

JARLLYTEC CO., LTD. AND SUBSIDIARIES

Consolidated Financial Statements

**With Independent Auditors' Review Report
For the Six Months Ended
June 30, 2022 and 2021**

Address: No.13, Wugong 5th Rd., Sin Jhuang Dist., New Taipei City, Taiwan
Telephone: (02)22982666

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

Table of contents

Contents	Page
1. Cover page	1
2. Table of Contents	2
3. Independent Auditors' Review Report	3
4. Consolidated Balance Sheets	4
5. Consolidated Statements of Comprehensive Income	5
6. Consolidated Statements of Changes in Equity	6
7. Consolidated Statements of Cash Flows	7
8. Notes to the Consolidated Financial Statements	
(1) Company history	8
(2) Approval date and procedures of the consolidated financial statements	8
(3) New standards, amendments and interpretations adopted	8~9
(4) Summary of significant accounting policies	10~11
(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty	11
(6) Explanation of significant accounts	12~36
(7) Related-party transactions	37
(8) Pledged assets	38
(9) Commitments and contingencies	38
(10) Losses due to major disasters	38
(11) Subsequent events	38
(12) Other	39
(13) Other disclosures	
(a) Information on significant transactions	39~44
(b) Information on investees	45
(c) Information on investment in mainland China	45~46
(d) Major shareholders	46
(14) Segment information	46~47

Independent Auditors' Review Report

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

Introduction

We have reviewed the consolidated financial statements of Jarllytec Co., Ltd. and its subsidiaries, which comprise the consolidated balance sheets as of June 30, 2022 and 2021, the consolidated statements of comprehensive income for the three months ended June 30, 2022 and 2021, and changes in equity and cash flows for the six months then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Scope of Review

Except as discussed in the following paragraph, we conducted our reviews in accordance with the Statement of Auditing Standards No. 65 "Review of Financial Information Performed by the Independent Auditor of the Entity" A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As described in Note 4(b), the financial statements of certain non-significant subsidiaries were not reviewed by independent auditors. These financial statements reflect total assets of these subsidiaries amounted to NT\$1,411,956 thousand and NT\$1,233,689 thousand, constituting 16% and 16% of consolidated total assets as of June 30, 2022 and 2021, respectively, total liabilities amounted to NT\$1,040,903 thousand and NT\$1,062,613 thousand, constituting 23% and 27% of consolidated total liabilities as of June 30, 2022 and 2021, respectively, and total comprehensive income of these subsidiaries amounted to NT\$27,320 thousand, NT\$3,368 thousand, NT\$12,523 thousand and NT\$24,052 thousand, constituting 62%, (10)%, 4% and 1,274% of the consolidated total comprehensive income for the six months ended June 30, 2022 and 2021, respectively.

Notes to Readers

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

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

Qualified Conclusion

Based on our reviews, except for the effect of such adjustments, if any, as might have been determined to be necessary had the financial statements of certain non-significant subsidiaries and investee companies been reviewed by independent accountants as described in the preceding paragraph, that we might have become aware of had it not been for the situation described above, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of Jarllytec Co., Ltd. and its subsidiaries as of June 30, 2022 and 2021, and of its consolidated financial performance as of and for the three-month periods ended June 30, 2022 and 2021, and its consolidated cash flows for the six months periods then ended in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and International Accounting Standard 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

KPMG

Taipei, Taiwan (Republic of China)
August 9, 2022

Notes to Readers

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

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

Consolidated Balance Sheets

June 30, 2022, December 31, 2021, June 30, 2021

(Expressed in Thousands of New Taiwan Dollars)

Assets		June 30, 2022		December 31, 2021		June 30, 2021		Liabilities and Equity		June 30, 2022		December 31, 2021		June 30, 2021	
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%
Current assets:								Current liabilities:							
1100	Cash and cash equivalents (Note 6(a))	\$ 1,807,840	20	1,887,924	21	1,164,235	15	2100	Short-term borrowings (Note 6(j) and 8)	\$ 395,719	4	652,614	7	336,518	4
1110	Current financial assets at fair value through profit or loss (Note 6(b))	806,587	9	38,133	-	353,265	5	2170	Notes and accounts payable	1,589,475	18	2,255,730	25	1,701,806	22
1170	Notes and accounts receivable, net (Note 6(c)(s))	2,237,671	25	3,182,375	35	2,552,491	32	2200	Other payables	1,058,835	12	1,058,947	12	853,169	11
1200	Other receivables, net (Note 6(d))	29,775	-	53,009	1	20,603	-	2216	Cash dividends payable	120,243	1	-	-	150,303	2
1220	Current tax assets	3,944	-	3,569	-	23,968	-	2230	Current tax liabilities	81,018	1	28,096	-	24,805	-
130X	Inventories (Note 6(e))	852,702	10	804,772	10	778,047	10	2280	Current lease liabilities (Note 6(m))	28,565	-	14,912	-	23,743	-
1410	Prepayments and other current assets (Note 6(f) and 8)	106,195	2	117,360	1	156,213	2	2322	Long-term borrowings, current portion (Note 6(k) and 8)	185,484	2	209,043	2	158,056	2
Total current assets		5,844,714	66	6,087,142	68	5,048,822	64	2399	Other current liabilities	44,410	1	38,733	-	20,642	-
Non-current assets:								Total current liabilities		3,503,749	39	4,258,075	46	3,269,042	41
1510	Non-current financial assets at fair value through profit or loss (Note 6(b))	888	-	1,564	-	2,633	-	2530	Bonds payable (Note 6(l))	383,556	4	-	-	-	-
1517	Non-current financial assets at fair value through other comprehensive income (Note 6(b))	88,146	1	90,631	1	88,186	1	2540	Long-term borrowings (Note 6(k) and 8)	352,651	4	438,350	5	460,988	7
1600	Property, plant and equipment (Note 6(g) and 8)	2,501,276	28	2,412,499	27	2,304,621	29	2570	Deferred income tax liabilities	148,354	2	148,354	2	169,694	2
1755	Right-of-use assets (Note 6(h))	248,037	3	210,043	2	216,142	2	2580	Non-current lease liabilities (Note 6(m))	70,499	1	25,065	-	39,305	-
1780	Intangible assets (Note 6(i))	20,071	-	21,821	-	20,266	-	2640	Net defined benefit liability, non-current	46,315	1	46,794	1	23,957	-
1840	Deferred income tax assets	39,629	-	39,629	-	47,384	1	2670	Other non-current liabilities, others	2,407	-	2,355	-	2,836	-
1915	Prepayments for business facilities	60,571	1	117,357	1	145,346	2	Total non-current liabilities		1,003,782	12	660,918	8	696,780	9
1990	Other non-current assets, others (Note 6(f) and 8)	60,361	1	67,795	1	55,487	1	Total liabilities		4,507,531	51	4,918,993	54	3,965,822	50
Total non-current assets		3,018,979	34	2,961,339	32	2,880,065	36	Equity (Note 6(q)):							
								3110	Ordinary share	601,214	7	601,214	7	601,214	8
								3200	Capital surplus	1,385,445	16	1,334,534	15	1,334,534	17
								Retained earnings:							
								3310	Legal reserve	404,763	4	380,412	4	349,873	4
								3320	Special reserve	76,485	1	1,292	-	50,236	1
								3350	Unappropriated retained earnings	1,919,106	22	1,888,521	21	1,702,614	21
								Total retained earnings		2,400,354	27	2,270,225	25	2,102,723	26
								Other equity:							
								3410	Exchange differences on translation of foreign financial statements	(46,933)	(1)	(95,607)	(1)	(96,381)	(1)
								3420	Unrealized gain or loss on financial assets at fair value through other comprehensive income	16,082	-	19,122	-	20,975	-
								Other equity		(30,851)	(1)	(76,485)	(1)	(75,406)	(1)
								Total equity		4,356,162	49	4,129,488	46	3,963,065	50
								Total liabilities and equity		\$ 8,863,693	100	9,048,481	100	7,928,887	100
Total assets		\$ 8,863,693	100	9,048,481	100	7,928,887	100								

(See accompanying notes to financial statements)

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with Generally Auditing Standards

JARLLYTEC CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

As of and For the Three Months Ended June 30, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

		For the three months ended June 30,				For the six months ended June 30,			
		2022		2021		2022		2021	
		Amount	%	Amount	%	Amount	%	Amount	%
4000	Operating revenue (Note 6(r))	\$1,448,424	100	1,797,337	100	3,680,773	100	3,325,463	100
5000	Operating costs (Note 6(e)(n))	1,158,811	80	1,544,024	86	2,924,449	79	2,790,688	84
	Net gross profit	289,613	20	253,313	14	756,324	21	534,775	16
	Operating expenses (Note 6(c)(l)(n)(s)):								
6100	Selling expenses	88,112	6	106,535	6	201,913	5	206,804	6
6200	Administrative expenses	83,903	6	65,871	3	187,140	5	137,712	4
6300	Research and development expenses	48,002	3	58,981	3	95,455	3	126,239	4
6450	Expected credit gain	16,370	1	362	-	15,885	-	(5,765)	-
	Total operating expenses	236,387	16	231,749	12	500,393	13	464,990	14
	Net operating income	53,226	4	21,564	2	255,931	8	69,785	2
	Non-operating income and expenses (Note 6(l)(t)):								
7010	Other income	22,930	2	52,789	3	53,853	1	90,411	2
7020	Other gains and losses, net	75,042	5	(46,473)	(3)	84,874	2	(41,533)	(1)
7050	Finance cost	(4,913)	-	(2,618)	-	(8,417)	-	(5,673)	-
7100	Interest income	4,712	-	1,984	-	7,212	-	4,537	-
	Total non-operating income and expenses	97,771	7	5,682	-	137,522	3	47,742	1
	Profit from continuing operations before tax	150,997	11	27,246	2	393,453	11	117,527	3
7950	Less: Income tax expenses (Note 6(o))	63,709	4	13,838	1	143,081	4	41,525	1
	Profit	87,288	7	13,408	1	250,372	7	76,002	2
8300	Other comprehensive income:								
8310	Components of other comprehensive income (loss) that will not be reclassified to profit or loss								
8316	Unrealized gains from investments in equity instruments measured at fair value through other comprehensive income	(3,470)	-	(300)	-	(3,040)	-	(4,706)	-
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	(3,470)	-	(300)	-	(3,040)	-	(4,706)	-
8360	Components of other comprehensive income (loss) that will be reclassified to profit or loss								
8361	Exchange differences on translation of foreign financial statements	(39,529)	(3)	(47,143)	(3)	48,674	1	(69,408)	(2)
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	(39,529)	(3)	(47,143)	(3)	48,674	1	(69,408)	(2)
8300	Other comprehensive income (loss), net of tax	(42,999)	(3)	(47,443)	(3)	45,634	1	(74,114)	(2)
8500	Total comprehensive income	\$ 44,289	4	(34,035)	(2)	296,006	8	1,888	-
	Net income attributable to:								
8610	Shareholders of the parent	\$ 87,288	7	13,408	1	250,372	7	76,002	2
	Total comprehensive income attributable to:								
8710	Shareholders of the parent	\$ 44,289	4	(34,035)	(2)	296,006	8	1,888	-
	Earnings per share (NT dollars) (Note 6(q)):								
9750	Basic earnings per share	\$ 1.45		0.22		4.16		1.26	
9850	Diluted earnings per share	\$ 1.36		0.22		4.01		1.26	

(See accompanying notes to financial statements)

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with Generally Auditing Standards

