Associates	Purchase	138,614	8.71%	150 days	-	150 days for related parties; 30~180 days for third-parties.	(14,620)	2.72%	-
Kunshan Jarly Electronics Ltd.	The Company	Associates	Sale	(485,053)	46.02%	150 days	-	150 days for related parties; 30~180 days for third-parties.	148,117	42.69%	-
The Company	Kunshan Jarly Electronics Ltd.	Associates	Purchase	485,053	30.46%	150 days	-	150 days for related parties; 30~180 days for third-parties.	(148,117)	27.61%	-
Jarly Technology (Chongqing) Co., Ltd.	The Company	Associates	Sale	(409,662)	43.81%	150 days	-	150 days for related parties; 30~180 days for third-parties.	207,411	51.47%	-
The Company	Jarly Technology (Chongqing) Co., Ltd.	Associates	Purchase	409,662	25.73%	150 days	-	150 days for related parties; 30~180 days for third-parties.	(207,411)	38.66%	-
Kunshan Jarly Electronics Ltd.	Fu Qing Jarly Electronics Co., Ltd	Associates	Sale	(291,465)	22.13%	150 days	-	150 days for related parties; 30~180 days for third-parties.	121,103	20.19%	-
Fu Qing Jarly Electronics Co., Ltd.	Kunshan Jarly Electronics Ltd.	Associates	Purchase	291,465	37.02%	150 days	-	150 days for related parties; 30~180 days for third-parties.	(121,103)	34.52%	-
Fu Qing Jarly Electronics Co., Ltd.	Jarlytec (Thailand) Co., Ltd.	Associates	Sale	(206,842)	15.70%	150 days	-	150 days for related parties; 30~180 days for third-parties.	141,222	23.54%	-
Jarlytec (Thailand) Co., Ltd.	Fu Qing Jarly Electronics Co., Ltd.	Associates	Purchase	206,842	92.79%	150 days	-	150 days for related parties; 30~180 days for third-parties.	(141,222)	99.54%	-

JARLLYTEC CO., LTD.
Notes to the Financial Statements

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

Name of company	Counter-party	Nature of relationship	Ending balance (Note)	Turnover rate	Overdue		Amounts received in subsequent period	Allowance for bad debts
					Amount	Action taken		
Kunshan Jarlly Electronics Ltd.	The Company	Associates	148,117	1.94	-	-	60,355	-
Jarlly Technology (Chongqing) Co., Ltd.	The Company	Associates	207,411	3.37	-	-	20,205	-
Fu Qing Jarlly Electronics Co., Ltd.	Kunshan Jarlly Electronics Ltd.	Associates	121,103	3.27	-	-	62,540	-
Fu Qing Jarlly Electronics Co., Ltd.	Jarllytec (Thailand) Co., Ltd.	Associates	141,222	2.93	-	-	38,168	-

(ix) Trading in derivative instruments: Please refer to Note 6(b) and (l).

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2023 (excluding information on investees in Mainland China):

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2023			Highest Percentage of ownership (%)	Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2023	December 31, 2022	Shares (thousands)	Percentage of ownership	Carrying value				
The Company	Great Hinge Trading Ltd.	British Virgin Islands	Investment industry	64,208	318	12	100.00%	86,102	100%	20,054	20,054	-
The Company	Smart Hinge Holdings Ltd.	British Virgin Islands	Investment industry	904,601	750,588	28,434	100.00%	3,540,700	100%	637,066	625,216	-
The Company	Jarson Precision Technology Co., Ltd.	Taiwan	Powder metallurgy industry	134,076	134,076	15,000	100.00%	188,261	100%	(65,539)	(65,426)	-
The Company	Jarwin Investment Co., Ltd.	Taiwan	Investment industry	80,000	50,000	8,000	100.00%	82,732	100%	8,866	8,866	-
The Company	Jarllytec Singapore Pte. Ltd.	Singapore	Computer design and service	423	423	-	100.00%	828	100%	706	706	-
Great Hinge Trading Ltd.	Jarllytec (Vietnam) Co., Ltd.	Vietnam	Sale and produce Precision Hinge	230,613	166,723	-	100.00%	158,658	100%	(18,467)	(18,467)	-
Smart Hinge Holdings Ltd.	Royal Jarlly Holding Ltd.	Hong Kong	Investment industry	904,601	750,588	28,434	100.00%	3,495,878	100%	630,542	630,542	-
Royal Jarlly Holding Ltd.	Jarllytec (Thailand) Co., Ltd.	Thailand	Sale and produce Precision Hinge	189,973	149,229	2,000	100.00%	164,149	100%	(10,177)	(10,177)	-

