

JARLLYTEC CO., LTD. AND SUBSIDIARIES**Consolidated Financial Statements****With Independent Auditors' Report
For the Years Ended December 31, 2021 and 2020**

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The independent auditors' 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' report and consolidated financial statements, the Chinese version shall prevail.

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Representation Letter

The entities that are required to be included in the combined consolidated financial statements of Jarllytec Co., Ltd. as of and for the year ended December 31, 2021 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 by the Financial Supervisory Commission, "Consolidated Financial Statements." In addition, the information required to be disclosed in the consolidated financial statements is included in the consolidated financial statements. Consequently, Jarllytec Co., Ltd. and Subsidiaries do not prepare a separate set of consolidated financial statements.

Company name: Jarllytec Co., Ltd.

Chairman: Chang, Tai-Yuan

Date: March 2, 2022

Independent Auditors' Report

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

Opinion

We have audited the consolidated financial statements of Jarllytec Co., Ltd. and its subsidiaries ("the Group"), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), Interpretations developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

1. Revenue recognition

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

Description of key audit matter:

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

How the matter was addressed in our audit:

Our principal audit procedures included:

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

2. Impairment evaluation of accounts receivable

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

Description of key audit matter:

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

How the matter was addressed in our audit:

Our principal audit procedures included:

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

3. Inventory valuation

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

Description of key audit matter:

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

How the matter was addressed in our audit:

Our principal audit procedures included:

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

Other Matter

Jarlllytec Co., Ltd. has prepared its parent-company-only financial statements as of and for the years ended December 31, 2021 and 2020, on which we have issued an unmodified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the IFRSs, IASs, IFRC, SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2021 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Hsu, Ming-Fang and Zhuang, Jun-Wei.

KPMG

Taipei, Taiwan (Republic of China)
March 2, 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 the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

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

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
JARLLYTEC CO., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

Assets		December 31, 2021		December 31, 2020		Liabilities and Equity		December 31, 2021		December 31, 2020			
		Amount	%	Amount	%			Amount	%	Amount	%		
Current assets:						Current liabilities:							
1100	Cash and cash equivalents (Note 6(a))	\$	1,887,924	21	2,014,173	25	2100	Short-term borrowings (Note 6(j) and 8)	\$	652,614	7	384,238	5
1110	Current financial assets at fair value through profit or loss (Note 6(b))		38,133	-	27,800	-	2170	Notes and accounts payables		2,255,730	25	1,690,857	21
1170	Notes and accounts receivables, net (Note 6(c)(r))		3,182,375	35	2,331,878	29	2200	Other payables		1,058,947	12	746,949	10
1200	Other receivables, net (Note 6(d))		53,009	1	31,498	1	2230	Current tax liabilities		28,096	-	28,800	-
1220	Current tax assets		3,569	-	23,110	-	2280	Current lease liabilities (Note 6(l))		14,912	-	26,270	-
130X	Inventories (Note 6(e))		804,772	10	601,782	8	2300	Other current liabilities		38,733	-	22,162	-
1410	Prepayments other current assets (Note 6(f) and 8)		117,360	1	131,490	3	2322	Long-term borrowings, current portion (Note 6(k) and 8)		209,043	2	249,978	3
Total current assets			6,087,142	68	5,161,731	66	Total current liabilities			4,258,075	46	3,149,254	39
Non-current assets:						Non-Current liabilities:							
1510	Non-current financial assets at fair value through profit or loss (Note 6(b))		1,564	-	2,877	-	2540	Long-term borrowings (Note 6(k) and 8)		438,350	5	394,835	6
1517	Non-current financial assets at fair value through other comprehensive income (Note 6(b))		90,631	1	93,225	1	2570	Deferred income tax liabilities (Note 6(o))		148,354	2	169,694	2
1600	Property, plant and equipment (Note 6(g) and 8)		2,412,499	27	2,226,593	27	2580	Non-current lease liabilities (Note 6(l))		25,065	-	53,856	1
1755	Right-of-use assets (Note 6(h))		210,043	2	194,659	3	2640	Net defined benefit liability, non-current (Note 6(n))		46,794	1	24,436	-
1780	Intangible assets (Note 6(i))		21,821	-	16,671	-	2670	Other non-current liabilities, others		2,355	-	4,582	-
1840	Deferred income tax assets (Note 6(o))		39,629	-	47,384	1	Total non-current liabilities			660,918	8	647,403	9
1915	Prepayments for business facilities		117,357	1	103,183	1	Total liabilities			4,918,993	54	3,796,657	48
1990	Other non-current assets, others (Note 6(f) and 8)		67,795	1	61,814	1	Equity (Note 6(p)):						
Total non-current assets			2,961,339	32	2,746,406	34	3110	Ordinary share		601,214	7	601,214	8
						3200	Capital surplus		1,334,534	15	1,334,534	17	
						Retained earnings:							
						3310	Legal reserve		380,412	4	349,873	4	
						3320	Special reserve		1,292	-	50,236	1	
						3350	Unappropriated retained earnings		1,888,521	21	1,776,915	22	
						Total retained earnings			2,270,225	25	2,177,024	27	
						Other equity:							
						3410	Exchange differences on translation of foreign financial statements		(95,607)	(1)	(26,973)	-	
						3420	Unrealized gain or loss on financial assets at fair value through other comprehensive income		19,122	-	25,681	-	
						Other equity			(76,485)	(1)	(1,292)	-	
						Total equity			4,129,488	46	4,111,480	52	
Total assets		\$	9,048,481	100	7,908,137	100	Total liabilities and equity		\$	9,048,481	100	7,908,137	100

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

JARLLYTEC CO., LTD. AND SUBSIDIARIES**Consolidated Statements of Comprehensive Income****For the years ended December 31, 2021 and 2020****(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Common Share)**

		2021		2020	
		Amount	%	Amount	%
4000	Operating revenue (Note 6(r))	\$ 7,446,666	100	5,546,230	100
5000	Operating costs (Note 6(e)(n))	6,217,941	83	4,418,960	80
	Net gross profit	1,228,725	17	1,127,270	20
	Operating expenses (Note 6(c)(l)(n)(s)):				
6100	Selling expenses	414,314	6	299,022	5
6200	Administrative expenses	310,598	4	291,592	5
6300	Research and development expenses	279,822	4	230,672	4
6450	Expected credit gain	(5,960)	-	(3,026)	-
	Total operating expenses	998,774	14	818,260	14
	Net operating income	229,951	3	309,010	6
	Non-operating income and expenses (Note 6(l)(t)):				
7010	Other income	148,066	2	219,550	4
7020	Other gains and losses, net	(83,998)	(1)	(158,699)	(3)
7050	Finance cost	(11,838)	-	(10,366)	-
7100	Interest income	6,841	-	8,722	-
	Total non-operating income and expenses	59,071	1	59,207	1
	Profit from continuing operations before tax	289,022	4	368,217	7
7950	Less: Income tax expenses (Note 6(o))	41,227	1	65,533	2
	Profit	247,795	3	302,684	5
8300	Other comprehensive income:				
8310	Components of other comprehensive income (loss) that will not be reclassified to profit or loss				
8311	Losses on remeasurements of defined benefit plans (Note 6(n))	(4,291)	-	2,711	-
8316	Unrealized gains from investments in equity instruments measured at fair value through other comprehensive income	(6,559)	-	25,681	1
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	(10,850)	-	28,392	1
8360	Components of other comprehensive income (loss) that will be reclassified to profit or loss				
8361	Exchange differences on translation of foreign financial statements	(68,634)	(1)	23,263	-
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	(68,634)	(1)	23,263	-
8300	Other comprehensive income, net of tax	(79,484)	(1)	51,655	1
8500	Total comprehensive income	\$ 168,311	2	354,339	6
	Earnings per share (NT dollars) (Note 6(q))				
9750	Basic earnings per share	<u>\$ 4.12</u>		<u>5.03</u>	
9850	Diluted earnings per share	<u>\$ 4.10</u>		<u>5.00</u>	

See accompanying notes to financial statements.