JARLLYTEC CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the Six months Ended June 30, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent					Other equity		
	Retained earnings					Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Total equity
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings			
Balance at January 1, 2021	\$ 601,214	1,334,534	349,873	50,236	1,776,915	(26,973)	25,681	4,111,480
Profit	-	-	-	-	76,002	-	-	76,002
Other comprehensive income	-	-	-	-	-	(69,408)	(4,706)	(74,114)
Total comprehensive income	-	-	-	-	76,002	(69,408)	(4,706)	1,888
Appropriation and distribution of retained earnings:								
Cash dividends on ordinary shares	-	-	-	-	(150,303)	-	-	(150,303)
Balance at June 30, 2021	<u>\$ 601,214</u>	<u>1,334,534</u>	<u>349,873</u>	<u>50,236</u>	<u>1,702,614</u>	<u>(96,381)</u>	<u>20,975</u>	<u>3,963,065</u>
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	-	-	-	-	250,372	-	-	250,372
Other comprehensive income	-	-	-	-	-	48,674	(3,040)	45,634
Total comprehensive income	-	-	-	-	250,372	48,674	(3,040)	296,006
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)
Change in other capital reserve:								
Equity component recognized due to issuance of convertible bonds-arising from stock option	-	50,911	-	-	-	-	-	50,911
Balance at June 30, 2022	<u>\$ 601,214</u>	<u>1,385,445</u>	<u>404,763</u>	<u>76,485</u>	<u>1,919,106</u>	<u>(46,933)</u>	<u>16,082</u>	<u>4,356,162</u>

(See accompanying notes to financial statements)

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with Generally Auditing Standards
JARLLYTEC CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows
For the Six months Ended June 30, 2022 and 2021
(Expressed in Thousands of New Taiwan Dollars)

	For the six months ended June 30,	
	2022	2021
Cash flows from operating activities:		
Profit before tax	\$ 393,453	117,527
Adjustments:		
Adjustments to reconcile profit (loss)		
Depreciation expense	147,276	119,709
Amortization expense	12,582	12,603
Expected credit loss (gain)	15,885	(5,765)
Net loss on financial assets at fair value through profit or loss	8,279	295
Interest expense	8,416	5,673
Interest revenue	(7,212)	(4,537)
Dividend revenue	(14,265)	(12,702)
Loss (Gain) from disposal of property, plant and equipment	1,243	(56)
Gain on disposals of investments	(1,493)	-
Other	8,095	-
Total adjustments to reconcile profit (loss)	178,806	115,220
Changes in operating assets and liabilities:		
Current financial assets at fair value through profit or loss	27,227	26,314
Notes receivables	899	(594)
Accounts receivable	927,920	(214,254)
Other receivables	23,866	5,203
Inventories	(47,930)	(176,265)
Prepayments	2,983	(49,097)
Other current assets	(1,481)	19,234
Notes payables	(12,932)	16,035
Accounts payable	(653,323)	(5,086)
Other payables	144	106,118
Other current liabilities	5,677	(1,520)
Net defined benefit liability	(479)	(479)
Total changes in operating assets and liabilities	218,117	(274,391)
Total adjustments	396,923	(159,171)
Cash inflow (outflow) generated from operations	790,376	(41,644)
Interest received	6,580	5,229
Interest paid	(6,826)	(4,412)
Income taxes paid	(90,534)	(46,378)
Net cash flows provided by operating activities	699,596	(87,205)
Cash flows from investing activities:		
Acquisition of financial assets at fair value through profit or loss	(1,242,350)	(774,543)
Proceeds from disposal of financial assets at fair value through profit or loss	496,078	422,713
Acquisition of property, plant and equipment	(80,251)	(201,303)
Proceeds from disposal of property, plant and equipment	21	10,050
Decrease in other receivables	-	5,000
Acquisition of intangible assets	(2,437)	(6,926)
Acquisition of right-of-use asset	-	(40,567)
Increase in prepayments for equipment	(63,075)	(42,163)
Increase in other non-current-assets	(824)	(3,040)
Dividends received	14,265	12,702
Net cash flows used in investing activities	(878,573)	(618,077)
Cash flows from financing activities:		
Decrease in short-term borrowings	(287,340)	(43,952)
Issuance of corporate bonds	433,065	-
Proceeds from long-term borrowings	19,769	326,034
Repayments of long-term borrowings	(129,027)	(351,803)
Payment of lease liabilities	(28,967)	(21,449)
Increase (decrease) in other non-current liabilities	52	(1,746)
Net cash flows provided by (used in) from financing activities	7,552	(92,916)
Effect of movements in exchange on cash and cash equivalents	91,341	(51,740)
Net decrease in cash and cash equivalents	(80,084)	(849,938)
Cash and cash equivalents at beginning of period	1,887,924	2,014,173
Cash and cash equivalents at end of period	\$ 1,807,840	1,164,235

(See accompanying notes to financial statements)

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

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

Reviewed only, not audited in accordance with Generally Auditing Standards of June 30, 2022 and 2021

JARLLYTEC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the Six months Ended June 30, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

(1) Company history

Jarlllytec 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., SinJhuang Dist., New Taipei City, Taiwan (R.O.C.). The Company and its subsidiaries (the “Group”) are primarily engaged in R&D, designing, manufacturing, assembly, inspection, production, and sales business of stamping parts, hinges and metal injection molding (MIM). The Group has been actively developing various hinges, which are widely applied in NB, LCD monitor, and other 3C related products and parts.

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

These consolidated financial statements were authorized for issue by the Board of Directors on August 9, 2022.

(3) New standards, amendments and interpretations adopted

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

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2022.

- Amendments to IAS 16 “Property, Plant and Equipment: Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts – Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018-2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”

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

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2023, would not have a significant impact on its consolidated financial statements.

- 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”

(See accompanying notes to financial statements)

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

- (c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The following new and amended standards and interpretations, which may be relevant to the Group, have been issued by the International Accounting Standards Board (“IASB”), but have yet to be endorsed by the FSC:

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	<p>The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.</p> <p>The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.</p>	January 1, 2023

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

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

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

(See accompanying notes to financial statements)

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

(4) Summary of significant accounting policies

(a) Statement of compliance

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

Except the following accounting policies mentioned below, the significant accounting policies adopted in the consolidated financial statements are the same as those in the consolidated financial statement for the year ended December 31, 2021. For the related information, please refer to note 4 of the consolidated financial statements for the year ended December 31, 2021.

(b) Basis of consolidation

(i) List of subsidiaries in the consolidated financial statements

Name of Investor	Name of Subsidiary	Principal Activities	Percentage of Ownership (%)			Note
			2022.6.30	2021.12.31	2021.6.30	
The company	Great Hinge Trading Ltd. (Great Hinge)	Investments	100%	100%	100%	Note 1
The company	Smart Hinge Holdings Ltd. (Smart Hinge)	Investments	100%	100%	100%	-
The company	Jarson Precision Technology Co., Ltd. (Jarson Precision)	Powder metallurgy and other metal products manufacturing and trading business	100%	100%	100%	Note 1
The company	Jarlllytec USA L.L.C. (Jarlllytec USA)	Computer design and service	100%	100%	100%	Note 1
The company	Jarwin Investment Co., Ltd. (Jarwin Investment)	Investments	100%	100%	100%	Note 1
The company	Jarlllytec Singapore Pte. Ltd. (Jarlllytec Singapore)	Computer design and service	100%	100%	100%	Note 1 、 Note 3
Great Hinge	Main Source Logistic Ltd. (Main Source)	Electronic professional equipment, tools/molds sales business	- %	- %	100%	Note 1 、 Note 5
Great Hinge	Jarlllytec (Vietnam) Co., Ltd. (Jarlllytec Vietnam)	Production and sales business of precision hinges	100%	100%	100%	Note 1 、 Note 4
Smart Hinge	Royal Jarlly Holding Ltd. (Royal Jarlly)	Investments	100%	100%	100%	-
Royal Jarlly	Jarlly Technology (Shanghai) Co., Ltd. (Shanghai Jarlly)	Component equipment for the production and sale of materials business	100%	100%	100%	-
Royal Jarlly	Fu Qing Jarlly Electronics Co., Ltd. (Fu Qing Jarlly)	Production and sales business of precision hinges	100%	100%	100%	Note 1 、 Note 2
Royal Jarlly	Dong Guan Jarlly Electronics Co., Ltd. (Dong Guan Jarlly)	Production and sales business of precision hinges	100%	100%	100%	Note 1
Royal Jarlly	Kunshan Jarlly Electronics Ltd. (Kunshan Jarlly)	Production and sales business of precision hinges	100%	100%	100%	Note 1
Royal Jarlly	Jarlly Electronics Technology (Shanghai) Co., Ltd. (Jarlly Electronics Shanghai)	Production and sales business of precision hinges	100%	100%	100%	-

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

Name of Investor	Name of Subsidiary	Principal Activities	Percentage of Ownership (%)			Note
			2022.6.30	2021.12.31	2021.6.30	
Royal Jarlly	Xiamen Jarlly Electronics Co., Ltd. (Xiamen Jarlly)	Production and sales business of precision hinges	100%	100%	100%	Note 1
Royal Jarlly	Jarlly Technology (Chongqing) Co., Ltd. (Chongqing Jarlly)	Production and sales business of precision hinges	100%	100%	100%	Note 1 、 Note 2
Royal Jarlly	Jarllytec (Thailand) Co., Ltd. (Jarllytec Thailand)	Production and sales business of precision hinges	100%	100%	100%	Note 1

Note 1: Insignificant subsidiary.

Note 2: Significant subsidiary in the year 2021, but insignificant in the year 2022.

Note 3: The Jarllytec Singapore was listed as the Company's subsidiary in April 2021.

Note 4: The Jarllytec Vietnam was listed as the Company's subsidiary in April 2021.

Note 5: Main Source Logistic Ltd. invested by Great Hinge was liquidated in September 2021.

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

(c) Financial instruments

Derivative financial instruments

The Group holds derivative financial instruments to avoid risks of exposure to foreign currency and interest rate. Embedded derivatives will be handled separately from the host contract when certain conditions are met and the host contract is not a financial asset.

Derivatives are initially recognized at fair value; subsequently, they are measured at fair value, and the gain or loss arising from the re-measurement is directly included in profit or loss.

(d) Income taxes

The income tax expenses have been measured and disclosed in accordance with paragraph B12 of IAS 34 "Interim Financial Reporting."

Income tax expenses for the period are best estimated by multiplying pre-tax income for the interim reporting period by the effective annual tax rate as forecasted by the management. This should be recognized fully as tax expense for the current period.

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases shall be measured based on the effective tax rate at the time of realization or liquidation and recognized directly in equity or other comprehensive income as tax expense.

(e) Employee benefits

The pension cost in the interim period was calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior fiscal year.

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

The preparation of the consolidated financial statements in accordance with IAS 34 "Interim Financial Reporting." and endorsed by the FSC requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates. The preparation of the consolidated interim financial statements, estimates and underlying assumptions are reviewed on an ongoing basis which are in conformity with the consolidated financial statements for the year ended December 31, 2021. For related information, please refer to note 5 of the consolidated financial statements for the year ended December 31, 2021.

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

(6) Explanation of significant accounts

Except for the following disclosures, there were no significant differences as compared with those disclosed in the consolidated financial statements for the year ended December 31, 2021. Please refer to Note 6 of the consolidated financial statements for the year ended December 31, 2021.

