Stock Code:3548

JARLLYTEC CO., LTD.

Parent Company Only Financial Statements

With Independent Auditors' Report
For the Years Ended December 31, 2023 and 2022

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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	
	Assets	**Amount**	**%**	**Amount**	**%**
	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	-
1200	Other receivables, net (Note 6(d))	21,584	-	17,888	-
1210	Other receivables 0 related parties (Note 6(d) and 7)	102,715	1	53,575	1
130X	Inventories (Note 6(e))	207,057	3	305,169	4
1410	Prepayments and other current assets	30,178	-	25,936	-
	Total current assets	2,013,057	27	2,578,916	35
	Non-current assets:				
1510	Non-current financial assets at fair value through profit or loss (Note 6(b))	-	-	200	-
1517	Non-current financial assets at fair value through other comprehensive income (Note 6(b))	62,861	1	57,289	1
1550	Investments accounted for using equity method (Note 6(f))	3,898,623	52	3,131,597	43
1600	Property, plant and equipment (Note 6(g))	1,431,355	19	1,499,573	21
1755	Right-of-use assets (Note 6(h))	216	-	475	-
1780	Intangible assets	7,758	-	9,913	-
1840	Deferred income tax assets (Note 6(p))	44,729	1	29,790	-
1915	Prepayments for equipment	16,664	-	8,123	-
1990	Other non-current assets, others	5,632	-	2,805	-
	Total non-current assets	5,467,838	73	4,739,765	65
	Total assets	**$ 7,480,895**	**100**	**7,318,681**	**100**

		December 31, 2023		December 31, 2022	
	Liabilities and Equity	**Amount**	**%**	**Amount**	**%**
	Current liabilities:				
2100	Short-term borrowings (Note 6(i))	$ 500,000	7	100,000	2
2170	Notes and accounts payables	122,366	2	196,609	3
2180	Accounts payables - related parties(Note 7)	414,512	6	665,806	9
2200	Other payables (Note 6(j))	680,184	9	688,835	9
2220	Other payables - related parties (Note 7)	9,972	-	1,559	-
2230	Current income tax liabilities	2,920	-	6,474	-
2280	Current lease liabilities (Note 6(m))	262	-	259	-
2322	Long-term borrowings, current portion (Note 6(k) and 8)	186,111	2	217,361	3
2399	Other current liabilities	13,814	-	8,462	-
	Total current liabilities	1,930,141	26	1,885,365	26
	Non-Current liabilities:				
2531	bonds payables (Note 6(l))	-	-	386,421	5
2540	Long-term borrowings (Note 6(k) and 8)	68,810	1	254,921	4
2570	Deferred income tax liabilities (Note 6(p))	181,442	3	181,549	2
2580	Non-current lease liabilities (Note 6(q))	-	-	262	-
2640	Net defined benefit liability, non-current (Note 6(s))	37,267	-	31,272	-
2670	Other non-current liabilities, others	340	-	340	-
	Total non-current liabilities	287,859	4	854,765	11
	Total liabilities	2,218,000	30	2,740,130	37
	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	**$ 7,480,895**	**100**	**7,318,681**	**100**

See accompanying notes to financial statements.

(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)**	2,148,643	94	2,869,992	85
	Gross profit	127,664	6	506,050	15
5910	Unrealized loss (profit) from sales	(439)	-	535	-
	Net gross profit	127,225	6	506,585	15
	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)	(3,968)	-	7,431	-
	Total operating expenses	381,324	16	516,731	15
	Net operating income (loss)	(254,099)	(10)	(10,146)	-
	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))	36,693	2	14,600	-
	Total non-operating income and expenses	784,671	34	583,848	17
7900	**Profit from continuing operations before tax**	530,572	24	573,702	17
7950	Less: Income tax expenses (benefits) (Note 6(p))	(4,706)	-	99,734	3
	Profit	535,278	24	473,968	14
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	-	-	-	-
	Components of other comprehensive income (loss) that will not be reclassified to profit or loss	9,529	1	7,148	-
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	-	-	-	-
	Components of other comprehensive income (loss) that will be reclassified to profit or loss	(69,777)	(3)	37,279	1
8300	**Other comprehensive income, net of tax**	(60,248)	(2)	44,427	1
8500	**Total comprehensive income**	$ 475,030	22	518,395	15
	Earnings per share (NT dollars) (Note 6(R))				
9750	Basic earnings per share	$ 8.69		7.88	
9850	Diluted earnings per share	$ 8.10		7.35	

See accompanying notes to financial statements.