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

JARLLYTEC CO., LTD. AND SUBSIDIARIES**Consolidated Statements of Changes in Equity****For the years ended December 31, 2021 and 2020****(Expressed in Thousands of New Taiwan Dollars)**

	Equity attributable to owners of parent							
	Retained earnings					Other equity		
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Total equity
Balance at January 1, 2020	\$ 601,214	1,334,534	303,404	-	1,718,528	(50,236)	-	3,907,444
Profit	-	-	-	-	302,684	-	-	302,684
Other comprehensive income	-	-	-	-	2,711	23,263	25,681	51,655
Total comprehensive income	-	-	-	-	305,395	23,263	25,681	354,339
Appropriation and distribution of retained earnings:								
Legal reserve	-	-	46,469	-	(46,469)	-	-	-
Special reserve	-	-	-	50,236	(50,236)	-	-	-
Cash dividends on ordinary shares	-	-	-	-	(150,303)	-	-	(150,303)
Balance at December 31, 2020	601,214	1,334,534	349,873	50,236	1,776,915	(26,973)	25,681	4,111,480
Profit	-	-	-	-	247,795	-	-	247,795
Other comprehensive income	-	-	-	-	(4,291)	(68,634)	(6,559)	79,484
Total comprehensive income	-	-	-	-	243,504	(68,634)	(6,559)	168,311
Appropriation and distribution of retained earnings:								
Legal reserve	-	-	30,539	-	(30,539)	-	-	-
Special reserve	-	-	-	(48,944)	48,944	-	-	-
Cash dividends of ordinary share	-	-	-	-	(150,303)	-	-	(150,303)
Balance at December 31, 2021	\$ 601,214	1,334,534	380,412	1,292	1,888,521	(95,607)	19,122	4,129,488

See accompanying notes to financial statements.

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

JARLLYTEC CO., LTD. AND SUBSIDIARIES**Consolidated Statements of Cash Flows****For the years ended December 31, 2021 and 2020****(Expressed in Thousands of New Taiwan Dollars)**

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Profit before tax	\$ 289,022	368,217
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	254,396	221,818
Amortization expense	23,629	20,908
Expected credit gain	(5,960)	(3,026)
Interest expense	11,838	10,366
Interest revenue	(6,841)	(8,722)
Dividend revenue	(13,382)	(6,933)
Loss (gain) from disposal of property, plant and equipment	1,158	(735)
Net loss on financial assets or liabilities at fair value through profit or loss	(207)	1,425
Total adjustments to reconcile profit (loss)	<u>264,631</u>	<u>235,101</u>
Changes in operating assets and liabilities:		
Current financial assets at fair value through profit or loss	21,595	(29,102)
Notes receivables	(1,090)	(496)
Accounts receivables	(843,447)	(325,868)
Other receivables	(22,755)	4,428
Inventories	(202,990)	(62,367)
Prepayments	(11,837)	(21,927)
Other current assets	18,732	29,061
Notes payables	12,183	(3,508)
Accounts payables	552,690	392,139
Other payables	311,768	108,606
Other current liabilities	16,571	10,768
Net defined benefit liability	18,067	699
Total changes in operating assets and liabilities	<u>(130,513)</u>	<u>102,433</u>
Total adjustments	<u>134,118</u>	<u>337,534</u>
Cash inflow generated from operations	423,140	705,751
Interest received	8,085	8,346
Dividends received	935	-
Interest paid	(9,494)	(9,956)
Income taxes paid	(35,975)	(117,808)
Net cash flows from operating activities	<u>386,691</u>	<u>586,333</u>
Cash flows used in investing activities:		
Acquisition of financial assets at fair value through profit or loss	(1,386,127)	(2,364,654)
Proceeds from disposal of financial assets at fair value through profit or loss	1,355,719	2,361,654
Acquisition of financial assets at fair value through other comprehensive income	(4,127)	-
Acquisition of property, plant and equipment	(424,916)	(468,629)
Proceeds from disposal of property, plant and equipment	11,131	8,354
Acquisition of intangible assets	(12,555)	(4,013)
Acquisition of right-of-use assets	(72,139)	-
Decrease (increase) in prepayments for equipment	(14,174)	30,254
Increase in other non-current-assets	(22,247)	(26,372)
Dividends received	12,447	6,933
Net cash flows used in investing activities	<u>(556,988)</u>	<u>(456,473)</u>
Cash flows from financing activities:		
Increase in short-term borrowings	268,376	292,138
Proceeds from long-term borrowings	473,412	367,507
Repayments of long-term borrowings	(470,832)	(31,250)
Payment of lease liabilities	(37,932)	(44,804)
Increase (decrease) in other non-current liabilities	(2,227)	568
Cash dividends paid	(150,303)	(150,303)
Net cash flows from financing activities	<u>80,494</u>	<u>433,856</u>
Effect of exchange rate changes on cash and cash equivalents	(36,446)	14,935
Net increase (decrease) in cash and cash equivalents	(126,249)	578,651
Cash and cash equivalents at beginning of period	2,014,173	1,435,522
Cash and cash equivalents at end of period	<u><u>\$ 1,887,924</u></u>	<u><u>2,014,173</u></u>

See accompanying notes to financial statements.

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

JARLLYTEC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

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

(1) Company history

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

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

These consolidated financial statements were authorized for issue by the Board of Directors on March 2, 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, 2021:

- Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform — Phase 2”

The adoption of the following new amendments, effective on April 1, 2021, would not have a significant impact on its financial statements.

- Amendments to IFRS 16 “COVID-19-Related Rent Concessions after June 30, 2021”

- (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, 2022, would not have a significant impact on its consolidated financial statements:

- 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”

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, 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”	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. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.	January 1, 2023
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities Arising from a Single Transaction”	The amendments narrowed the scope of the recognition exemption so that it no longer applied to transaction that, on initial recognition, give rise to equal taxable and deductible temporary differences.	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”
- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”

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

(4) Summary of significant accounting policies:

The significant accounting policies presented in the consolidated financial statements are summarized below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the financial statements.

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as “the Regulations”) and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the Financial Supervisory Commission, R.O.C.

(b) Basis of preparation

(i) Basis of measurement

Except for the following significant accounts, the consolidated financial statements have been prepared on a historical cost basis:

- 1) Financial instruments at fair value through profit or loss are measured at fair value;
- 2) Financial assets at fair value through other comprehensive income are measured at fair value; and
- 3) The defined benefit liabilities (assets) are measured at fair value of the plan assets less the present value of the defined benefit obligation, limited as explained in note4(o).