(a) Cash and cash equivalents

	June 30, 2022	December 31, 2021	June 30, 2021
Cash on hand	\$ 1,073	598	1,201
Demand deposits	1,077,997	1,734,126	753,965
Time deposits	728,770	153,200	409,069
	<u><u>\$ 1,807,840</u></u>	<u><u>1,887,924</u></u>	<u><u>1,164,235</u></u>

(b) Financial instruments

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

	June 30, 2022	December 31, 2021	June 30, 2021
Current mandatorily measured at fair value through profit or loss			
Domestic stocks	\$ 27,773	7,725	1,435
Open-ended funds	45,047	-	-
Investment products	733,767	30,408	351,830
	<u><u>\$ 806,587</u></u>	<u><u>38,133</u></u>	<u><u>353,265</u></u>
Non-current mandatorily measured at fair value through profit or loss			
Private offered funds	\$ 648	1,564	2,633
Redemption right to convertible bonds	240	-	-
	<u><u>\$ 888</u></u>	<u><u>1,564</u></u>	<u><u>2,633</u></u>

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

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

	June 30, 2022	December 31, 2021	June 30, 2021
Equity investments at fair value through other comprehensive income-non-current:			
Stocks unlisted on domestic market-Taiwan	\$ 62,222	65,262	67,115
Stocks unlisted on domestic market-China	<u>25,924</u>	<u>25,369</u>	<u>21,071</u>
Total	<u>\$ 88,146</u>	<u>90,631</u>	<u>88,186</u>

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

(iii) As of June 30, 2022, December 31, 2021 and June 30, 2021, the aforementioned financial assets were not pledged as collateral.

(c) Notes and accounts receivable

	June 30, 2022	December 31, 2021	June 30, 2021
Notes receivables	\$ 851	1,750	1,254
Accounts receivable	2,255,527	3,183,259	2,554,013
Less: loss allowance	<u>(18,707)</u>	<u>(2,634)</u>	<u>(2,776)</u>
	<u>\$ 2,237,671</u>	<u>3,182,375</u>	<u>2,552,491</u>

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, accounts receivable has been grouped based on shared credit risk characteristics and the days past due, as well as the incorporated forward looking information.

The loss allowance provisions were determined as follows:

	June 30, 2022	
	Gross carrying amount	Weighted-average loss rate
Current	\$ 2,119,003	0%~1%
1 to 30 days past due	71,703	0%~10%
31 to 60 days past due	29,335	0%~10%
61 to 90 days past due	27,642	0%~25%
More than 90 days past due	<u>8,695</u>	50%~100%
	<u>\$ 2,256,378</u>	<u>18,707</u>

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

December 31, 2021			
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	\$ 3,016,018	0%~1%	-
1 to 30 days past due	41,492	0%~1%	-
31 to 60 days past due	96,520	0%~1%	-
61 to 90 days past due	25,711	0%~10%	-
More than 90 days past due	5,268	50%~100%	2,634
	\$ 3,185,009		2,634

June 30, 2021			
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	\$ 2,398,029	0%~1%	253
1 to 30 days past due	101,401	0%~1%	619
31 to 60 days past due	51,222	0%~1%	262
61 to 90 days past due	1,611	0%~10%	140
More than 90 days past due	3,004	50%~100%	1,502
	\$ 2,555,267		2,776

The movements in the allowance for notes and accounts receivable during the period were as follows:

For the six months ended June 30,		
	2022	2021
Balance at January 1	\$ 2,634	8,592
Impairment losses recognized	15,885	-
Impairment losses reversed	-	(5,765)
Effect of movements in exchange	188	(51)
Balance at June 30	\$ 18,707	2,776

(d) Other receivables

	June 30, 2022	December 31, 2021	June 30, 2021
Overpaid business tax returned	\$ 7,354	33,705	11,150
Interest receivable	666	34	586
Others	21,755	19,270	8,867
	\$ 29,775	53,009	20,603

For further credit risk information, please refer to note 6(v).

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

(e) Inventories

	June 30, 2022	December 31, 2021	June 30, 2021
Raw materials and supplies	\$ 225,023	251,232	208,887
Work in process	220,419	194,967	166,653
Finished goods	407,260	358,573	402,507
	<u>\$ 852,702</u>	<u>804,772</u>	<u>778,047</u>

- (i) For the three months ended June 30, 2022, the amount of the loss on valuation of inventories was NT\$1,145, wherein such loss was included in cost of sales.
- (ii) For the six months ended June 30, 2022, the amount of the loss on valuation of inventories was NT\$15,413, wherein such loss was included in cost of sales.
- (iii) For the three months ended June 30, 2021, the amount of the loss on valuation of inventories was NT\$41,285, wherein such loss was included in cost of sales.
- (iv) For the six months ended June 30, 2021, the amount of the loss on valuation of inventories was NT\$60,740, wherein such loss was included in cost of sales.
- (v) As of June 30, 2022, December 31, 2021 and June 30, 2021, the inventories were not pledged as collateral.

(f) Prepayments, other current assets and others

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

	June 30, 2022	December 31, 2021	June 30, 2021
Prepayment for mold	\$ 27,743	32,668	53,740
Other prepayments	21,269	24,690	12,243
Prepayments to suppliers	-	7,253	-
Input tax	9,820	8	3,228
Tax overpaid	32,464	45,849	61,661
Other financial assets	-	174	7,107
Others	14,899	6,718	18,234
Total prepayments and other current assets	<u>\$ 106,195</u>	<u>117,360</u>	<u>156,213</u>
Other deferred expenses	\$ 50,117	56,433	43,121
Refundable deposits	7,694	8,636	9,632
Other financial assets	1,189	1,107	1,114
Others	1,361	1,619	1,620
Total other noncurrent assets	<u>\$ 60,361</u>	<u>67,795</u>	<u>55,487</u>

As of June 30, 2022, December 31, 2021 and June 30, 2021, other financial assets pledged as collateral for Forward Exchange Transaction and investment product were NT\$0, NT\$174 and NT\$1,286. Please refer to Note 8.

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

(g) Property, plant and equipment

The cost and accumulated depreciation and impairments of the property, plant and equipment of the Group as of and for the three months ended September 30, 2021 and 2020 were as follows:

	Land	Buildings and construction	Machine and equipment	Mold equipment	Rental equipment	Other facilities	Construction in progress and testing equipment	Total
Cost:								
Balance at January 1, 2022	\$ 1,051,950	668,253	1,467,274	3,353	86,227	181,947	60,655	3,519,659
Additions	-	3,594	167,575	-	-	5,318	24,675	201,162
Reclassifications	-	14,940	-	-	-	-	(14,940)	-
Disposals	-	-	(5,566)	-	-	(1,150)	-	(6,716)
Effect of movements in exchange	512	7,078	10,860	14	1,885	1,520	(2)	21,867
Balance at June 30, 2022	<u>\$ 1,052,462</u>	<u>693,865</u>	<u>1,640,143</u>	<u>3,367</u>	<u>88,112</u>	<u>187,635</u>	<u>70,388</u>	<u>3,735,972</u>
Balance at January 1, 2021	\$ 1,057,119	519,597	1,171,787	3,618	183,708	152,272	61,304	3,149,405
Additions	-	3,219	142,178	-	-	26,975	28,931	201,303
Reclassifications	-	103,124	-	-	(99,450)	-	(3,674)	-
Disposals	-	(8,336)	(9,026)	-	-	(5,008)	-	(22,370)
Effect of movements in exchange	(3,503)	(3,093)	(4,476)	(10)	(2,854)	(1,002)	(4,366)	(19,304)
Balance at June 30, 2021	<u>\$ 1,053,616</u>	<u>614,511</u>	<u>1,300,463</u>	<u>3,608</u>	<u>81,404</u>	<u>173,237</u>	<u>82,195</u>	<u>3,309,034</u>
Accumulated depreciation:								
Balance at January 1, 2022	\$ -	209,854	753,694	3,292	31,287	109,033	-	1,107,160
Depreciation	-	17,549	96,624	-	1,327	9,764	-	125,264
Disposals	-	-	(4,437)	-	-	(1,015)	-	(5,452)
Effect of movements in exchange	-	2,416	3,518	12	688	1,090	-	7,724
Balance at June 30, 2022	<u>\$ -</u>	<u>229,819</u>	<u>849,399</u>	<u>3,304</u>	<u>33,302</u>	<u>118,872</u>	<u>-</u>	<u>1,234,696</u>
Balance at January 1, 2021	\$ -	147,836	613,755	3,556	61,321	96,344	-	922,812
Depreciation	-	13,289	73,572	-	2,730	9,169	-	98,760
Reclassifications	-	34,912	-	-	(34,912)	-	-	-
Disposals	-	(1,637)	(7,086)	-	-	(3,653)	-	(12,376)
Effect of movements in exchange	-	(1,113)	(2,029)	(9)	(952)	(680)	-	(4,783)
Balance at June 30, 2021	<u>\$ -</u>	<u>193,287</u>	<u>678,212</u>	<u>3,547</u>	<u>28,187</u>	<u>101,180</u>	<u>-</u>	<u>1,004,413</u>
Carrying amounts								
Balance at January 1, 2022	<u>\$ 1,051,950</u>	<u>458,399</u>	<u>713,580</u>	<u>61</u>	<u>54,940</u>	<u>72,914</u>	<u>60,655</u>	<u>2,412,499</u>
Balance at June 30, 2022	<u>\$ 1,052,462</u>	<u>464,046</u>	<u>790,744</u>	<u>63</u>	<u>54,810</u>	<u>68,763</u>	<u>70,388</u>	<u>2,501,276</u>
Balance at January 1, 2021	<u>\$ 1,057,119</u>	<u>371,761</u>	<u>558,032</u>	<u>62</u>	<u>122,387</u>	<u>55,928</u>	<u>61,304</u>	<u>2,226,593</u>
Balance at June 30, 2021	<u>\$ 1,053,616</u>	<u>421,224</u>	<u>622,251</u>	<u>61</u>	<u>53,217</u>	<u>72,057</u>	<u>82,195</u>	<u>2,304,621</u>

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

As of June 30, 2022, December 31, 2021 and June 30, 2021, the property, plant and equipment of the Group had been pledged as collateral for bank borrowings. Please refer to Note 8.

(h) Right-of-use assets

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

	<u>Land</u>	<u>Buildings and construction</u>	<u>Other equipment</u>	<u>Total</u>
Cost:				
Balance at January 1, 2022	\$ 160,312	169,935	1,264	331,511
Additions	-	70,824	-	70,824
Disposals	-	(32,945)	(487)	(33,432)
Other	(13,423)	(15,557)	-	(28,980)
Effect of movements in exchange	5,055	3,737	-	8,792
Balance at June 30, 2022	<u><u>\$ 151,944</u></u>	<u><u>195,994</u></u>	<u><u>777</u></u>	<u><u>348,715</u></u>
Balance at January 1, 2021	\$ 107,112	167,823	487	275,422
Additions	40,567	5,973	-	46,540
Effect of movements in exchange	(1,664)	(4,414)	-	(6,078)
Balance at June 30, 2021	<u><u>\$ 146,015</u></u>	<u><u>169,382</u></u>	<u><u>487</u></u>	<u><u>315,884</u></u>
Accumulated depreciation and impairment losses:				
Balance at January 1, 2022	\$ 8,549	112,389	530	121,468
Depreciation	2,631	19,251	130	22,012
Disposals	-	(32,945)	(487)	(33,432)
Other	-	(11,882)	-	(11,882)
Effect of movements in exchange	(37)	2,549	-	2,512
Balance at June 30, 2022	<u><u>\$ 11,143</u></u>	<u><u>89,362</u></u>	<u><u>173</u></u>	<u><u>100,678</u></u>
Balance at January 1, 2021	\$ 5,637	74,749	377	80,763
Depreciation	1,402	19,453	94	20,949
Effect of movements in exchange	(102)	(1,868)	-	(1,970)
Balance at June 30, 2021	<u><u>\$ 6,937</u></u>	<u><u>92,334</u></u>	<u><u>471</u></u>	<u><u>99,742</u></u>
Carrying amount:				
Balance at January 1, 2022	<u><u>\$ 151,763</u></u>	<u><u>57,546</u></u>	<u><u>734</u></u>	<u><u>210,043</u></u>
Balance at June 30, 2022	<u><u>\$ 140,801</u></u>	<u><u>106,632</u></u>	<u><u>604</u></u>	<u><u>248,037</u></u>
Balance at January 1, 2021	<u><u>\$ 101,475</u></u>	<u><u>93,074</u></u>	<u><u>110</u></u>	<u><u>194,659</u></u>
Balance at June 30, 2021	<u><u>\$ 139,078</u></u>	<u><u>77,048</u></u>	<u><u>16</u></u>	<u><u>216,142</u></u>

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

(i) Intangible assets

Information about the Group's intangible assets was presented below:

	<u>Software</u>
Cost:	
Balance at January 1, 2022	\$ 113,017
Additions	2,437
Effect of movements in exchange	<u>696</u>
Balance at June 30, 2022	<u>\$ 116,150</u>
Balance at January 1, 2021	\$ 100,675
Additions	6,926
Effect of movements in exchange	<u>(497)</u>
Balance at June 30, 2021	<u>\$ 107,104</u>
Accumulated amortization and impairment losses:	
Balance at January 1, 2022	\$ 91,196
Amortization for the period	4,324
Effect of movements in exchange	<u>559</u>
Balance at June 30, 2022	<u>\$ 96,079</u>
Balance at January 1, 2021	\$ 84,004
Amortization for the period	3,236
Effect of movements in exchange	<u>(402)</u>
Balance at June 30, 2021	<u>\$ 86,838</u>
Carrying amounts :	
Balance at January 1, 2022	<u>\$ 21,821</u>
Balance at June 30, 2022	<u>\$ 20,071</u>
Balance at January 1, 2021	<u>\$ 16,671</u>
Balance at June 30, 2021	<u>\$ 20,266</u>

As of June 30, 2022, December 31, 2021 and June 30, 2021, none of the intangible assets were pledged as collateral.