(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		
	Ordinary shares	Advance receipts for share capital	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Total equity
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**

See accompanying notes to financial statements.

(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)

	2023	2022
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)	(490,514)	(243,737)
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	10,806	251,724
Total adjustments	(479,708)	7,987
Cash inflow generated from operations	50,864	581,689
Interest received	37,024	11,514
Interest paid	(7,475)	(9,329)
Income taxes paid	(13,894)	(60,045)
Net cash flows from operating activities	66,519	523,829
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	(306,489)	(40,692)
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	(180,364)	(120,243)
Net cash flows from financing activities	2,016	26,321
Net increase (decrease) in cash and cash equivalents	(237,954)	509,458
Cash and cash equivalents at beginning of period	1,190,405	680,947
Cash and cash equivalents at end of period	$ 952,451	1,190,405

See accompanying notes to 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:

(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 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"

(b) 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"

(Continued)

(c) 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

(Continued)

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 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.

(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.

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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.

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.

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.

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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).

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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.

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(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

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

(Continued)

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.

(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.

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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 CDVID-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 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 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 Company has a legally enforceable right to set off current tax assets against current tax liabilities; and

(Continued)

(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.

(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
	$ 952,451	**1,190,405**

(Continued)

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:

	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
	$	703,920		4,848

	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
	$	994,759		8,816

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	$	4,848	8,816

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
	$	124,299	71,463

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
	$ 207,057	305,169

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	$ 3,898,623	3,131,597

(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.

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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:

	Land	Buildings and construction	Machine and equipment	Mold equipment	Rental equipment	Other facilities	Construction in progress and testing equipment	Total
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, 2023	$ 720,246	305,220	846,281	2,388	366,358	68,297	295	2,309,085
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, 2022	$ 720,246	281,939	841,551	2,388	370,919	67,294	152	2,284,489
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, 2023	$ -	114,883	670,606	2,388	33,968	55,885	-	877,730
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, 2022	$ -	89,647	607,529	2,388	33,485	51,867	-	784,916
Carrying amount:								
Balance at December 31, 2023	$ 720,246	190,337	175,675	-	332,390	12,412	295	1,431,355
Balance at January 1, 2022	$ 720,246	184,585	256,273	-	341,942	11,859	18,588	1,533,493
Balance at December 31, 2022	$ 720,246	192,292	234,022	-	337,434	15,427	152	1,499,573

(Continued)

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	$ -	777	777
Balance at January 1, 2022	$ 801	777	1,578
Balance at December 31, 2022	$ 801	777	1,578
Accumulated depreciation:			
Balance at January 1, 2023	$ 801	302	1,103
Depreciation	-	259	259
Reductions	(801)	-	(801)
Balance at December 31, 2023	$ -	561	561
Balance at January 1, 2022	$ 801	43	844
Depreciation	-	259	259
Balance at December 31, 2022	$ 801	302	1,103
Carrying amount:			
Balance at December 31, 2023	$ -	216	216
Balance at January 1, 2022	$ -	734	734
Balance at December 31, 2022	$ -	475	475

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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
	$ 500,000	100,000
Unused credit lines	$ 419,000	819,000
Range of interest rates	1.70%	1.45%~1.62%

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
	$ 680,184	688,835

(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				$ 68,810
Unused credit lines				$ -

	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				$ 254,921
Unused credit lines				$ 500,000

Please refer to Note 8 for the assets pledged as collaterals for bank borrowings.