(ii) Functional and presentation currency

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

(c) Basis of consolidation

(i) Principles of preparation of the consolidated financial statements

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

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

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JARLLYTEC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

(ii) List of subsidiaries in the consolidated financial statements

The consolidated entities were as follows:

Name of Investor	Name of Subsidiary	Main Activities and Location	Percentage of Ownership (%)		Note
			December 31, 2021	December 31, 2020	
The company	Great Hinge Trading Ltd. (Great Hinge)	Investments	100%	100%	Note 1
The company	Smart Hinge Holdings Ltd. (Smart Hinge)	Investments	100%	100%	-
The company	Jarson Precision Technology Co., Ltd. (Jarson Precision)	Powder metallurgy and other metal products manufacturing and trading business	100%	100%	Note 1
The Company	Jarlllytec USA L.L.C. (Jarlllytec USA)	Computer design and service	100%	100%	Note 1
The Company	Jarwin Investment Co., Ltd. (Jarwin Investment)	Investments	100%	100%	Note 1 、 Note 3
The Company	Jarlllytec Singapore Pte. Ltd. (Jarlllytec Singapore)	Computer design and service	100%	-	Note 1 、 Note 4
Great Hinge	Main Source Logistic Ltd. (Main Source)	Electronic professional equipment, sale business of tools and molds	-%	100%	Note 1 、 Note 6
Great Hinge	Jarlllytec (Vietnam) Co., Ltd. (Jarlllytec Vietnam)	Production and sale business of precision hinges	100%	-	Note 1 、 Note 5
Smart Hinge	Royal Jarlly Holding Ltd. (Royal Jarlly)	Investments	100%	100%	-
Royal Jarlly	Jarlly Technology (Shanghai) Co., Ltd. (Shanghai Jarlly)	Production and sale business of specific material for component equipment	100%	100%	-
Royal Jarlly	Fu-Qing Jarlly Electronics Co., Ltd. (Fu-Qing Jarlly)	Production and sale business of precision hinges	100%	100%	-
Royal Jarlly	Dong Guan Jarlly Electronics Co., Ltd. (Dong Guan Jarlly)	Production and sale business of precision hinges	100%	100%	Note 1
Royal Jarlly	Kunshan Jarlly Electronics Ltd. (Kunshan Jarlly)	Production and sale business of precision hinges	100%	100%	Note 1

(Continued)

JARLLYTEC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Name of Investor	Name of Subsidiary	Main Activities and Location	Percentage of Ownership (%)		Note
			December 31, 2020	December 31, 2019	
Royal Jarlly	Jarlly Electronics Technology (Shanghai) Co., Ltd. (Jarlly Electronic Shanghai))	Production and sale business of precision hinges	100%	100%	-
Royal Jarlly	Xiamen Jarlly Electronics Co., Ltd. (Xiamen Jarlly)	Production and sale business of precision hinges	100%	100%	Note 1
Royal Jarlly	Jarlly Technology (Chongqing) Co., Ltd. (Chongqing Jarlly)	Production and sale business of precision hinges	100%	100%	-
Royal Jarlly	Jarllytec (Thailand) Co., Ltd. (Jarllytec Thailand)	Production and sale business of precision hinges	100%	100%	Note 1 、 Note 2

Note 1: Insignificant subsidiary.

Note 2: The Jarllytec Thailand was list as the Company's subsidiary in February 2020.

Note 3: Jarwin Investment was listed as the Company's subsidiary in April 2020.

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

Note 5: The Jarllytec Vietnam was list as the Company's subsidiary in April 2021.

Note 6: The subsidiary, Main Source, had been liquidated in September 2021.

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

(d) Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

- 1) an investment in equity securities designated as at fair value through other comprehensive income;
- 2) a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- 3) qualifying cash flow hedges to the extent that the hedges are effective.

(Continued)

JARLLYTEC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the New Taiwan Dollars at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the New Taiwan Dollars at the average exchange rate. Exchange differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes only a part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes only a part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, Exchange differences arising from such a monetary item that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

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

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

- (i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is expected to be realized within twelve months after the reporting period; or
- (iv) The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

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

An entity shall classify a liability as current when:

- (i) It is expected to be settled in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the reporting period; or
- (iv) The Group does not have any unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments that do not affect its classification.

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JARLLYTEC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(f) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(g) Financial instruments

Accounts receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument. A financial asset (unless it is an accounts receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. An accounts receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

On initial recognition, a financial asset is classified as measured at: amortized cost; Fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

(Continued)

JARLLYTEC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

2) Fair value through other comprehensive income (FVOCI)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

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

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

4) Business model assessment

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

(Continued)

JARLLYTEC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

5) Impairment of financial assets

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

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date ; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for accounts receivables and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment as well as forward-looking information.

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

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

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

ECLs are probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

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JARLLYTEC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for that financial assets because of financial difficulties.

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

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

6) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

(Continued)

JARLLYTEC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt and equity instruments issued by the Group are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

2) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

Interest related to the financial liability is recognized in profit or loss, and included in non-operating income and expenses. On conversion, the financial liability is reclassified to equity, and no gain or loss is recognized.

3) Treasury shares

When shares recognized as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is recognized in capital surplus or retained earnings (if the capital surplus is not sufficient to be written down).

4) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

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

5) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

(Continued)

JARLLYTEC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

6) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(iii) Derivative financial instruments

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

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

(h) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their present location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(i) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent cost

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

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

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JARLLYTEC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Land is not depreciated.

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

1) Buildings and construction	5 to 37 years
2) Machinery and equipment	5 to 8 years
3) Molding Equipment	3 years
4) Asset leased to others	29 to 37 years
5) Office and Other equipment	2 to 10 years

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

(j) Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(i) As a lessee

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

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

- fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and

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

- payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or
- there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- there is a change of its assessment on whether it will exercise a purchase, extension or termination option; or
- there is any lease modification

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

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JARLLYTEC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Group presents right-of-use assets and lease liabilities as a separate line item respectively in the statement of financial position.

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

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

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

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

(ii) As a lessor

When the Group acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, the Group applies IFRS15 to allocate the consideration in the contract.

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JARLLYTEC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

(k) Intangible assets

(i) Recognition and measurement

Expenditure on research activities is recognized in profit or loss as incurred.

Development expenditure is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to, and has sufficient resources to, complete development and to use or sell the asset. Otherwise, it is recognized in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost, less accumulated amortization and any accumulated impairment losses.

Other intangible assets are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, is recognized in profit or loss as incurred.

(iii) Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

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

(l) Impairment of non-derivative financial assets

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

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

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JARLLYTEC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(m) Revenue recognition

(i) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring control of a good to a customer.

The Group manufactures various hinges which applied in 3C related products and sells them to computer manufacturers. The Group recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

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

(n) Government grants and government assistance

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

(o) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

(ii) Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

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JARLLYTEC CO., LTD. AND SUBSIDIARIES

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The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(p) Income taxes

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

- (i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;
- (ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

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JARLLYTEC CO., LTD. AND SUBSIDIARIES

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- (iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reserve, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if the following criteria are met:

- (i) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - 1) the same taxable entity; or
 - 2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

- (q) Earnings per share

The Group discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares, such as employee compensation.

- (r) Operating segments

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

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JARLLYTEC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

In preparing these consolidated financial statements, management has made judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates..