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

(j) Short-term borrowings

	June 30, 2022	December 31, 2021	June 30, 2021
Secured bank loans	\$ -	477,353	288,160
Unsecured bank loans	395,719	175,261	48,358
Total	<u>\$ 395,719</u>	<u>652,614</u>	<u>336,518</u>
Unused short-term credit lines	<u>\$ 753,954</u>	<u>937,123</u>	<u>1,038,702</u>
Range of interest rates	<u>1.65%~3.2%</u>	<u>0.88%~2.05%</u>	<u>0.79%~2.38%</u>

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

(k) Long-term borrowings

The details were as follows:

June 30, 2022				
	Currency	Interest range	Expiration	Amount
Secured bank loans	TWD	0.785%~1.325%	2023~2029	\$ 253,050
Unsecured bank loans	TWD	0.725%~0.775%	2023~2024	285,085
Less: current portion				(185,484)
Total				<u>\$ 352,651</u>
Unused long-term credit lines				<u>\$ 832,556</u>

December 31, 2021				
	Currency	Interest range	Expiration	Amount
Secured bank loans	TWD	0.66%~1.15%	2024~2029	\$ 326,684
Unsecured bank loans	TWD	0.35%~0.88%	2024	320,709
Less: current portion				(209,043)
Total				<u>\$ 438,350</u>
Unused long-term credit lines				<u>\$ 1,002,325</u>

June 30, 2021				
	Currency	Interest range	Expiration	Amount
Secured bank loans	TWD	0.66%~0.91%	2024~2029	\$ 301,744
Unsecured bank loans	TWD	0.35%~0.40%	2024	317,300
Less: current portion				(158,056)
Total				<u>\$ 460,988</u>
Unused long-term credit lines				<u>\$ 939,006</u>

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

(i) Borrowings issue and repayment

The long-term borrowings amounted to NT\$19,769 and NT\$326,034 for the six months ended June 30, 2022 and 2021, respectively; the repayment amounts were NT\$129,027 and NT\$351,803.

(ii) Collaterals for bank secured borrowings

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

(l) Bonds payable

The details were as follows:

	June 30, 2022
Total convertible bonds issued	\$ 400,000
Discount on bonds payable, balance unamortized	(16,444)
Cumulative amount redeemed	-
Cumulative amount converted	-
Balance at June 30, 2022	<u><u>\$ 383,556</u></u>
Embedded derivatives-redemption right (carried at financial assets-non current at fair value through profit or loss)	<u><u>\$ 240</u></u>
Equity component-conversion right (carried at capital surplus)	<u><u>\$ 50,911</u></u>

	For the three months ended June 30, 2022	For the six months ended June 30, 2021
Gain or loss arising from the re-measurement of embedded derivatives at fair value	<u><u>\$ (160)</u></u>	<u><u>(160)</u></u>

The Group's rights and obligations to the outstanding unsecured convertible bonds issued are as follows:

Item	Domestic unsecured convertible bonds (I)
Total amount issued	NT\$400,000 thousand
Issue date	April 28, 2022
Issue period	April 28, 2022 ~ April 28, 2025
Coupon rate	0%
Trustee	SinoPac Securities
Terms of repayment	Unless the bonds are converted to ordinary shares of the Company in accordance with Article 10 of these Regulations, or the Company redeems in advance in accordance with Article 18 of these Regulations, or the Company buys back from the TPEX for the cancellation, the Company shall repay in cash one lump sum according to the bond face value when the convertible bonds mature. Payments shall be made within five business days (including the fifth business day) after the due date.
Terms of redemption prior to maturity	(1) From the day following the three-month period after the issuance of the convertible bonds (July 29, 2022) to 40 days before the expiry of the issuance

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

	<p>period (March 19, 2025), when the closing price of the Company's ordinary shares exceeds the current conversion price by 30% (inclusive) for 30 consecutive business days, the Company may, within the next 30 business days, send the "Bond Redemption Notice" expiring 30 days by registered mail (the aforesaid period starts from the date the Company sends the letter, and the expiry date of the period is the base date for bond redemption, and the aforesaid period shall not be the conversion closure period as stated in Article 9) to the bond holders (subject to the name list of bond holders on the fifth business day prior to the date of dispatch of the "Bond Redemption Notice"; for bond holders who acquire the convertible bonds due to trading or other reasons thereafter, the announcement shall be followed). The redemption price is set as the denomination of the bonds, and all the bonds will be redeemed in cash, and a notification letter will be delivered to the TPEx for the announcement. When the Company executes the redemption request, it shall redeem the convertible bonds in cash within five business days from the bond redemption base date.</p> <p>(2) From the day following the three-month period after the issuance of the convertible bonds (July 29, 2022) to 40 days before the expiry of the issuance period (March 19, 2025), when the outstanding balance of the convertible bonds is lower than 10% of the original total issued amount, the Company may, at any time thereafter, send the "Bond Redemption Notice" expiring 30 days by registered mail (the aforesaid period starts from the date the Company sends the letter, and the expiry date of the period is the base date for bond redemption, and the aforesaid period shall not be the conversion closure period as stated in Article 9) to the bond holders (subject to the name list of bond holders on the fifth business day prior to the date of dispatch of the "Bond Redemption Notice"; for bond holders who acquire the convertible bonds due to trading or other reasons thereafter, the announcement shall be followed). The redemption price is set as the denomination of the bonds, and all the bonds will be redeemed in cash, and a notification letter will be delivered to the TPEx for the announcement. When the Company executes the redemption request, it shall redeem the convertible bonds in cash within five business days from the bond redemption base date.</p> <p>(3) If the creditor fails to reply in writing to the Company's stock transfer agent before the bond redemption base date as stated in the "Bond Redemption Notice" (it will take effect immediately upon delivery, and the postmark date shall be used as the basis for the post mails), the Company will redeem the convertible bonds in cash at the bond par value within five business days after the bond redemption base date.</p> <p>(4) If the Company executes the redemption request, the deadline for bond holders to request for conversion is the second business day after the trading day on TPEx of the converted bonds is terminated.</p>
Conversion period	<p>From the day following the three-month period after the issuance of the convertible bonds (July 29, 2022) to the maturity date (April 28, 2025), the bond holders may, through the original trading securities company, notify Taiwan Depository & Clearing Corporation (hereinafter referred to as "TDCC") to the Company's stock transfer agent to request the conversion of the convertible bonds into the Company's ordinary shares in accordance with these Regulations and the provisions of Article 10, Article 11, Article 13 and Article 15 of these Regulations; except (1) the book closure period of the ordinary shares according to law; (2) from the 15 business days prior to the closure date of the Company's stock dividends, the closure date of cash</p>

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

	dividends, or the closure date of cash capital increase subscription, to the ex-dividend date; (3) from the capital reduction base date to the day before the trading day of producing the new stock certificates due to the capital reduction; (4) from the starting date of the conversion (subscription) closure date for changing the denomination of the stock to the day before the trading day of producing the new stock certificates. The starting date the conversion closure date for changing the denomination of the stock in the preceding paragraph is the business day before applying to the Ministry of Economic Affairs for the change registration. The Company shall announce four business days before the starting date of the conversion closure period.
Conversion price	NT\$72

(m) Lease liabilities

The carrying amounts of lease liabilities were as follows:

	June 30, 2022	December 31, 2021	June 30, 2021
Current	<u>\$ 28,565</u>	<u>14,912</u>	<u>23,743</u>
Non-current	<u>\$ 70,499</u>	<u>25,065</u>	<u>39,305</u>

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

The amounts recognized in profit or loss were as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2022	2021	2022	2021
Interest on lease liabilities	<u>\$ 470</u>	<u>571</u>	<u>844</u>	<u>1,159</u>
Expenses relating to short-term leases	<u>\$ 6,020</u>	<u>3,688</u>	<u>8,047</u>	<u>7,446</u>

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

	For the six months ended June 30,	
	2022	2021
Total cash outflow for leases	<u>\$ 37,858</u>	<u>30,054</u>

(i) Real estate leases

The Group leases buildings for its office space, which typically run for a period of 3 years.

(ii) Other leases

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

JARLLYTEC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated 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:

	June 30, 2022	December 31, 2021	June 30, 2021
Less than one year	\$ 17,958	18,467	24,144
One to two years	13,787	13,699	17,858
Two to three years	7,058	10,125	13,589
Three to four years	3,529	6,923	6,942
Four to five years	-	-	3,471
	<u><u>\$ 42,332</u></u>	<u><u>49,214</u></u>	<u><u>66,004</u></u>

(o) Employee benefits

(i) Defined benefit plans

Given there was no significant volatility of the market or any significant reimbursement, settlement or other one-time events since prior fiscal year. As a result, pension cost in the accompanying interim consolidated financial statement was measured and disclosed in accordance with the actuarial report measured as of December 31, 2021 and 2020.

The pension costs of the defined benefit plans were as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2022	2021	2022	2021
Operating costs	\$ -	-	-	-
Operating expenses	\$ -	-	-	-

(ii) Defined contribution plans

The pension costs under the defined contribution plans were as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2022	2021	2022	2021
Operating costs	\$ <u>12,131</u>	<u>9,760</u>	<u>23,527</u>	<u>17,667</u>
Operating expenses	<u>4,174</u>	<u>3,842</u>	<u>8,367</u>	<u>7,593</u>

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

(p) Income taxes

(i) The components of income tax expense were as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2022	2021	2022	2021
Current tax expense				
Current period	\$ 63,709	13,838	143,081	41,525
Deferred tax expense				
Origination and reversal of temporary differences	-	-	-	-
	<u>\$ 63,709</u>	<u>13,838</u>	<u>143,081</u>	<u>41,525</u>

(ii) The Group's tax returns for the years through 2020 were assessed by the National Taiwan Bureau.

(q) Capital and other equity

There was no significant change for capital and other equity for the periods from for the six months ended June 30, 2022 and 2021. For the related information, please refer to Note 6(p) of the consolidated financial statements for the year ended December 31, 2021.

(i) Ordinary shares

As of June 30, 2022, December 31, 2021 and June 30, 2021, the number of authorized ordinary share each consisted were \$1,000,000. In addition, the issuance of ordinary shares each consisted of 60,121, with a par value of \$10 per share.