(Continued)

(l) 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	$	-	386,421
Embedded derivative-redemption rights (classified as non-current financial assets at fair value through profit or loss)	$	-	200
Equity component-conversion rights (classified as capital surplus)	$	-	50,911

		2023	2022
Gains (losses) on remeasurement of embedded derivative instruments at fair value	$	389	(200)
Interest expenses	$	(3,846)	(3,867)

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	(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.)
	(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.) (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. (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.

(Continued)

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	$ 262	259
Non-current	$ -	262

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	$ 3	6
Expenses relating to short-term leases	$ 2,144	1,284

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	$ 2,406	1,547

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	**$ 92**	**872**

(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	**$ 37,267**	**31,272**

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.

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	**$ 57,746**	**51,619**

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)**

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.

(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
	$ (4,706)	**99,734**

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	**$ 530,572**	**573,702**
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	**$ (4,706)**	**99,734**

(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:

	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	**$ 15,813**	**28,916**	**44,729**
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	**$ 17,217**	**12,573**	**29,790**

	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	**$ 181,442**
Balance at January 1, 2022	$ 148,354
Recognized in profit or loss	33,195
Balance at December 31, 2022	**$ 181,549**

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.

(Continued)

(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:

	Ordinary shares	
	For the years ended December 31	
(Expressed in thousands of shares)	**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 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.

(Continued)

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	**180,364**	2.00	**120,243**

(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	**$ (128,105)**	**26,794**	**(101,311)**

	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	**$ (58,328)**	**11,149**	**(47,179)**

(Continued)

(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	$ 535,278	473,968
Weighted average number of ordinary shares at December 31 (in thousands)	61,630	60,121
Basic earnings per share (in dollars)	$ 8.69	7.88
Diluted earnings per share		
Profit attributable to ordinary shareholders of the Company (basic)	$ 535,278	473,968
After-tax effects of convertible bonds	3,077	3,094
Profit attributable to ordinary shareholders of the Company (diluted)	$ 538,355	477,062
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)	4,462	3,915
Weighted average number of ordinary shares (after adjusting the effects of dilutive potential ordinary shares) (in thousands)	66,499	64,909
Diluted earnings per share (in dollars)	$ 8.10	7.35

(Continued)

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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.

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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
	$ 186,852	**111,655**

JARLLYTEC CO., LTD.

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(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.

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

(Continued)

JARLLYTEC CO., LTD.

Notes to the Financial Statements

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.

	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	$ 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 (current portion included)	254,921	258,827	109,951	78,071	14,719	43,183	12,903
	$ 1,982,217	1,987,493	1,838,486	78,202	14,719	43,183	12,903
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 (current portion included)	472,282	480,722	110,979	110,397	187,793	44,301	27,252
	$ 2,512,033	2,534,238	1,764,101	110,528	188,056	444,301	27,252

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

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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
Financial assets						
Monetary items						
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
Financial liabilities						
Monetary items						
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.

(Continued)

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				
		Fair value			
	Carrying amount	**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					

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	December 31, 2023				
		Fair value			
	Carrying amount	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	**$ 1,982,217**	-	-	-	-

	December 31, 2022				
		Fair value			
	Carrying amount	Level 1	Level 2	Lever 3	Total
Financial assets at fair value through profit or loss	$ 200	-	200	-	200
Financial assets at fair value through other comprehensive income	57,829	-	-	57,829	57,829
Loans and receivables					
Cash and cash equivalents	1,190,405	-	-	-	-
Notes and accounts receivables (related parties included)	985,943	-	-	-	-
Other receivables (related parties included)	71,463	-	-	-	-
Subtotal	2,247,811	-	-	-	-
Total	**$ 2,305,840**	-	**200**	**57,829**	**58,029**
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)	472,282	-	-	-	-
Total	**$ 2,512,033**	-	-	-	-

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.

(Continued)

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	**$ 62,861**
Balance at January 1, 2022	$ 65,262
Total gains or losses	
Recognized in other comprehensive income	(7,973)
Balance at December 31, 2022	**$ 57,289**

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:

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	· Net asset value · The market illiquidity discount rate (30% on December 31, 2023 and 2022)	· 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.

(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.