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

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

(a) Impairment of accounts receivable

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

(b) Valuation of inventories

As inventories are stated at the lower of cost or net realizable value, the Group estimates the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions as to future demand within a specific time horizon. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories. Please refer to note 6(e) for further description of the valuation of inventories.

(c) Measurement of defined benefit obligations

Accrued pension liabilities and resulting pension expenses under defined benefit pension plans are calculated using the Projected Unit Credit Method. Actuarial assumptions comprise the discount rate, rate of employee turnover, future salary increase rate, etc. Changes in economic circumstances and market conditions will affect these assumptions and may have a material impact on the amount of the expense and the liability. Please refer to note 6(m) for further description of the actuarial assumptions and sensitivity analysis.

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

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JARLLYTEC CO., LTD. AND SUBSIDIARIES

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The Group's financial instrument valuation group conducts independent verification on fair value by using data sources that are independent, reliable, and representative of exercise prices. This financial instrument valuation group also periodically adjusts valuation models, conducts back-testing, renews input data for valuation models, and makes all other necessary fair value adjustments to assure the rationality of fair value. The Group strives to use market observable inputs when measuring assets and liabilities. Different levels of the fair value hierarchy to be used in determining the fair value of financial instruments are as follows:

- (a) Level 1: quoted prices (unadjusted) in active markets for identifiable assets or liabilities.
- (b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- (c) Level 3: inputs for the assets or liability that are not based on observable market data.

(6) Explanation of significant accounts:

- (a) Cash and cash equivalents

	December 31, 2021	December 31, 2020
Cash on hand	\$ 598	818
Demand deposits	1,734,126	1,785,515
Time deposits	153,200	227,840
	<u>\$ 1,887,924</u>	<u>2,014,173</u>

Please refer to note 6(u) for the exchange rate risk, interest rate risk, and sensitivity analysis of the financial assets and liabilities of the Group.

- (b) Financial instrument

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

	December 31, 2021	December 31, 2020
Current mandatorily measured at fair value through profit or loss:		
Domestic stocks	\$ 7,725	18,786
Open-ended funds	-	9,014
Financial products	30,408	-
	<u>\$ 38,133</u>	<u>\$ 27,800</u>
Non-current mandatorily measured at fair value through profit or loss:		
Private offered funds	<u>\$ 1,564</u>	<u>\$ 2,877</u>

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JARLLYTEC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

	December 31, 2021	December 31, 2020
Equity investments at fair value through other comprehensive income-non-current		
Stocks unlisted on domestic market-Taiwan	\$ 65,262	71,821
Stocks unlisted on domestic market-China	25,369	21,404
Total	<u>\$ 90,631</u>	<u>93,225</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 December 31, 2021 and 2020, the aforementioned financial assets were not pledged as collateral.

(c) Notes and accounts receivables

	December 31, 2021	December 31, 2020
Notes receivable	\$ 1,750	660
Accounts receivables	3,183,259	2,339,810
Less: loss allowance	(2,634)	(8,592)
	<u>\$ 3,182,375</u>	<u>2,331,878</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 receivables have 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:

	December 31, 2021		
	Gross carrying amount	Weighted-aver age 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
	<u>\$ 3,185,009</u>		<u>2,634</u>

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JARLLYTEC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	December 31, 2020		
	Gross carrying amount	Weighted-aver age loss rate	Loss allowance provision
Current	\$ 2,275,531	0%~1%	-
1 to 30 days past due	22,870	0%~1%	-
31 to 60 days past due	26,536	0%~1%	338
61 to 90 days past due	7,681	0%~1%	402
More than 90 days past due	<u>7,852</u>	50%~100%	<u>7,852</u>
	<u>\$ 2,340,470</u>		<u>8,592</u>

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

	For the years ended December 31,	
	2021	2020
Balance at January 1	\$ 8,592	11,798
Impairment losses reversed	(5,960)	(3,026)
Foreign exchange loss	<u>2</u>	<u>(180)</u>
Balance at December 31	<u>\$ 2,634</u>	<u>8,592</u>

As of December 31, 2021 and 2020, the notes and account receivable of the Group were not pledged as collaterals.

(d) Other receivables

	December 31, 2021	December 31, 2020
Other accounts receivable-loans	\$ -	5,000
Overpaid business tax returned	33,705	12,946
Interest receivable	34	1,278
Others	<u>19,270</u>	<u>12,274</u>
	<u>\$ 53,009</u>	<u>31,498</u>

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

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JARLLYTEC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(e) Inventories

	December 31, 2021	December 31, 2020
Raw materials and supplies	\$ 251,232	151,004
Work in process	194,967	105,110
Finished goods	358,573	345,668
	<u>\$ 804,772</u>	<u>601,782</u>

- (i) For the years ended December 31, 2021 and 2020, the Group recognized cost of sales and operating expense amounted to \$6,067,696 and \$4,325,518, respectively.
- (ii) For the year ended December 31, 2021, the gain of \$10,043 was recognized from the reversal of provision arising from scrapping, wherein such gains were included in gain from price recovery of inventory.
- (iii) For the year ended December 31, 2020, the amounts of the loss on valuation of inventories was \$39,030, wherein such loss was included in cost of sales.
- (iv) As of December 31, 2021 and 2020, the inventories were not pledged.

(f) Prepayments, other current assets and others

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

	December 31, 2021	December 31, 2020
Prepayment for mold	\$ 32,668	25,798
Other prepayments	31,943	14,767
Input tax	8	440
Tax overpaid	45,849	57,458
Other financial assets	174	15,021
Others	6,718	18,006
Total prepayments and other current assets	<u>\$ 117,360</u>	<u>\$ 131,490</u>
Other deferred expenses	\$ 56,433	49,558
Refundable deposits	8,636	8,725
Other financial assets	1,107	1,139
Others	1,619	2,392
Total other noncurrent assets	<u>\$ 67,795</u>	<u>\$ 61,814</u>

As of December 31, 2021 and 2020 other financial assets pledged as collateral for Forward Exchange Transaction and investment product were \$174 and \$2,314. Please refer to Note 8.

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Notes to the Consolidated Financial Statements

(g) Property, plant and equipment

The cost and accumulated depreciation and impairments of the property, plant and equipment of the Group as of and for the years ended December 31, 2021 and 2020 were as follows:

	Land	Buildings and construction	Machine and equipment	Mold equipment	Rental equipment	Other facilities	Construction in progress and testing equip	Total
Cost:								
Balance at January 1, 2021	\$ 1,057,119	519,597	1,171,787	3,618	183,708	152,272	61,304	3,149,405
Additions	-	11,141	319,135	-	-	37,784	57,050	425,110
Reclassifications	-	147,352	-	-	(96,096)	-	(51,256)	-
Disposals	-	(8,336)	(21,476)	(260)	-	(7,616)	-	(37,688)
Effect of movements in exchange	(5,169)	(1,501)	(2,172)	(5)	(1,385)	(493)	(6,443)	(17,168)
Balance at December 31, 2021	<u>\$ 1,051,950</u>	<u>668,253</u>	<u>1,467,274</u>	<u>3,353</u>	<u>86,227</u>	<u>181,947</u>	<u>60,655</u>	<u>3,519,659</u>
Balance at January 1, 2020	\$ 1,016,281	445,126	892,526	9,540	180,686	132,135	31,131	2,707,425
Additions	40,838	11,117	298,887	-	-	26,608	91,179	468,629
Reclassifications	-	60,079	-	-	-	927	(61,006)	-
Disposals	-	-	(22,923)	(5,931)	-	(8,349)	-	(37,203)
Effect of movements in exchange	-	3,275	3,297	9	3,022	951	-	10,554
Balance at December 31, 2020	<u>\$ 1,057,119</u>	<u>519,597</u>	<u>1,171,787</u>	<u>3,618</u>	<u>183,708</u>	<u>152,272</u>	<u>61,304</u>	<u>3,149,405</u>
Accumulated depreciation:								
Balance at January 1, 2021	\$ -	147,836	613,755	3,556	61,321	96,344	-	922,812
Depreciation	-	31,995	158,335	-	2,603	18,947	-	211,880
Reclassifications	-	32,176	-	-	(32,176)	-	-	-
Disposals	-	(1,637)	(17,554)	(260)	-	(5,948)	-	(25,399)
Effect of movements in exchange	-	516	(842)	(4)	(461)	310	-	(2,133)
Balance at December 31, 2021	<u>\$ -</u>	<u>209,854</u>	<u>753,694</u>	<u>3,292</u>	<u>31,287</u>	<u>109,033</u>	<u>-</u>	<u>1,107,160</u>
Balance at January 1, 2020	\$ -	123,721	492,148	9,479	54,857	87,228	-	767,433
Depreciation	-	22,860	135,300	-	5,547	16,139	-	179,846
Disposals	-	-	(15,885)	(5,932)	-	(7,767)	-	(29,584)
Effect of movements in exchange	-	1,255	2,192	9	917	744	-	5,117
Balance at December 31, 2020	<u>\$ -</u>	<u>147,836</u>	<u>613,755</u>	<u>3,556</u>	<u>61,321</u>	<u>96,344</u>	<u>-</u>	<u>922,812</u>
Carrying amounts:								
Balance at December 31, 2021	<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 January 1, 2020	<u>\$ 1,016,281</u>	<u>321,405</u>	<u>400,378</u>	<u>61</u>	<u>125,829</u>	<u>44,907</u>	<u>31,131</u>	<u>1,939,992</u>
Balance at December 31, 2020	<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>

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JARLLYTEC CO., LTD. AND SUBSIDIARIES

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As of December 31, 2021 and 2020, 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, 2021	\$ 107,112	167,823	487	275,422
Additions	64,539	6,823	777	72,139
Effect of movement in exchange	(11,339)	(4,711)	-	(16,050)
Balance at December 31, 2021	<u>\$ 160,312</u>	<u>169,935</u>	<u>1,264</u>	<u>331,511</u>
Balance at January 1, 2020	\$ 105,350	145,286	487	251,123
Additions	-	19,665	-	19,665
Other	-	514	-	514
Effect of movement in exchange	1,762	2,358	-	4,120
Balance at December 31, 2020	<u>\$ 107,112</u>	<u>167,823</u>	<u>487</u>	<u>275,422</u>
Accumulated depreciation				
Balance at January 1, 2021	\$ 5,637	74,749	377	80,763
Depreciation for the year	2,971	39,586	153	42,710
Other	-	184	-	184
Effect of movements in exchange	(59)	(2,130)	-	(2,189)
Balance at December 31, 2021	<u>\$ 8,549</u>	<u>112,389</u>	<u>530</u>	<u>121,468</u>
Balance at January 1, 2020	\$ 2,772	34,351	189	37,312
Depreciation for the year	2,757	39,027	188	41,972
Effect of movements in exchange	108	1,371	-	1,479
Balance at December 31, 2020	<u>\$ 5,637</u>	<u>74,749</u>	<u>377</u>	<u>80,763</u>
Carrying amount:				
Balance at December 31, 2021	<u>\$ 151,763</u>	<u>57,546</u>	<u>734</u>	<u>210,043</u>
Balance at January 1, 2020	<u>\$ 102,578</u>	<u>110,935</u>	<u>298</u>	<u>213,811</u>
Balance at December 31, 2020	<u>\$ 101,475</u>	<u>93,074</u>	<u>110</u>	<u>194,659</u>

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JARLLYTEC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(i) Intangible assets

	<u>Software</u>
Costs:	
Balance at January 1, 2021	\$ 100,675
Additions	12,555
Effect of movement in exchange	(213)
Balance at December 31, 2021	<u><u>\$ 113,017</u></u>
Balance at January 1, 2020	\$ 96,172
Additions	4,013
Effect of movement in exchange	490
Balance at December 31, 2020	<u><u>\$ 100,675</u></u>
Accumulated amortization and impairment losses:	
Balance at January 1, 2021	\$ 84,004
Amortization for the year	7,363
Effect of movement in exchange	(171)
Balance at December 31, 2021	<u><u>\$ 91,196</u></u>
Balance at January 1, 2020	\$ 77,954
Amortization for the year	5,626
Effect of movement in exchange	424
Balance at December 31, 2020	<u><u>\$ 84,004</u></u>
Carrying amounts:	
Balance at December 31, 2021	<u><u>\$ 21,821</u></u>
Balance at January 1, 2020	<u><u>\$ 18,218</u></u>
Balance at December 31, 2020	<u><u>\$ 16,671</u></u>

As of December 31, 2021 and 2020, none of the intangible assets had been pledged as collateral.

(j) Short-term borrowings

The short-term borrowings were summarized as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Secured bank loans	\$ 477,353	234,238
Unsecured bank loans	175,261	150,000
Total	<u><u>\$ 652,614</u></u>	<u><u>384,238</u></u>
Unused short-term credit lines	<u><u>\$ 937,123</u></u>	<u><u>630,000</u></u>
Range of interest rates	<u><u>0.88%~2.05%</u></u>	<u><u>0.83%~2.38%</u></u>

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

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JARLLYTEC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(k) Long-term borrowings

The details were as follows:

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><u>\$ 438,350</u></u>
Unused long-term credit lines				<u><u>\$ 1,002,325</u></u>

December 31, 2020				
	Currency	Interest range	Expiration	Amount
Secured bank loans	TWD	0.66%~1.15%	2021~2029	\$ 404,244
Unsecured bank loans	TWD	0.35%~0.88%	2021~2024	240,569
Less: current portion				(249,978)
Total				<u><u>\$ 394,835</u></u>
Unused long-term credit lines				<u><u>\$ 950,737</u></u>

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

(l) Lease liabilities

	December 31, 2021	December 31, 2020
Current	<u><u>\$ 14,912</u></u>	<u><u>26,270</u></u>
Non-current	<u><u>\$ 25,065</u></u>	<u><u>53,856</u></u>

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

The amount recognized in profit or loss were as follows:

	For the years ended December 31	
	2021	2020
Interest on lease liabilities	<u><u>\$ 2,114</u></u>	<u><u>3,425</u></u>
Expenses relating to short-term leases	<u><u>\$ 13,904</u></u>	<u><u>12,351</u></u>

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

	For the years ended December 31	
	2021	2020
Total cash outflow for leases	<u><u>\$ 53,950</u></u>	<u><u>60,580</u></u>

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JARLLYTEC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(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.