(ii) Capital surplus

The balances of capital surplus were as follows:

	June 30, 2022	December 31, 2021	June 30, 2021
Share capital	\$ 1,314,010	1,314,010	1,314,010
Treasury share transactions	6,195	6,195	6,195
Employee share options	14,329	14,329	14,329
Issuance of convertible bond options	50,911	-	-
	<u>\$ 1,385,445</u>	<u>1,334,534</u>	<u>1,334,534</u>

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

(iii) Retained earnings

The Company's Articles 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 sets aside the special reserve according to law, the same amount of special reserve shall be set aside from the prior-period undistributed earnings before the distribution of earnings, for the net increment of prior-period cumulative investment properties fair value and the insufficient amount of prior-period cumulative other equity net deduction. If there is still an insufficient amount, the current after-tax net profit plus other items shall be included in the current undistributed earnings to be set aside.

According to Article 240, paragraphs 5 of Company Act, the distributable dividends and bonus, in whole or in part, or the legal reserve and capital reserved, in whole or in part, which are brought in Article 241, paragraphs 1 of Company Act, may be paid in cash after a resolution has been adopted by a majority vote at a meeting of the board of directors attended by two-thirds of the total number of directors, and in addition thereto, a report of such distribution shall be submitted to the shareholders' meeting.

Before the distribution of dividends, the Company shall first take into consideration its operating environment, industry developments, and the long-term interests of stockholders, as well as its programs to maintain operating efficiency and meet its capital expenditure budget and financial goals in determining the stock or cash dividends to be paid. After the above appropriations, the current and prior-period earnings that remain undistributed will be proposed for distribution by the board of directors to be approved during the meeting of the shareholders. The cash dividends shall not be more than 10% of total dividends.

1) Legal reserve

When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing fund, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

2) Special reserve

In accordance with the regulations of 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.

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

3) Earnings distribution

The amounts of cash dividends on the appropriations of earnings for 2021 and 2020 had been approved during the board meetings on May 11, 2022 and May 6, 2021, respectively. The amounts of dividends distributed to shareholders were as follows:

	2021		2020	
	Amount per share	Total Amount	Amount per share	Total Amount
Dividends distributed to ordinary shareholders				
Cash	\$ 2.00	<u>120,243</u>	2.50	<u>150,303</u>

(iv) OCI accumulated in reserves, net of tax

	Exchange differences on translation of foreign financial statements	Unrealized gains (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	48,674	-	48,674
Unrealized losses from financial assets measured at fair value through other comprehensive income	-	(3,040)	(3,040)
Balance at June 30, 2022	<u>\$ (46,933)</u>	<u>16,082</u>	<u>(30,851)</u>
Balance at January 1, 2021	\$ (26,973)	25,681	(1,292)
Exchange differences on foreign operations	(69,408)	-	(69,408)
Unrealized gains from financial assets measured at fair value through other comprehensive income	-	(4,706)	(4,706)
Balance at June 30, 2021	<u>\$ (96,381)</u>	<u>20,975</u>	<u>(75,406)</u>

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

(r) Earnings per share

	For the three months ended June 30,		For the six months ended June 30,	
	2022	2021	2022	2021
Basic earnings per share				
Profit attributable to ordinary shareholders of the Company	<u>\$ 87,288</u>	<u>13,408</u>	<u>250,372</u>	<u>76,002</u>
Weighted average number of ordinary shares (in thousands)	<u>60,121</u>	<u>60,121</u>	<u>60,121</u>	<u>60,121</u>
Basic earnings per share (in dollars)	<u>\$ 1.45</u>	<u>0.22</u>	<u>4.16</u>	<u>1.26</u>
Diluted earnings per share				
Profit attributable to ordinary shareholders of the Company (basic)	87,288	13,408	250,372	76,002
After-tax effect of convertible bonds	802	-	802	-
Profit attributable to ordinary shareholders of the Company (diluted)	<u>\$ 88,090</u>	<u>13,408</u>	<u>251,174</u>	<u>76,002</u>
Weighted average number of ordinary shares (in thousands)	60,121	60,121	60,121	60,121
Effect of employee share bonus (in thousands)	468	78	536	167
Effect of convertible bonds (in thousands)	3,968	-	1,995	-
Weighted average number of ordinary shares (diluted) (in thousands)	<u>64,557</u>	<u>60,199</u>	<u>62,652</u>	<u>60,288</u>
Diluted earnings per share (in dollars)	<u>\$ 1.36</u>	<u>0.22</u>	<u>4.01</u>	<u>1.26</u>

(s) Revenue from contracts with customers

(i) Details of revenue

	For the three months ended June 30, 2022		
	Hinge department	Fiber optic department	Total
Primary geographical markets:			
China	\$ 1,292,435	23,798	1,316,233
America	46,143	35,264	81,407
Taiwan	41,560	254	41,814
Other country	8,050	920	8,970
	<u>\$ 1,388,188</u>	<u>60,236</u>	<u>1,448,424</u>
Main product/service line:			
Electronic component manufacturing and sales	<u>\$ 1,388,188</u>	<u>60,236</u>	<u>1,448,424</u>
	For the three months ended June 30, 2021		
	Hinge department	Fiber optic department	Total
Primary geographical markets:			
China	\$ 1,662,805	29,808	1,692,613
America	17,507	40,347	57,854
Taiwan	30,453	579	31,032
Other country	12,492	3,346	15,838
	<u>\$ 1,723,257</u>	<u>74,080</u>	<u>1,797,337</u>
Main product/service line:			
Electronic component manufacturing	<u>\$ 1,723,257</u>	<u>74,080</u>	<u>1,797,337</u>

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

and sales

For the six months ended June 30, 2022			
	Hinge department	Fiber optic department	Total
Primary geographical markets:			
China	\$ 3,386,825	50,885	3,437,710
America	74,256	86,541	160,797
Taiwan	64,007	465	64,472
Other country	15,119	2,675	17,794
	<u>\$ 3,540,207</u>	<u>140,566</u>	<u>3,680,773</u>
Main product/service line:			
Electronic component manufacturing and sales	<u>\$ 3,540,207</u>	<u>140,566</u>	<u>3,680,773</u>
For the six months ended June 30, 2021			
	Hinge department	Fiber optic department	Total
Primary geographical markets:			
China	\$ 3,066,529	52,993	3,119,522
America	38,989	77,674	116,663
Thailand	3,339	-	3,339
Taiwan	57,260	1,367	58,627
Other country	21,932	5,380	27,312
Total	<u>\$ 3,188,049</u>	<u>137,414</u>	<u>3,325,463</u>
Main product/service line:			
Electronic component manufacturing and sales	<u>\$ 3,188,049</u>	<u>137,414</u>	<u>3,325,463</u>

(ii) Contract balances

	June 30, 2022	December 31, 2021	June 30, 2021
Notes receivables	\$ 851	1,750	1,254
Accounts receivable	2,255,527	3,183,259	2,554,013
Less: loss allowance	<u>(18,707)</u>	<u>(2,634)</u>	<u>(2,776)</u>
Total	<u>\$ 2,237,671</u>	<u>3,182,375</u>	<u>2,552,491</u>

For details on notes and accounts receivable and its loss allowance, please refer to note 6(c).

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

(t) Remuneration to employees, and directors

The Group's Articles of incorporation, which were authorized by the board of directors but has yet to be approved by the shareholders, require that earnings shall first be offset against any deficit, then, a minimum of 2% will be distributed as employee remuneration, and a maximum of 2% will be allocated as remuneration to directors. Employees who are entitled to receive the abovementioned employee remuneration, in share or cash, include the employees of the Group's subsidiaries who meet certain specific requirements.

For the three months ended June 30, 2022 and the six months ended June 30, 2022, the Company accrued and recognized its employee remuneration amounting to \$11,754 and \$28,714, respectively; as well as its remuneration to directors amounting to \$2,204 and \$5,384, respectively. These estimates 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 expenses. If there are any subsequent adjustments to the actual remuneration amounts after the annual shareholders' meeting, the adjustments will be regarded as change in accounting estimates and will be reflected in profit or loss in the following year.

For the three months ended June 30, 2021 and the six months ended June 30, 2021, the Company accrued and recognized its employee remuneration amounting to \$996 and \$5,887, respectively; as well as its remuneration to directors amounting to \$273 and \$1,472, respectively. These estimates 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 expenses. If there are any subsequent adjustments to the actual remuneration amounts after the annual shareholders' meeting, the adjustments will be regarded as change in accounting estimates and will be reflected in profit or loss in the following year.

For 2021 and 2020, the Company recognized its employee remuneration amounting to \$15,538 and \$17,926, respectively, and its remuneration to directors of \$3,884 and \$4,481, respectively. The amounts, as stated in the consolidated financial statements, are identical to those of the actual distribution for 2021 and 2020. Related information is available on the Market Observation Post System website.

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

(u) Non-operating income and expenses

(i) Interest income

The details of interest income were as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2022	2021	2022	2021
Interest income from bank deposits	\$ 4,666	1,938	7,083	4,400
Other interest income	46	46	129	137
	<u>\$ 4,712</u>	<u>1,984</u>	<u>7,212</u>	<u>4,537</u>

(ii) Other income

The details of other income were as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2022	2021	2022	2021
Rent income	\$ 7,516	7,711	15,834	17,638
Dividend income	9,610	7,844	14,265	12,702
Sample income	2,656	882	3,953	13,769
Mold income	1,984	1,228	2,528	4,032
Others	1,164	35,124	17,273	42,270
	<u>\$ 22,930</u>	<u>52,789</u>	<u>53,853</u>	<u>90,411</u>

(iii) Other gains and losses

The details of other gains and losses were as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2022	2021	2022	2021
Gains (Losses) on disposal of property, plant and equipment	\$ (224)	325	(1,243)	56
Foreign exchange gains	94,057	(40,575)	122,325	(29,693)
Losses on leasehold improvements	-	-	(8,095)	-
Gains (Losses) on financial assets at fair value through profit or loss	(7,734)	3,348	(8,280)	6,783
Sample expenses	(3,688)	(4,101)	(8,034)	(7,721)
Mold expenses	(1,246)	(2,339)	(1,578)	(4,281)
Others	(6,123)	(3,131)	(10,221)	(6,677)
	<u>\$ 75,042</u>	<u>(46,473)</u>	<u>84,874</u>	<u>(41,533)</u>

(iv) Finance costs

The details of finance costs were as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2022	2021	2022	2021
Interest expense for bank loans	\$ 3,440	2,047	6,570	4,514
Interest expense for lease liabilities	470	571	844	1,159
Amortization of discount on convertible bonds	1,003	-	1,003	-
	<u>\$ 4,913</u>	<u>2,618</u>	<u>8,417</u>	<u>5,673</u>

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

(v) Financial instruments

Except for the contention mentioned below, there was no significant change in the fair value of the Group's financial instruments and degree of exposure to credit risk and market risk arising from financial instruments. For the related information, please refer to Note 6(u) of the consolidated financial statements for the year ended December 31, 2021.