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:

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		December 31, 2023	December 31, 2022
Total liabilities	$	2,218,000	2,740,130
Less: cash and cash equivalents		(952,451)	(1,190,405)
Net liabilities	$	1,265,549	1,549,725
Total equity	$	5,262,895	4,578,551
Debt-to-equity ratio		24.05%	33.85%

(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:

(a) Right-of-use assets acquired through leasing, please refer to Note 6(h).

(b) Reconciliation of assets from financing activities is as follows:

			Non-cash changes				
	Jan. 1, 2023	**Cash Flows**	**Acquisition**	**Exchange rate**	**Interest expenses**	**Others**	**December 31, 2023**
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	$ 959,224	182,380	-	-	3,846	(390,267)	755,183

			Non-cash changes				
	Jan. 1, 2022	**Cash Flows**	**Acquisition**	**Exchange rate**	**Interest expenses**	**Others**	**December 31, 2022**
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	$ 863,171	146,564	-	-	-	(50,511)	959,224

(Continued)

JARLLYTEC CO., LTD.

Notes to the Financial Statements

(7) Related-party transactions:

(a) Names and relationship with related parties

Name of related party	Relationship with the Company
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:

	For the years ended December 31	
	2023	2022
Subsidiary	$ 11,729	13,071

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.

(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
	$ 1,246,979	**1,845,499**

As the Company does not purchase similar goods from other suppliers, there is no base for comoparison. 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.	**$ 20,000**	**20,000**

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.

(Continued)

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	$ 1,051	3,285
Other receivables	Subsidiary	$ 102,715	53,575

(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	31,797	78,176
		$ 414,512	665,806
Other payables	Subsidiaries	$ 9,972	1,559

(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	859	797
	$ 27,975	24,994

(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
		$ 1,242,973	1,249,972

(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	$ 17,453	4,272

(10) Losses Due to Major Disasters: None

(11) Significant 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 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	534	571
Number of non-employee directors	5	5
The average employee benefit	$ 783	779
The average salaries and wages	$ 665	664
Adjustment of average salaries	0.15%	11.78%
Supervisors compensation	$ -	-

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.

(Continued)

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	Jarllytec (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:

(a) The total amount available for financing purposes shall not exceed 40% of the Company's net worth.

(b) 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.

(c) 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:

(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) 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.

(c) For short-term financing needs, the amount available for financing of each entity shall not exceed one third 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.

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: Name	Counter-party of guarantee and endorsement: Relationship with the Company (Note 2)	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
0	The Company	Jarlly 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	Jarlly Technology (Chongqing) Co., Ltd.	2	1,754,298	122,820	61,410	-	-	1.17%	2,105,158	Y	N	Y
0	The Company	Kunshan Jarlly Electronics Ltd.	2	1,754,298	122,820	59,280	-	-	1.13%	2,105,158	Y	N	Y
0	The Company	Jarllytec (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:

(a) Entities have business relations with the Company.
(b) The Company directly or indirectly holds more than 50% of voting shares of its subsidiaries.
(c) Investees directly or indirectly own more than 50% of voting shares of the Company.
(d) The Company directly or indirectly holds 90% of voting shares of its subsidiaries.
(e) Entities have construction contract agreements with the Company.
(f) The reason for The Company jointly invested in the entities is to provide proportionate endorsements.
(g) 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: Shares (thousands)	Ending balance: Carrying value	Ending balance: Percentage of ownership (%)	Ending balance: Fair value	Note
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 Jarlly 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 Jarlly 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 Jarlly 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 Jarlly 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 Jarlly 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 Jarlly 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	-
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	-

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JARLLYTEC CO., LTD.

Notes to the Financial Statements

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance: Shares (thousands)	Ending balance: Carrying value	Ending balance: Percentage of ownership (%)	Ending balance: Fair value	Note
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
Jarlly 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	-	-
Jarlly 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	-	-
Jarlly 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 Jarlly 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	-	-
Jarlly 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

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(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 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%	-
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%	-
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%	-
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%	-
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%	-
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%	-
Fu Qing Jarlly Electronics Co., Ltd.	Jarllytec (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%	-
Jarllytec (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%	-

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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:

Shareholding / Shareholder’s Name	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.