(m) Operating lease

(i) Leases as lessor

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

	December 31, 2021	December 31, 2020
Less than one year	\$ 18,467	20,822
One to two years	13,699	18,238
Two to three years	10,125	13,497
Three to four years	6,923	9,985
Four to five years	-	6,828
	<u>\$ 49,214</u>	<u>69,370</u>

(n) Employee benefits

(i) Defined benefit plans

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

	December 31, 2021	December 31, 2020
Present value of the defined benefit obligations	\$ 65,284	43,485
Fair value of plan assets	(18,490)	(19,049)
Net defined benefit liabilities	<u>\$ 46,794</u>	<u>24,436</u>

The Group makes defined benefit plan contributions to the pension fund account with Bank of Taiwan that provides pensions for employees upon retirement. Plans (covered by the Labor Standards Law) entitle retired employees to receive retirement benefits based on their years of service and average monthly salary for the six months prior to retirement.

(Continued)

JARLLYTEC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

1) Composition of plan assets

The Group allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Group's Bank of Taiwan labor pension reserve account balance amounted to \$18,399 as of December 31, 2021. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of the defined benefit obligations

The movement in the present value of the defined benefit obligations for the Group were as follows:

	For the years ended December 31	
	2021	2020
Defined benefit obligations at January 1	\$ 43,485	44,706
Current service costs and interest cost	570	1,788
Remeasurements loss of the net defined benefit obligations		
— Actuarial loss arising from financial assumptions	2,536	(3,291)
— Actuarial loss arising from experience adjustments	1,992	1,126
Benefits paid	16,701	(844)
Defined benefit obligations at December 31	<u>\$ 65,284</u>	<u>43,485</u>

(Continued)

JARLLYTEC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

3) Movements in fair value of plan assets

The movements in the fair value of the plan assets for the Group were as follows:

	For the years ended December 31	
	2021	2020
Fair value of plan assets at January 1	\$ 19,049	18,258
Interest income	97	187
Remeasurements gain of the net defined benefit liabilities		
— Return on plan assets excluding interest income	237	546
Contributions paid by the employer	960	902
Benefits paid	(1,853)	(844)
Fair value of plan assets at December 31	\$ 18,490	19,049

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Group were as follows:

	For the years ended December 31	
	2021	2020
Current service costs	\$ 357	\$ 1,388
Net interest of net liabilities for defined benefit obligations	116	213
Past service cost and settlement	18,554	-
	\$ 19,027	\$ 1,601
	2021	2020
Administration expenses	\$ 19,027	\$ 1,601

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

The Group's remeasurement of the defined benefit liability recognized in other comprehensive income were as follows:

	For the years ended December 31	
	2021	2020
Accumulated amount at January 1	\$ (17,562)	(20,273)
Recognized during the period	(4,291)	2,711
Accumulated amount at December 31	\$ (21,853)	(17,562)

(Continued)

JARLLYTEC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

6) Actuarial assumptions

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

	December 31, 2021	December 31, 2020
Discount rate	0.500%	0.500%
Future salary increase rate	2.00%	1.50%

The expected allocation payment to be made by the Group to the defined benefit plans for the one-year period after the reporting date was \$559.

The weighted average lifetime of the defined benefits plans was 9.84 years as of December 31, 2021.

7) Sensitivity analysis

As of December 31, 2021 and 2020, if the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

	Influences of defined benefit obligations	
	Increased 0.25%	Decreased 0.25%
December 31, 2021		
Discount rate	(898)	912
Future salary increasing rate	876	(858)
December 31, 2020		
Discount rate	(776)	808
Future salary increasing rate	783	(754)

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

There were no changes in the method and assumptions used in the preparation of sensitivity analysis for 2021 and 2020.

(Continued)

JARLLYTEC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(ii) Defined contribution plans

The Group allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Group allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The pension costs incurred from the contributions to the Bureau of the Labor Insurance amounted to \$53,145 and \$17,020 for the years ended December 31, 2021 and 2020, respectively.

(o) Income taxes

(i) Income tax expense

The components of the income tax in the years 2020 and 2019 were as follows:

	For the years ended December 31	
	2021	2020
Current tax expense		
Current period	\$ 43,688	93,543
Adjustment for prior periods	11,124	4,307
Deferred tax expense		
Origination and reversal of temporary differences	(13,585)	(32,317)
	\$ 41,227	65,533

The amounts of income tax expenses recognized in other comprehensive income were as below:

	For the years ended December 31	
	2021	2020
Profit before income tax	\$ 289,022	368,217
Income tax using the Company's domestic tax rate	\$ 57,804	73,644
Tax effect of different tax rates applicable in foreign jurisdiction	7,330	6,907
Recognition of prior unrecognized tax losses	58	(4,566)
Tax incentive	(2,845)	-
Undistributed earnings additional tax	5,242	-
Adjustment for prior periods	11,124	4,307
Others	(37,486)	(14,759)
Total	\$ 41,227	65,533

(Continued)

JARLLYTEC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(ii) Deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for the years ended December 31, 2021 and 2020 were as follows:

	Allowance for obsolete inventories	Others	Total
Deferred tax assets:			
Balance at January 1, 2021	\$ 21,129	26,255	47,384
Recognized in profit or loss	(4,541)	(3,214)	(7,755)
Balance at December 31, 2021	<u>\$ 16,588</u>	<u>23,041</u>	<u>39,629</u>
Balance at January 1, 2020	\$ 12,831	5,311	18,142
Recognized in profit or loss	8,298	20,944	29,242
Balance at December 31, 2020	<u>\$ 21,129</u>	<u>26,255</u>	<u>47,384</u>

	Profit or loss of subsidiary in equity
Deferred tax liabilities:	
Balance at January 1, 2021	\$ 169,694
Recognized in profit or loss	(21,340)
Balance at December 31, 2021	<u>\$ 148,354</u>
Balance at January 1, 2020	\$ 172,769
Recognized in profit or loss	(3,075)
Balance at December 31, 2020	<u>\$ 169,694</u>

(iii) Assessment of tax

The Company tax returns for the years through 2019 were assessed by the National Taiwan Bureau.

(p) Capital and other equity

(i) Ordinary shares

As of December 31, 2021 and 2020, the number of authorized ordinary shares each consisted were \$1,000,000,000. In addition, the issuance of ordinary shares each consisted of 60,121 thousand, with a par value of \$10 per share.

(Continued)

JARLLYTEC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(ii) Capital surplus

The balances of capital surplus were as follows:

	December 31, 2021	December 31, 2020
Share capital	\$ 1,314,010	1,314,010
Treasury share transactions	6,195	6,195
Employee share options	14,329	14,329
	<u>\$ 1,334,534</u>	<u>1,334,534</u>

According to the R.O.C. Group Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

(iii) Retained earnings

The Company's article of incorporation stipulate that any Company's net earnings should first be used to offset the prior years' deficits, before paying any income taxes. Then 10% of the remaining balance is to be appropriated as legal reserve, unless such legal reserve has amounted to the paid-in capital. The remainder, if any, should be set aside as special reserve in accordance with the operating requirement and the laws, together with any undistributed retained earnings that can be distributed up to 90% of the shareholder dividend after the board of directors has made the proposal of earnings distribution, wherein the distributable dividend and bonus may be paid by issuing new shares after a resolution has been adopted in the shareholders' meeting.