(i) Liquidity risk

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

	Carrying amount	Contractual cash flow	Within six months	6-12 months	1-2 years	2-5 years	Over 5 years
June 30, 2022							
Non derivative financial liabilities							
Short-term borrowings	\$ 395,719	398,112	333,563	64,549	-	-	-
Notes and accounts payable	1,589,475	1,589,475	1,589,475	-	-	-	-
Other payables	1,058,835	1,058,835	1,058,835	-	-	-	-
Cash dividends payable	120,243	120,243	120,243	-	-	-	-
Bonds payable	383,556	400,000	-	-	-	400,000	-
Lease liabilities	99,064	110,948	23,615	15,832	29,214	42,287	-
Long-term borrowings (current portion included)	538,135	546,423	82,466	107,159	212,814	100,193	33,791
	<u>\$ 4,185,027</u>	<u>4,224,036</u>	<u>3,208,197</u>	<u>187,540</u>	<u>242,028</u>	<u>552,480</u>	<u>33,791</u>
December 31, 2021							
Non derivative financial liabilities							
Short-term borrowings	\$ 652,614	655,286	485,999	169,287	-	-	-
Notes and accounts payable	2,255,730	2,255,730	2,255,730	-	-	-	-
Other payables	1,058,947	1,058,947	1,058,947	-	-	-	-
Lease liabilities	39,977	50,893	9,212	16,185	16,270	9,226	-
Long-term borrowings (current portion included)	647,393	654,603	130,930	81,433	207,646	199,642	34,952
	<u>\$ 4,654,661</u>	<u>4,675,459</u>	<u>3,940,818</u>	<u>266,905</u>	<u>223,916</u>	<u>208,868</u>	<u>34,952</u>
June 30, 2021							
Non derivative financial liabilities							
Short-term borrowings	\$ 336,518	338,570	170,818	167,752	-	-	-
Notes and accounts payable	1,701,806	1,701,806	1,701,806	-	-	-	-
Other payables	853,169	853,169	853,169	-	-	-	-
Cash dividends payable	150,303	150,303	150,303	-	-	-	-
Lease liabilities	63,048	70,111	14,111	15,900	24,030	16,070	-
Long-term borrowings (current portion included)	619,044	627,086	80,810	80,563	171,987	268,455	25,271
	<u>\$ 3,723,888</u>	<u>3,741,045</u>	<u>2,971,017</u>	<u>264,215</u>	<u>196,017</u>	<u>284,525</u>	<u>25,271</u>

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

(ii) Currency risk

1) Exposure to foreign currency risk

The Group's significant exposure to foreign currency risk was as follows:

	June 30, 2022			December 31, 2021			June 30, 2021		
	Foreign currency	Exchange rate	New Taiwan Dollars	Foreign currency	Exchange rate	New Taiwan Dollars	Foreign currency	Exchange rate	New Taiwan Dollars
Financial assets									
Monetary items									
USD	\$ 128,396	29.720	3,815,943	130,965	27.680	3,625,113	111,677	27.860	3,111,331
Financial liabilities									
Monetary items									
USD	61,519	29.720	1,828,356	63,586	27.680	1,760,059	41,930	27.860	1,168,173

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

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the conversion of the foreign currency exchange gains and losses on cash and cash equivalents, trade and other receivables, available-for-sale financial assets, loans and borrowings; and trade and other payables that are denominated in foreign currency. A strengthening (weakening) of 5% of the NTD against the USD as of the six-month periods ended June 31, 2022 and 2021 would have increased (decreased) the net profit before tax by \$99,379 and \$97,158, respectively. The analysis for the two periods was on the same basis.

3) Foreign exchange gains and loss on monetary items

Since the Group transacts in different functional currencies, the information on foreign exchange gains (losses) on monetary items is disclosed by total amount. For the three months ended June 30, 2022 and 2021 and the six months ended June 30, 2022 and 2021, the foreign exchange gain (loss) (including realized and unrealized portions) amounted to \$94,057, \$(40,575), \$122,325 and \$(29,693), respectively.

(iii) Interest rate analysis

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

The following sensitivity analysis is based on the exposure to the interest rate risk of derivative and non-derivative financial instruments on the reporting date. Regarding assets with variable interest rates, the analysis is based on the assumption that the amount of assets outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases by 1% when reporting to the management internally, which also represents the Group management's assessment of the reasonably possible interest rate change.

If the interest rate had increased (decreased) by 1% basis points, the Group's net income would have decreased or increased by \$4,669 and \$4,778 for the six-month periods ended June 30, 2022 and 2021, assuming all other variable factors remain constant. This is mainly due to the Group's borrowing in floating variable rates and investment in variable-rate bills.

(iv) Fair value of financial instruments

1) Fair value hierarchy

The carrying amount and fair value of the Group's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and 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:

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

June 30, 2022					
	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss	\$ 807,475	72,820	240	734,415	807,475
Financial assets at fair value through other comprehensive income	88,146	-	-	88,146	88,146
Financial assets measured at amortized cost					
Cash and cash equivalents	1,807,840	-	-	-	-
Notes and accounts receivable	2,237,671	-	-	-	-
Other receivables	29,775	-	-	-	-
Subtotal	4,075,286	-	-	-	-
Total	\$ 4,970,907	72,820	240	822,561	895,621
Financial liabilities at amortized cost					
Short-term borrowings	\$ 395,719	-	-	-	-
Notes and accounts payable	1,589,475	-	-	-	-
Other payables	1,058,835	-	-	-	-
Cash dividends payable	120,243	-	-	-	-
Bonds payable	383,556	-	-	-	-
Lease liabilities	99,064	-	-	-	-
Long-term borrowings (current portion included)	538,135	-	-	-	-
Subtotal	4,185,027	-	-	-	-
Total	\$ 4,185,027	-	-	-	-
December 31, 2021					
	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss	\$ 39,697	7,725	-	31,972	39,697
Financial assets at fair value through other comprehensive income	90,631	-	-	90,631	90,631
Financial assets measured at amortized cost					
Cash and cash equivalents	1,887,924	-	-	-	-
Notes and accounts receivable	3,182,375	-	-	-	-
Other receivables	53,009	-	-	-	-
Subtotal	5,123,308	-	-	-	-
Total	\$ 5,253,636	7,725	-	122,603	130,328
Financial liabilities at amortized cost					
Short-term borrowings	\$ 652,614	-	-	-	-
Notes and accounts payable	2,255,730	-	-	-	-
Other payables	1,058,787	-	-	-	-
Lease liabilities	39,977	-	-	-	-
Long-term borrowings (current portion included)	647,393	-	-	-	-
Subtotal	4,654,501	-	-	-	-
Total	\$ 4,654,501	-	-	-	-

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

	June 30, 2021				
	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss	\$ 355,898	1,435	-	354,463	355,898
Financial assets at fair value through other comprehensive income	88,186	-	-	88,186	88,186
Financial assets measured at amortized cost					
Cash and cash equivalents	1,164,235	-	-	-	-
Notes and accounts receivable	2,552,491	-	-	-	-
Other receivables	20,603	-	-	-	-
Subtotal	3,737,329	-	-	-	-
Total	<u>\$ 4,181,413</u>	<u>1,435</u>	<u>-</u>	<u>442,649</u>	<u>444,084</u>
Financial liabilities at amortized cost					
Short-term borrowings	\$ 336,518	-	-	-	-
Notes and accounts payable	1,701,806	-	-	-	-
Other payables	853,169	-	-	-	-
Cash dividends payable	150,303	-	-	-	-
Lease liabilities	63,048	-	-	-	-
Long-term borrowings (current portion included)	619,044	-	-	-	-
Subtotal	3,723,888	-	-	-	-
Total	<u>\$ 3,723,888</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

2) Valuation techniques for financial instruments measured at fair value

(2.1) Financial derivatives

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

Quoted market prices may not be indicative of the fair value of an instrument if the activity in the market is infrequent, the market is not well-established, only small volumes are traded, or bid-ask spreads are very wide. Determining whether a market is active involves judgment.

Measurements of fair value of financial instruments without an active market are based on fair value valuation technique, which is extrapolated from similar financial instruments, the discounted cash flow method, or other valuation technology, including a model using observable market data at the balance sheet date.

(2.2) 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.

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

The Group's financial instruments that use Level 3 inputs to measure fair value include "financial assets measured at fair value through profit or loss – debt investments" and "fair value through other comprehensive income (available-for-sale financial assets) – equity investments".

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

Quantified information of significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets at fair value through other comprehensive income (Available-for-sale financial assets) equity investments without an active market	Net Asset Value Method	Net asset value The market illiquidity discount rate (30% on June 30, 2022, December 31, 2021 and June 30, 2021)	The market illiquidity discount were lower (higher)
Financial assets at fair value through profit or loss — Investment product	Discounted Cash Flow Method	Discount rate (1.20%~3.70% on June 30, 2022, December 31, 2021 and June 30, 2021)	The discount rate were lower (higher)
Financial assets at fair value through profit or loss — Private offered funds	Net Asset Value Method	Net asset value	Not applicable

4) Fair value measurement in Level 3 – sensitivity analysis of reasonably possible alternative assumptions

The fair value measurement of financial instruments by the Group is reasonable, but the use of different evaluation models or evaluation parameters may result in different evaluation results. For fair value measurements in Level 3, if the evaluation parameters change, would have the following effects of profit or loss or other comprehensive income:

	Input	Assumptions	Profit or loss		Other comprehensive income	
			Favorable	Unfavorable	Favorable	Unfavorable
June 30, 2022						
Financial assets at fair value through profit or loss — Investment product	Discount rate	5%	513	(513)	-	-
Financial assets at fair value through profit or loss — Private offered funds	Net asset value	5%	32	(32)	-	-
Financial assets at fair value through other comprehensive income Equity investments without an active market	30%	5%	-	-	4,407	(4,407)
December 31, 2021						
Financial assets at fair value through profit or loss — Investment product	Discount rate	5%	4	(4)	-	-
Financial assets at fair value through profit or loss — Private offered funds	Net asset value	5%	78	(78)	-	-
Financial assets at fair value through other comprehensive income Equity investments without an active market	30%	5%	-	-	4,532	(4,532)
June 30, 2021						
Financial assets at fair value through profit or loss — Investment product	Discount rate	5%	124	(124)	-	-
Financial assets at fair value through profit or loss — Private offered funds	Net asset value	5%	132	(132)	-	-
Financial assets at fair value through other comprehensive income Equity investments without an active market	30%	5%	-	-	4,409	(4,409)

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

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

The Group's objectives and policies for managing the financial risk are consistent with those disclosed in the Note 6(v) of the consolidated financial statements for the year ended December 31, 2021.

(x) Capital management

The Group's objectives, policies and processes of capital management are the same as those disclosed in the consolidated financial statements for the year ended December 31, 2021. There were no significant changes of quantitative data of capital management compared with the consolidated financial statements for the year ended December 31, 2021. Please refer to Note 6(w) of the consolidated financial statements for the year ended December 31, 2021.

(y) Investments and financing activities through non-cash transactions

The Group's investments and financing activities through non-cash transactions for the six-month periods ended June 30, 2022 and 2021 were as follows:

(i) Right-of-use assets are acquired through leasing. Please refer to Note6(h).

(ii) The Group's assets through investing activities and reconciliation were as follows:

	January 1, 2022	Cash flows	Non-cash changes			June 30, 2022
			Acquired	Changes in Foreign Exchange Rate	Other	
Short-term borrowings	\$ 652,614	(287,340)	-	30,445	-	395,719
Long-term borrowings (current portion included)	647,393	(109,258)	-	-	-	538,135
Bonds payable	-	433,065	-	-	(49,509)	383,556
Lease liabilities	39,977	(28,967)	70,824	17,954	(724)	99,064
Total liabilities arising from financing activities	\$ 1,339,984	7,500	70,824	48,399	(50,233)	1,416,474
	January 1, 2021	Cash flows	Non-cash changes			June 30, 2021
			Acquired	Changes in Foreign Exchange Rate	Other	
Short-term borrowings	\$ 384,238	(43,952)	-	(3,768)	-	336,518
Long-term borrowings (current portion included)	644,813	(25,769)	-	-	-	619,044
Lease liabilities	80,126	(21,449)	5,973	(2,378)	776	63,048
Total liabilities arising from financing activities	\$ 1,109,177	(91,170)	5,973	(6,146)	776	1,018,610

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

(7) Related-party transactions

- (a) Parent company and ultimate controlling company

The Group is both the parent company and the ultimate controlling party of the Group.