(Continued)

Jarllytec Co., Ltd.

Statement of cash and cash equivalents

December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

Item	Description	Amount
Cash	Cash on hand and Petty cash	$ 201
Demand deposits	Demand and check deposits (including foreign demand deposits USD9,581 thousand)	340,265
	Time deposits (including Taiwan dollar time deposits NTD90,000 thousand and foreign time deposits USD17,000 thousand; Current Amount Expired within one year; the annual rate ranges: 1.35%~5.64%)	611,985
Total		**$ 952,451**

Note 1: The ending rates of foreign currency deposits on December 31, 2023 is as follows:
NTD：USD＝1：30.705

Statement of notes receivable

Item	Amount
Client A	$ 117,056
Client LL	113,603
Client E	65,550
Client EE	59,867
Client AA	45,921
Client HH	39,169
Client II	38,303
Others (less than 5%)	223,400
Subtotal	702,869
Less: loss allowance	(4,848)
Total	**$ 698,021**

Jarllytec Co., Ltd.

Statement of inventories

December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

Item	Amount		Note
	Cost	Loss On Valuation	
Raw materials and supplies	$ 36,012	-	Note
Work in process	104,679	-	〃
Finished goods	66,366	73,487	Net realizable value
	$ 207,057		

Note: Raw materials, supplies and work in progress are used for production of finished goods.
Due to net realizable value of finished goods higher than cost, net realizable value of raw materials, supplies and work in progress is higher than cost.

Jarllytec Co., Ltd.

Statement of movement in investments accounted for using the equity method

For the year ended December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

Name of investee	Beginning balance			Increase		Decrease		Dividends received	Decrease (Note 1)	Investments accounted for using equity method income (loss)	Other comprehensive for using equity method income (loss)	Cumulative translation adjustment	Ending balance			Market value or net assets value		
	Shares (in thousands)	Percentage of ownership	Amount	Shares (in thousands)	Amount	Shares (in thousands)	Amount						Shares (in thousands)	Percentage of ownership	Amount	Unit price	Total Amounts	Collateral
Accounted for using equity method value:																		
Great Hinge Trading Ltd.	10	100.00	$ 17,335	2	63,890	-	-	-	-	20,054	-	(15,177)	12	100.00	86,102	7,175.17	86,102	-
Smart Hinge Holdings Ltd.	23,434	100.00	2,816,287	5,000	154,013	-	-	-	(204)	625,216	-	(54,612)	28,434	100.00	3,540,700	124.98	3,553,700	-
Jarson Precision Technology Co., Ltd.	15,000	100.00	253,922	-	-	-	-	-	(235)	(65,426)	-	-	15,000	100.00	188,261	12.56	188,468	-
Jarwin Investment Co., Ltd.	5,000	100.00	43,943	3,000	30,000	-	-	-	-	8,866	(77)	-	8,000	100.00	82,732	10.34	82,732	-
Jarllytec Singapore Pte Ltd	-	100.00	110	-	-	-	-	-	-	706	-	12	-	100.00	828	-	828	-
			$ 3,131,597		247,903		-	-	(439)	589,416	(77)	(69,777)			3,898,623			

Note1：Unrealized gain on inter-affiliate accounts.

Jarllytec Co., Ltd.

Statement of prepayments, other current assets and other non-current assets

December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

Item	Amount
Prepayments and Other Current Assets:	
Prepayments	$ 9,374
Temporary debits	3,830
Office supplies	11,758
Others prepayments	5,216
	$ 30,178
Other Non-Current Assets:	
Refundable deposits	205
Other non-current financial asset	1,228
Others	4,199
Total	**$ 5,632**

Jarllytec Co., Ltd.

Statement of movement in intangible assets

For the year ended December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

Item	Beginning Balance	Increase	Decrease	Ending Balance	Note
Computer software	$ 9,913	1,571	(3,726)	7,758	-

Statement of notes and accounts payables

December 31, 2023

Item	Amount
Vendor M	$ 28,577
Vendor O	21,550
Vendor I	16,413
Vendor K	9,228
Vendor G	8,468
Vendor Q	6,283
Others (less than 5%)	31,847
Total	$ 122,366

Jarllytec Co., Ltd.