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

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

(Continued)

JARLLYTEC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

1) Legal reserve

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

2) Special reserve

According to the FSC, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as special earnings reserve during earnings distribution. The amount to be reclassified should equal the current-period total net reduction of other shareholders' equity. Similarly, a portion of undistributed prior-period earnings shall be reclassified as special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

3) Earnings distribution

The amounts of cash dividends on the appropriations of earnings for 2020 and 2019 had been approved during the board meetings on May 6, 2021 and May 6, 2020, respectively.

The relevant dividend distributions to shareholders were as follows:

	2020		2019	
	Amount per share	Total amount	Amount per share	Total amount
Dividends distributed to ordinary shareholders				
Cash	\$ 2.50	<u>150,303</u>	2.50	<u>150,303</u>

(iv) OCI accumulated in reserves, net of tax

	Exchange differences on translation of foreign financial statements	Unrealized gain (losses) from financial assets measured at fair value through other comprehensive income	Total
Balance at January 1, 2021	\$ (26,973)	25,681	(1,292)
Exchange differences on foreign operations	(68,634)	-	(68,634)
Unrealized gains (losses) from financial assets measures at fair value through other comprehensive income	-	(6,559)	(6,559)
Balance at December 31, 2021	<u>\$ (95,607)</u>	<u>19,122</u>	<u>(76,485)</u>

(Continued)

JARLLYTEC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	Exchange differences on translation of foreign financial statements	Unrealized gain (losses) from financial assets measured at fair value through other comprehensive income	Total
Balance at January 1, 2020	\$ (50,236)	-	(50,236)
Exchange differences on foreign operations	23,263	-	23,263
Unrealized gains (losses) from financial assets measures at fair value through other comprehensive income	-	25,681	25,681
Balance at December 31, 2020	<u>\$ (26,973)</u>	<u>25,681</u>	<u>(1,292)</u>

(q) Earnings per share

	For the years ended December 31	
	2021	2020
Basic earnings per share		
Profit attributable to ordinary shareholders of the Company	<u>\$ 247,795</u>	<u>302,684</u>
Weighted average number of ordinary shares at December 31 (in thousands)	<u>60,121</u>	<u>60,121</u>
Basic earnings per share (in dollars)	<u>4.12</u>	<u>5.03</u>
Diluted earnings per share		
Profit attributable to ordinary shareholders of the Company (diluted)	<u>\$ 247,795</u>	<u>\$ 302,684</u>
Weighted average number of ordinary shares (diluted) at December 31 (in thousands)	60,121	60,121
Effect of employee share bonus (in thousands)	<u>291</u>	<u>447</u>
Weighted average number of ordinary shares (diluted) at December 31 (in thousands)	<u>60,412</u>	<u>60,568</u>
Diluted earnings per share (in dollars)	<u>\$ 4.10</u>	<u>5.00</u>

(Continued)

JARLLYTEC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(r) Revenue from contracts with customers

(i) Details of revenue

	For the year ended December 31, 2021		
	Hinge department	Fiber optic department	Total
Primary geographical markets:			
China	\$ 6,760,618	116,135	6,876,753
America	99,029	186,494	285,523
Thailand	3,339	-	3,339
Taiwan	119,119	1,809	120,928
Other country	150,996	9,127	160,123
Total	<u>\$ 7,133,101</u>	<u>313,565</u>	<u>7,446,666</u>

Main product/service line:

Electronic component manufacturing
and sales

	For the year ended December 31, 2020		
	Hinge department	Fiber optic department	Total
Primary geographical markets:			
China	\$ 5,162,577	57,445	5,220,022
America	102,607	74,134	176,741
Thailand	25,405	-	25,405
Taiwan	84,736	1,549	86,285
Other country	30,571	7,206	37,777
Total	<u>\$ 5,405,896</u>	<u>140,334</u>	<u>5,546,230</u>

Main product/service line:

Electronic component manufacturing and
sales

	<u>\$ 5,405,896</u>	<u>140,334</u>	<u>5,546,230</u>
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(ii) Contract balances

	December 31, 2021	December 31, 2020	January 1, 2020
Notes receivable	\$ 1,750	660	164
Accounts receivables	3,183,259	2,339,810	2,013,942
Less: loss allowance	(2,634)	(8,592)	(11,798)
Total	<u>\$ 3,182,375</u>	<u>2,331,878</u>	<u>2,002,308</u>

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

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JARLLYTEC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(s) Remuneration to employees, and directors

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

For the years ended December 31, 2021 and 2020, the Group accrued and recognized its employee remuneration amounting to \$15,538 and \$17,926 respectively; as well as its remuneration to directors amounting to \$3,884 and \$4,481 respectively. These amounts were calculated by using the Group's pre-tax net profit for the period before deducting the amounts of the remuneration to employees and directors, multiplied by the distribution of ratio of the remuneration to employees and directors based on the Company's articles of incorporation, and expensed under operating costs or expenses. Related information would be available at the Market Observation Post System website. The amounts, as stated in the financial statements are identical to those of the actual distributions for 2021 and 2020.

(t) Non-operating income and expenses

(i) Interest income

The details of interest income were as follows:

	For the years ended December 31	
	2021	2020
Interest income from bank deposits	\$ 6,486	8,171
Other interest income	355	551
	\$ 6,841	8,722

(ii) Other income

	For the years ended December 31	
	2021	2020
Rent income	\$ 33,272	42,301
Dividend income	13,382	6,933
Sample income	13,459	25,962
Mold income	8,749	83,034
Government grants income	-	28,018
Others	79,204	33,302
	\$ 148,066	219,550

(Continued)

JARLLYTEC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(iii) Other gains and losses

	For the years ended December 31	
	2021	2020
Gains (losses) on disposal of property, plant and equipment	\$ (1,158)	791
Gains (loss) on financial assets at fair value through profit or loss	7,331	(488)
Sample expenses	(19,201)	(17,335)
Mold expenses	(9,413)	(7,560)
Foreign exchange gains (losses)	(45,637)	(119,589)
Others	(15,920)	(14,518)
	<u>\$ (83,998)</u>	<u>(158,699)</u>

(iv) Finance costs

	For the years ended December 31	
	2021	2020
Interest expense	\$ 11,835	10,363
Other	3	3
	<u>\$ 11,838</u>	<u>10,366</u>

(u) Financial instruments

(i) Credit risk

1) Credit risk exposure

The carrying amount of financial assets represents the maximum amount exposed to credit risk.

2) Concentration of credit risk

The major customers of the Group are centralized in the high tech computer industry. As of December 31, 2021 and 2020, 77% and 68%, respectively, of accounts receivable were concentrated on 7 and 6 major customers, respectively. To minimize credit risk, the Group periodically evaluates the Group's financial positions and the possibility of collecting accounts receivables.

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JARLLYTEC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

3) Receivables and debt securities

For credit risk exposure of note and accounts receivables, please refer to note 6(c).

Other financial assets at amortized cost include other receivables. For the details on investments and loss allowance, please refer to note 6(d).

All of these financial assets are considered to have low risk, and thus, the impairment provision recognized during the period is limited to 12 months expected losses.