- (b) Key management personnel compensation

Key management personnel compensation comprised:

	For the three months ended June 30,		For the six months ended June 30,	
	2022	2021	2022	2021
Short-term employee benefits	\$ 4,988	5,132	9,517	10,929
Post-employment benefits	210	134	366	267
	<u>\$ 5,198</u>	<u>5,266</u>	<u>9,883</u>	<u>11,196</u>

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

(8) Pledged assets

The carrying values of pledged assets were as follows:

Pledged assets	Object	June 30, 2022	December 31, 2021	June 30, 2021
Land	Secured loans	\$ 1,016,281	1,016,281	1,016,281
Buildings	Secured loans	237,171	230,492	231,074
Bank guarantee (classified as prepayments and other current assets)	Performance guarantee	-	174	172
Bank deposits (classified as other non-current assets-other)	Performance guarantee	-	-	1,114
		<u><u>\$ 1,253,452</u></u>	<u><u>1,246,947</u></u>	<u><u>1,248,641</u></u>

(9) Commitments and contingencies

The Group's significant contractual commitments were as follows:

	June 30, 2022	December 31, 2021	June 30, 2021
Acquisition of property, plant and equipment	<u><u>\$ 54,445</u></u>	<u><u>64,122</u></u>	<u><u>134,974</u></u>

(10) Losses due to major disasters: None.

(11) Subsequent events: None.

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

(12) Other

- (i) The employee benefits, depreciation, and amortization expenses categorized by function, were as follows:

By function By item	For the three months ended June 30, 2022			For the three months ended June 30, 2021		
	Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Employee benefits						
Salaries	165,557	85,563	251,120	197,120	54,993	252,113
Labor and health insurance	11,838	5,210	17,048	10,797	5,561	16,358
Pension	12,131	4,174	16,305	9,760	3,842	13,602
Remuneration of directors	-	2,534	2,534	-	738	738
Others	10,211	3,318	13,529	11,423	3,148	14,571
Depreciation	67,023	9,271	76,294	53,477	7,533	61,010
Amortization	1,911	5,147	7,058	2,322	3,951	6,273

By function By item	For the six months ended June 30, 2022			For the six months ended June 30, 2021		
	Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Employee benefits						
Salaries	376,551	191,122	567,673	400,331	144,961	545,292
Labor and health insurance	22,715	11,602	34,317	20,082	10,758	30,840
Pension	23,527	8,367	31,894	17,667	7,593	25,260
Remuneration of directors	-	6,065	6,065	-	2,417	2,417
Others	21,769	7,300	29,069	21,885	9,081	30,966
Depreciation	127,085	20,191	147,276	104,455	15,254	119,709
Amortization	3,938	8,644	12,582	4,429	8,174	12,603

(13) Other disclosures

- (a) Information on significant transactions

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group as of June 30, 2022:

- (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	-	2%	2	-	Operating turnover	-		-	580,821	1,742,464
1	Royal Jarilly Holding Ltd.	Jarilly Technology (Shanghai) Co.,	Other receivables	Yes	80,244	-	-	0%	2	-	Operating turnover	-		-	1,540,772	1,540,772

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

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		
2	Fu Qing Jarlly Electronics Co., Ltd.	Xiamen Jarlly Electronics Co., Ltd.	Other receivables	Yes	39,951	39,951	39,951 (Note 4)	2%	2	-	Operating turnover	-		-	615,437	615,437
2	Fu Qing Jarlly Electronics Co., Ltd.	Kunshan Jarlly Electronics Ltd.	Other receivables	Yes	66,585	66,585	66,585	2%	2	-	Operating turnover	-		-	615,437	615,437
3	Jarlly Technology (Chongqing) Co., Ltd.	Kunshan Jarlly Electronics Ltd.	Other receivables	Yes	31,073	31,073	31,073 (Note 4)	2%	2	-	Operating turnover	-		-	185,787	185,787
3	Jarlly Technology (Chongqing) Co., Ltd.	Jarlly Technology (Shanghai) Co., Ltd.	Other receivables	Yes	88,780	88,780	44,390 (Note 4)	2%	2	-	Operating turnover	-		-	185,787	185,787
4	Smart Hinge Holdings Ltd.	Great Hinge Trading Ltd.	Other receivables	Yes	53,496	53,496	53,496 (Note 4)	0%	2	-	Operating turnover	-		-	1,565,346	1,565,346
5	Jarlly Electronics Technology (Shanghai) Co., Ltd.	Jarlly Electronics Technology (Shanghai) Co., Ltd.	Other receivables	Yes	44,390	44,390	-	2%	2	-	Operating turnover	-		-	276,759	276,759

Note 1: The Company

- (a) The total amount available for financing purposes shall not exceed 40% of the Company's net worth.
- (b) The total amount for short-term financing to one entity shall not exceed one third of the Company's loanable amount or 40% of the net transaction amount in recent year, whichever is lower.
- (c) The total amount for short-term financing to one entity shall not exceed one third of the Company's loanable amount.

Note 2: Subsidiaries

- (a) The total amount available for financing purposes shall not exceed 60% of the subsidiaries' net worth. The total amount for short-term financing to one entity shall not exceed one third of the subsidiaries' loanable amount or 40% of the transaction amount in recent year, whichever is lower.
- (b) For the entities that have short-term financing needs but have no business transaction with the Company, the total amount available for financing purposes shall not exceed 40% of the subsidiaries' net worth.
- (c) For short-term financing needs, the amount available for financing of each entity shall not exceed 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.

Note 4: The transaction has been eliminated in the consolidated financial statements.

(ii) Guarantees and endorsements for other parties:

Number	Name of guarantor and endorsements	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantee and endorsements during the period	Balance of guarantees and endorsements as of report date (Note 3)	Actual usage amount during the period	Property pledged for guarantee and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements (Note 1)	Parent company endorsements/guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/guarantees to third parties on behalf of parent company	Endorsements/guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company (Note 2)										
0	The Company	Jarlly Technology (Shanghai) Co., Ltd.	2	1,452,053	356,640	356,640	118,880	-	8.19%	1,742,464	Y	N	Y
0	The Company	Jarson Precision Technology Co., Ltd.	2	1,452,053	40,000	40,000	30,500	-	0.92%	1,742,464	Y	N	N
0	The Company	Jarlly Technology (Chongqing) Co., Ltd.	2	1,452,053	118,880	59,440	59,440	-	1.36%	1,742,464	Y	N	Y
0	The Company	Kunshan Jarlly Electronics Ltd.	2	1,452,053	118,880	59,440	59,440	-	1.36%	1,742,464	Y	N	Y
0	The Company	Jellytec (Vietnam) Co., Ltd.	2	1,452,053	118,880	118,880	-	-	2.73%	1,742,464	Y	N	N

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

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 June 30, 2022); 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.

Note 3: The transaction has been eliminated in the consolidated financial statements.

(iii) Securities held as of June 30, 2022 (excluding investment in subsidiaries, associates and joint ventures):

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
The Company	WK Technology Fund IX Ltd.	-	Non-current financial assets at fair value through other comprehensive income	4,614	62,222	4.61 %	62,222	-
The Company	Franklin Templeton Sinoam Money Market Fund	-	Current financial assets at fair value through profit or loss	3,346	35,040	- %	35,040	-
The Company	Hua Nan Phoenix Money Market Fund	-	Current financial assets at fair value through profit or loss	608	10,007	- %	10,007	-
Fu Qing Jarlly Electronics Co., Ltd.	Fuqing Jelly Plastic Product Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	-	3,552	16.00 %	3,552	-
Fu Qing Jarlly Electronics Co., Ltd.	Chongqing Jelly Plastics Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	-	4,794	18.00 %	4,794	-
Fu Qing Jarlly Electronics Co., Ltd.	Chongqing Yuli Hardware Products Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	-	2,397	18.00 %	2,397	-
Xiamen Jarlly Electronics Co., Ltd.	Xiamen Jinli Precision Hardware Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	-	4,217	19.00 %	4,217	-
Xiamen Jarlly Electronics Co., Ltd.	Xiamen Jinyaoli Precision Hardware Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	-	4,217	19.00 %	4,217	-
Kunshan Jarlly Electronics Ltd.	Kunshan Huli Precision Hardware Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	-	6,747	19.00 %	6,747	-
Jarlly Electronics Technology (Shanghai) Co., Ltd.	Product of Fubon China (Redemption)	-	Current financial assets at fair value through profit or loss	-	85,673	- %	85,673	-
Jarlly Technology (Shanghai) Co., Ltd.	Product of Fubon China (Redemption)	-	Current financial assets at fair value through profit or loss	-	272,998	- %	272,998	-
Dong Guan Jarlly Electronics Co., Ltd.	Product of Fubon China (Redemption)	-	Current financial assets at fair value through profit or loss	-	57,707	- %	57,707	-

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

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
Jarllly Technology (Chongqing) Co., Ltd.	Product of Fubon China (Redemption)	-	Current financial assets at fair value through profit or loss	-	48,829	- %	48,829	-
Fu Qing Jarllly Electronics Co., Ltd.	China Bank linked structured finance products	-	Current financial assets at fair value through profit or loss	-	179,780	- %	179,780	-
Fu Qing Jarllly Electronics Co., Ltd.	Xiamen Bank structured finance products	-	Current financial assets at fair value through profit or loss	-	53,268	- %	53,268	-
Fu Qing Jarllly Electronics Co., Ltd.	China Merchants Bank structured finance products	-	Current financial assets at fair value through profit or loss	-	35,512	- %	35,512	-
Jarwin Investment Co., Ltd.	TSMC Stock	-	Current financial assets at fair value through profit or loss	20	9,520	- %	9,520	-
Jarwin Investment Co., Ltd.	ASUSTEK COMPUTER INC. Stock	-	Current financial assets at fair value through profit or loss	10	3,105	- %	3,105	-
Jarwin Investment Co., Ltd.	Evergreen Marine Corporation	-	Current financial assets at fair value through profit or loss	30	2,538	- %	2,538	-
Jarwin Investment Co., Ltd.	International Games System Co., Ltd. Stock	-	Current financial assets at fair value through profit or loss	10	7,460	- %	7,460	-
Jarwin Investment Co., Ltd.	Novatek Microelectronics Corp. Stock	-	Current financial assets at fair value through profit or loss	10	3,020	- %	3,020	-
Jarwin Investment Co., Ltd.	O-TA Precision Industry Co., Ltd. Stock	-	Current financial assets at fair value through profit or loss	20	2,130	- %	2,130	-
Jarwin Investment Co., Ltd.	Treasure Cay Private Equity Fund	-	Non-current financial assets at fair value through profit or loss	-	648	- %	648	-

- (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		Purchase		Sales				Ending Balance	
					Shares (thousands)	Amount	Shares	Amount	Shares	Price	Cost	Gain (loss) on disposal	shares	Amount
The Company	Franklin Templeton Sinoam Money Market	Current financial assets at fair value through profit or loss	-	-	-	-	12,430	130,000	9,083	95,016	95,000	16	3,347	35,040
The Company	Hua Nan Phoenix Money Market Fund	Current financial assets at fair value through profit or loss	-	-	-	-	7,909	130,000	7,300	120,031	120,000	31	609	10,007
Jarllly Technology (Shanghai) Co., Ltd.	Product of Fubon China (Redemption)	Current financial assets at fair value through profit or loss	-	-	-	-	-	432,803	-	160,378	159,805	57	-	272,998
Fu Qing Jarllly Electronics Co., Ltd.	China Bank linked structured finance products	Current financial assets at fair value through profit or loss	-	-	-	-	-	179,780	-	-	-	-	-	179,780

- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.