Statement of short-term borrowings

For the year ended December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

Item	Bank	Ending Balance	Interest Rate	Financing Amount	Collateral
secured bank loans	Hua Nan Bank	$ 60,000	1.70%	219,000	Yes
〃	Chang Hwa Bank	150,000	1.70%	300,000	〃
Unsecured bank loans	Yuanta Bank	$ 200,000	1.70%	200,000	No
〃	E.SUN Bank	90,000	1.70%	100,000	〃
		$ 500,000			

Statement of long-term borrowings

	Amount				
Bank	Current Amount Expired within one year	Non-current Amount Expired after one year	Period	Interest Rate	Collateral
Hua Nan Bank	$ 83,056	-	2019.12.30~2024.12.30	1.10%	No
E.SUN Bank	45,310	-	2019.12.18~2024.12.15	1.15%	No
Chang Hwa Bank	43,750	-	2019.07.10~2024.07.10	1.70%	Yes
Chang Hwa Bank	13,995	68,810	2019.12.11~2029.11.15	1.16%	Yes
	$ 186,111	68,810			

Jarllytec Co., Ltd.

Statement of operating revenue

For the year ended December 31, 2023

Product	Quantity (KPCS)	Amount
Hinge	23,059	$ 2,066,378
Fiber optic	10,853	209,929
Total		**$ 2,276,307**

Jarllytec Co., Ltd.

Statement of operating costs

For the year ended December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

Item	Amount
Raw materials and supplies	
Beginning balance of raw materials and supplies	$ 29,216
Add：Purchases	483,797
Others	115
Less：Ending balance of raw materials and supplies	(36,012)
Transferred to manufacturing overhead	(176)
Transferred to operating expenses	(5,301)
Sold	(3,781)
Raw materials and supplies used	467,858
Direct labor	96,505
Manufacturing overhead	372,960
Total manufacturing cost	937,323
Add：Beginning balance of work-in-process inventory	146,523
Purchases	4,601
Less：Ending balance of work-in-process inventory	(104,679)
Transferred to manufacturing overhead	(546)
Transferred to operating expenses	(1,688)
Sold	(18,068)
Cost of finished goods	963,466
Add：Beginning balance of finished goods	129,430
Purchases	1,104,998
Others	2,057
Less：Ending balance of finished goods	(66,366)
Transferred to manufacturing overhead	(1,264)
Transferred to operating expenses	(2,888)
Cost of sales-finished goods	2,129,433
Cost of goods sold for raw materials	3,781
Cost of goods sold for work in process	18,068
Other operating costs-other	(2,034)
Income from sale of scraps	(605)
Operating costs	$ 2,148,643

Jarllytec Co., Ltd.

Statement of selling expenses

For the year ended December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

Item	Amount
Wages and salaries	$ 16,150
Commissions expense	12,248
Export expense	8,529
Other expenses (less than 5%)	36,390
Total	**$ 73,317**

Statement of administrative expenses

Item	Amount
Wages and salaries	$ 64,440
Employees' and directors' compensation	60,509
Depreciations	17,426
Other expenses (less than 5%)	46,549
Total	**$ 188,924**

Jarllytec Co., Ltd.

Statement of Research and Development Expenses

For the year ended December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

Item	Amount
Wages and salaries	$ 65,055
Sample expenses	17,850
Other expenses (less than 5%)	40,146
Total	**$ 123,051**

Statement of movement of property, plant and equipment, please refer to 2023 Parent Company Only Financial Statements Notes 6(g).

Statement of movement of accumulated depreciation of property, plant and equipment, please refer to 2023 Parent Company Only Financial Statements Notes 6(g).

Statement of other receivables, please refer to 2023 Parent Company Only Financial Statements Notes 6(d).

Statement of bonds payable, please refer to 2023 Parent Company Only Financial Statements Notes 6(k).

Statement of other income, please refer to 2023 Parent Company Only Financial Statements Notes 6(t).