(c) Information on overseas branches and representative offices:

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

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment (Note 1)	Accumulated outflow of investment from Taiwan as of January 1, 2022	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2022	Net income (losses) of the investee	Percentage of ownership	Net income (losses) in current period (Note 2)	Balance as of Dec 31, 2022	Accumulated remittance of earnings in current period
					Outflow	Inflow						
Jarlly Technology (Shanghai) Co., Ltd.	Sale and produce special purpose material of component equipment	261,462	(2)	131,272	-	-	131,272	402,123	100.00%	402,123	1,082,839	-
Fu Qing Jarlly Electronics Co., Ltd.	Sale and produce Precision Hinge	240,658	(2)	27,370	-	-	27,370	77,470	100.00%	77,470	716,117	-
Dong Guan Jarlly Electronics Co., Ltd.	Sale and produce Precision Hinge	81,466	(2)	81,466	-	-	81,466	1,076	100.00%	1,076	114,832	15,366
Kunshan Jarlly Electronics Ltd.	Sale and produce Precision Hinge	71,906	(2)	65,369	-	-	65,369	72,916	100.00%	72,916	185,310	-
Jarlly Electronics Technology (Shanghai) Co., Ltd.	Sale and produce Precision Hinge	473,450	(2)	386,330	-	-	386,330	9,826	100.00%	9,826	462,498	-
Xiamen Jarlly Electronics Co., Ltd.	Sale and produce Precision Hinge	43,801	(2)	29,281	-	-	29,281	10,730	100.00%	10,730	108,706	-
Jarlly Technology (Chongqing) Co., Ltd.	Sale and produce Precision Hinge	61,722	(2)	29,500	-	-	29,500	100,349	100.00%	100,349	416,947	-
ZheJiang Zhaowang Precision Technology Co. Ltd.	Sale and produce Powder metallurgy and other metal products	154,013	(2)	-	154,013	-	154,013	(10,547)	100.00%	(10,547)	141,248	-

Note 1: Investments are made through one of three ways:

- (1) Direct investment from Mainland China
- (2) Indirect investment from third-party country
- (3) Others

Note 2: The recognition of gain and loss on investment based on the financial report which was assured by R.O.C. Accountant.

JARLLYTEC CO., LTD.**Notes to the Financial Statements**

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2023	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
904,601 (USD28,434)	1,272,231 (USD41,434)	3,157,737

(iii) Significant transactions:

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

(d) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
Sunrise Investment Co., Ltd		6,100,000	9.22%
Dellson Investment Co., Ltd.		3,864,000	5.84%

Note:1. The information on major shareholders, which is provided by Taiwan Depositor & Clearing Corporation, summarized the shareholders who held over 5% of total non-physical common stocks and preferred stocks (including treasury stocks) on the last business date of each quarter. The registered non-physical stocks may be different from the capital stocks disclosed in the financial statement due to different calculation basis.

2. If shares are entrusted, the above information regarding such shares will be revealed by each trustor of individual trust account. The shareholders holding more than 10% of the total shares of the company should declare insider's equity according to Securities and Exchange Act. The numbers if the shares declared by the insider include the shares of the trust assets which the insiders have discretion over use. For details of the insider's equity announcement please refer to the TWSE website.

(14) Segment information:

Please refer to 2023 Consolidated Financial Statements.