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

(vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

Name of company	Related party	Name of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchase/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	(136,160)	91.83%	150 days	-	Related parties are 150 days, third parties are ranged from 30 to 180 days.	109,343	75.59%	Note
The Company	Jarson Precision Technology Co., Ltd.	Associates	Purchase	136,160	9.45%	150 days	-	Related parties are 150 days, third parties are ranged from 30 to 180 days.	(109,343)	8.13%	Note
Dong Guan Jarlly Electronics Co., Ltd.	The Company	Associates	Sale	(187,013)	79.12%	150 days	-	Related parties are 150 days, third parties are ranged from 30 to 180 days.	145,824	90.05%	Note
The Company	Dong Guan Jarlly Electronics Co., Ltd.	Associates	Purchase	187,013	12.98%	150 days	-	Related parties are 150 days, third parties are ranged from 30 to 180 days.	(145,824)	10.85%	Note
Fu Qing Jarlly Electronics Co., Ltd.	The Company	Associates	Sale	(125,889)	27.59%	150 days	-	Related parties are 150 days, third parties are ranged from 120 to 150 days.	93,749	31.54%	Note
The Company	Fu Qing Jarlly Electronics Co., Ltd.	Associates	Purchase	125,889	8.74%	150 days	-	Related parties are 150 days, third parties are ranged from 120 to 150 days.	(93,749)	6.97%	Note
Kunshan Jarlly Electronics Ltd.	The Company	Associates	Sale	(473,311)	82.59%	150 days	-	Related parties are 150 days, third parties are ranged from 30 to 180 days.	409,193	66.14%	Note
The Company	Kunshan Jarlly Electronics Ltd.	Associates	Purchase	473,311	32.86%	150 days	-	Related parties are 150 days, third parties are ranged from 30 to 180 days.	(409,193)	30.44%	Note
Jarlly Technology (Shanghai) Co., Ltd.	The Company	Associates	Sale	(119,570)	11.75%	150 days	-	Related parties are 150 days, third parties are ranged from 120 to 150 days.	111,009	10.28%	Note
The Company	Jarlly Technology (Shanghai) Co., Ltd.	Associates	Purchase	119,570	8.30%	150 days	-	Related parties are 150 days, third parties are ranged from 120 to 150 days.	(111,009)	8.26%	Note

Note: The amount was eliminated in the consolidated financial statements.

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

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

Name of company	Counter-party	Nature of relationship	Ending balance (Note)	Turnover rate	Overdue		Amounts received in subsequent period	Allowance for bad debts
					Amount	Action taken		
Jarson Precision Technology Co., Ltd.	The Company	Associates	109,343	1.86	-	-	-	-
Dong Guan Jarlly Electronics Co., Ltd.	The Company	Associates	145,824	2.93	-	-	52,434	-
Kunshan Jarlly Electronics Ltd.	The Company	Associates	409,193	2.89	-	-	57,413	-
Jarlly Technology (Shanghai) Co., Ltd.	The Company	Associates	111,009	2.06	-	-	-	-

Note: The amount was eliminated in the consolidated financial statements.

- (ix) Trading in derivative instruments:

Please refer to Note 6 (b) and (l).

- (x) Business relationships and significant intercompany transactions:

Number	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
1	Jarson Precision	The Company	2	Sales revenue	136,160	Mark up by cost	3.70%
1	Jarson Precision	The Company	2	Accounts receivable	109,343	150 days	1.23%
2	Chongqing Jarlly	The Company	2	Sales revenue	62,055	Mark up by cost	1.69%
2	Chongqing Jarlly	The Company	2	Accounts receivable	46,548	150 days	0.53%
2	Chongqing Jarlly	Shanghai Jarlly	3	Other receivables	44,501	Follow the agreement	0.50%
2	Chongqing Jarlly	Kunshan Jarlly	3	Other receivables	31,073	Follow the agreement	0.35%
3	Dong Guan Jarlly	The Company	2	Sales revenue	187,013	Mark up by cost	5.08%
3	Dong Guan Jarlly	The Company	2	Accounts receivable	145,824	150 days	1.65%
4	Fu Qing Jarlly	The Company	2	Sales revenue	125,889	Mark up by cost	3.42%
4	Fu Qing Jarlly	The Company	2	Accounts receivable	93,749	150 days	1.06%
4	Fu Qing Jarlly	Xiamen Jarlly	3	Other receivables	39,951	Follow the agreement	0.45%
4	Fu Qing Jarlly	Kunshan Jarlly	3	Other receivables	66,585	Follow the agreement	0.75%
5	Kunshan Jarlly	The Company	2	Sales revenue	473,311	Mark up by cost	12.86%
5	Kunshan Jarlly	The Company	2	Accounts receivable	409,193	150 days	4.62%
6	Shanghai Jarlly	The Company	2	Sales revenue	119,570	Mark up by cost	3.25%
6	Shanghai Jarlly	The Company	2	Accounts receivable	111,009	150 days	1.25%
7	Xiamen Jarlly	The Company	2	Sales revenue	33,021	Mark up by cost	0.90%
7	Xiamen Jarlly	The Company	2	Accounts receivable	42,243	150 days	0.48%
8	Smart Hinge	Great Hinge	3	Other receivables	53,496	Follow the agreement	0.60%

Note 1. Number represents:

- (a) 0 represents the Company.
(b) 1 and thereafter represent subsidiaries.

Note 2. The relationships between guarantor and guarantee are as follows:

- (a) Parent to subsidiary.
(b) Subsidiary to parent.
(c) Subsidiary to subsidiary.

Note 3. Disclose only operating revenue and accounts receivable; related purchase, expense, and prepayment are neglected.

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

(b) Information on investees:

The following is the information on investees for the six months ended June 30, 2022 (excluding information on investees in Mainland China):

Name of investor	Name of investee	Location	Main business and products	Original investment amount		Balance as of June 30, 2022			Net income (losses) of investee	Share of profits/losses of investee	Note
				June 30, 2022	December 31, 2021	Shares	Percentage of ownership	Carrying value			
The Company	Great Hinge Trading Ltd.	British Virgin Islands	Investments	318	318	10	100.00%	26,275	(6,759)	(6,759)	Note
The Company	Smart Hinge Holdings Ltd.	British Virgin Islands	Investments	750,588	750,588	23,434	100.00%	2,608,955	186,121	186,379	Note
The Company	Jarson Precision Technology Co., Ltd.	Republic of China	Powder metallurgy industry	134,076	134,076	11,480	100.00%	272,341	9,797	9,270	Note
The Company	JARLLY TEC USA L.L.C.	America	Computer design and service	2,959	2,959	-	100.00%	33	-	-	Note
The Company	Jarwin Investment Co., Ltd.	Republic of China	Investments	50,000	50,000	5,000	100.00%	49,150	(7,852)	(7,852)	Note
The Company	JARLLYTEC SINGAPORE PTE. LTD.	Singapore	Computer design and service	423	423	-	100.00%	187	157	157	Note
Great Hinge Trading Ltd.	JARLLYTEC (VIETNAM) CO., LTD.	Vietnam	Sale and produce Precision Hinge	166,723	166,723	-	100.00%	134,005	(2,223)	(2,223)	Note
Smart Hinge Holdings Ltd.	Royal Jarly Holding Ltd.	Hong Kong	Investments	750,588	750,588	23,434	100.00%	2,567,954	198,541	198,541	Note
Royal Jarly Holding Ltd.	JARLLYTEC (THAILAND) CO., LTD.	Thailand	Sale and produce Precision Hinge	149,229	149,229	2,000	100.00%	128,282	(699)	(699)	Note

Note: The amount was eliminated in the consolidated financial statements.

(c) Information on overseas branches and representative offices:

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

Name of investee	Main business and products	Total amount of paid-in capital	Method of investment (Note 1)	Accumulated outflow of investment form Taiwan as of January 1, 2022	Investment flows		Accumulated outflow of investment form Taiwan as of June 30, 2022	Net income (losses) of the investee	Percentage of ownership	Invest income (losses) (Note 2 and 3)	Book value (Note 3)	Accumulated remittance of earnings in current period
					Remitted to China	Remitted back to Taiwan						
Jarllly Technology (Shanghai) Co., Ltd.	Sale and produce special purpose material of component equipment	261,462	(2)	131,272	-	-	131,272	65,772	100.00%	65,772	574,135	-
Fu Qing Jarly Electronics Co., Ltd.	Sale and produce Precision Hinge	240,658	(2)	27,370	-	-	27,370	85,720	100.00%	85,720	1,025,730	-
Dong Guan Jarly Electronics Co., Ltd.	Sale and produce Precision Hinge	81,466	(2)	81,466	-	-	81,466	5,865	100.00%	5,865	117,610	15,366
Kunshan Jarly Electronics Ltd.	Sale and produce Precision Hinge	71,906	(2)	65,369	-	-	65,369	11,859	100.00%	11,859	61,156	-
Jarllly Electronics Technology (Shanghai) Co., Ltd.	Sale and produce Precision Hinge	473,450	(2)	386,330	-	-	386,330	2,430	100.00%	2,430	461,265	-
Xiamen Jarly Electronics Co., Ltd.	Sale and produce Precision Hinge	43,801	(2)	29,281	-	-	29,281	13,662	100.00%	13,662	96,203	-
Jarllly Technology (Chongqing) Co., Ltd.	Sale and produce Precision Hinge	61,722	(2)	29,500	-	-	29,500	13,381	100.00%	13,381	309,646	-

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 for partial subsidiaries based on the financial report which was assured by R.O.C. Accountant, the rest of them have not been reviewed.

Note 3: The amount was eliminated in the consolidated financial statements.

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

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of June 30, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
735,222	735,222	2,613,697

(iii) Significant transactions:

As of the six months ended of June 30, 2022, the significant inter-company directly or indirectly transactions with the subsidiary in Mainland China, which were eliminated in the preparation of financial statements, are disclosed in "Information on significant transactions".

(d) Major shareholders:

Shareholder's name	Shareholding	Shares	Percentage
Sunrise Investment Co., Ltd.		6,100,000	10.14%
Dellson Investment Co., Ltd.		3,592,000	5.97%

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.

Note: (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 MOPS.

(14) Segment information

The Group's operating segment information and reconciliation were as follows:

For the three months ended June 30, 2022				
	Hinge department	Fiber optic department	Reconciliati on and elimination	Total
Revenue:				
Revenue from external customers	\$ 1,388,188	60,236	-	1,448,424
Intersegment revenues	-	-	-	-
Total revenue	<u>\$ 1,388,188</u>	<u>60,236</u>	<u>-</u>	<u>1,448,424</u>
Reportable segment profit or loss	<u>\$ 141,181</u>	<u>9,816</u>	<u>-</u>	<u>150,997</u>

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

2021				
	Hinge department	Fiber optic department	Reconciliati on and elimination	Total
Revenue:				
Revenue from external customers	\$ 1,723,257	74,080	-	1,797,337
Intersegment revenues	-	-	-	-
Total revenue	<u>\$ 1,723,257</u>	<u>74,080</u>	<u>-</u>	<u>1,797,337</u>
Reportable segment profit or loss	<u>\$ 18,974</u>	<u>8,272</u>	<u>-</u>	<u>27,246</u>

For the six months ended June 30,				
2022				
	Hinge department	Fiber optic department	Reconciliati on and elimination	Total
Revenue:				
Revenue from external customers	\$ 3,540,207	140,566	-	3,680,773
Intersegment revenues	-	-	-	-
Total revenue	<u>\$ 3,540,207</u>	<u>140,566</u>	<u>-</u>	<u>3,380,773</u>
Reportable segment profit or loss	<u>\$ 371,739</u>	<u>21,714</u>	<u>-</u>	<u>393,453</u>

2021				
	Hinge department	Fiber optic department	Reconciliati on and elimination	Total
Revenue:				
Revenue from external customers	\$ 3,188,049	137,414	-	3,325,463
Intersegment revenues	-	-	-	-
Total revenue	<u>\$ 3,188,049</u>	<u>137,414</u>	<u>-</u>	<u>3,325,463</u>
Reportable segment profit or loss	<u>\$ 102,334</u>	<u>15,193</u>	<u>-</u>	<u>117,527</u>

Note: The measurement amounts of department assets are not provided to the operating decision maker, the disclosure amount of the Group is zero.