(ii) Liquidity risk

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

	<u>Carrying amount</u>	<u>Contract ual cash flow</u>	<u>within six months</u>	<u>6-12 months</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>over 5 years</u>
December 31, 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	<u>647,393</u>	<u>654,603</u>	<u>130,930</u>	<u>81,433</u>	<u>207,646</u>	<u>199,642</u>	<u>34,952</u>
(current portion included)							
	<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>
December 31, 2020							
Non derivative financial liabilities							
Short-term borrowings	\$ 384,238	384,939	384,939	-	-	-	-
Notes and accounts payable	1,690,857	1,690,857	1,690,857	-	-	-	-
Other payables	746,949	746,949	746,949	-	-	-	-
Lease liabilities	80,126	88,160	21,634	21,691	30,090	14,745	-
Long-term borrowings	<u>644,813</u>	<u>653,812</u>	<u>194,536</u>	<u>59,010</u>	<u>117,495</u>	<u>252,272</u>	<u>30,499</u>
(current portion included)							
	<u>\$3,546,983</u>	<u>3,564,717</u>	<u>3,038,915</u>	<u>80,701</u>	<u>147,585</u>	<u>267,017</u>	<u>30,499</u>

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

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JARLLYTEC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(iii) Currency risk

1) Exposure to foreign currency risk

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

	December 31, 2021			December 31, 2020			
	Foreign currency	Exchange rate	New Taiwan Dollars	Foreign currency	Exchange rate	New Taiwan Dollars	
<u>Financial assets</u>							
<u>Monetary items</u>							
USD	\$	130,965	27.680	3,625,113	109,503	28.480	3,118,649
<u>Financial liabilities</u>							
<u>Monetary items</u>							
USD		63,586	27.680	1,760,059	31,487	28.480	896,739

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 December 31, 2021 and 2020 would have increased (decreased) the net profit before tax by \$93,253 and \$111,095 respectively. The analysis for the two periods were on the same basis.

3) Foreign exchange gain and loss on monetary items

Since the Group transacts in different functional currencies, the information on foreign exchange gains (losses) on monetary items is disclosed by total amount. For the years ended December 31, 2021 and 2020, the foreign exchange gain (loss) (including realized and unrealized portions) amounted to \$(45,637) thousand and \$(119,589) thousand, respectively.

(iv) Interest rate analysis

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

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

(Continued)

JARLLYTEC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

If the interest rate had increased (decreased) by 1% basis points, the Group's net income would have decreased or increased by \$13,000 and \$10,291 for the years ended December 31, 2021 and 2020, 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.

(v) 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:

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	38,133		1,564	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	<u>\$ 5,253,636</u>	<u>38,133</u>	<u>-</u>	<u>92,195</u>	<u>130,328</u>
Financial liabilities at amortized cost:					
Short-term loans	\$ 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	<u>\$ 4,654,501</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

(Continued)

JARLLYTEC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	December 31, 2020				
	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss	\$ 30,677	27,800		2,877	30,677
Financial assets measured at amortized cost	93,225	-	-	93,225	93,225
Cash and cash equivalents					
Notes and accounts receivable	2,014,173	-	-	-	-
Other receivables	2,331,878	-	-	-	-
Subtotal	31,498	-	-	-	-
Total	4,377,549	-	-	-	-
Financial liabilities at amortized cost	<u>\$ 4,501,451</u>	<u>27,800</u>	<u>-</u>	<u>96,102</u>	<u>123,902</u>
Short-term loans	\$ 384,238	-	-	-	-
Notes and accounts payable	1,690,857	-	-	-	-
Other payable	746,949	-	-	-	-
Lease liabilities	80,126	-	-	-	-
Long term borrowings (current portion included)	644,813	-	-	-	-
Subtotal	3,546,983	-	-	-	-
Total	<u>\$ 3,546,983</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

2) Valuation techniques for financial instruments measured at fair value

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.

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".

(Continued)

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	<ul style="list-style-type: none"> Net asset value The market illiquidity discount rate (30% on December 31, 2021 and 2020) 	<ul style="list-style-type: none"> The higher market illiquidity discount, the lower fair value
Financial assets at fair value through profit or loss-Financial products	Discounted Cash Flow Method	<ul style="list-style-type: none"> Discount rate (1.00%~3.00% on December 31, 2021) 	<ul style="list-style-type: none"> The higher discount rate, the lower fair value
Financial assets at fair value through profit or loss-Private offered funds	Net Asset Value Method	<ul style="list-style-type: none"> Net asset value 	Not applicable

- (vi) Fair value measurements in Level 3—sensitivity analysis of reasonably possible alternative assumptions

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

	Input	Assumptions	Profit or loss		Other comprehensive income	
			Favorable	Unfavorable	Favorable	Unfavorable
December 31, 2021						
Financial assets at fair value through profit or loss-Financial products	Discount rate	5%	456	(456)	-	-
Financial assets at fair value through profit or loss-Private offered funds	Net asset value	5%	78	(78)	-	-
Financial assets fair value through other comprehensive income						
Equity investments without an active market	30%	5%	-	-	4,532	(4,532)
December 31, 2020						
Financial assets at fair value through profit or loss-Private offered funds	Net asset value	5%	144	(144)		
Financial assets fair value through other comprehensive income						
Equity investments without an active market	30%	5%	-	-	4,661	(4,661)

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.

(Continued)

JARLLYTEC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(v) Financial risk management

(i) Overview

The Group have exposures to the following risks from its financial instruments:

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

The following likewise discusses the Group's objectives, policies and processes for measuring and managing the abovementioned risks. For more disclosures about the quantitative effects of these risk exposures, please refer to the respective notes in the accompanying financial statements.

(ii) Risk management framework

The Group oversees how the managements supervision is in compliance with the Group's risk management policies and procedures. The general manager is responsible for developing and monitoring the Group's risk management policies and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures.

(iii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investments in debt securities.

1) Accounts and other receivables

The Risk Management Committee has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered.

Since the Group has a large customer base in mainland China, it does not significantly focused on dealing with a single customer; therefore, there is no significant concentration of the risk of account receivable. In order to reduce the credit risk, the Group also regularly assess of the financial statues of its customers, if necessary, and will require its customers to provide security or guarantee.

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JARLLYTEC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The Group sets allowance for doubtful accounts to reflect the estimated loss resulted from its accounts and notes receivable. The main portion of allowance for doubtful accounts included specific loss component related to significant exposure and loss component occurred but not recognized on similar Group of assets. The allowance for doubtful accounts of the Group was based on the statistic information of past payment of similar financial assets.

2) Investments

The exposure to credit risk for the bank deposits, fixed income investments, and other financial instruments is measured and monitored by the Group's finance department. The Group only deals with banks, other external parties, corporate organizations, government agencies and financial institutions with good credit rating. The Group believes its counterparties until meet their obligations. Hence, there is no significant credit risk arising from these counterparties.

3) Guarantees

The Group's policy is to only provide financial guarantees to its wholly owned subsidiaries. As of December 31, 2021 and 2020, no other guarantees were outstanding.

(iv) Liquidity risk

The Group manages sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. The Group's management supervises the banking facilities to ensure consistency with the terms of loan agreements.

Loans and borrowings from the bank form an important source of liquidity for the Group. As of December 31, 2021 and 2020, the Group's unused credit line amounted to \$1,939,448 and \$1,580,737, respectively.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices that will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

1) Currency risk

The Group is exposed to currency risk on sales, purchases, and borrowings that are denominated in a currency other than the respective functional currencies of the Group's entities, primarily the New Taiwan Dollar (NTD) and US Dollar (USD).

2) Interest rate risk

The Group maintains an appropriate proportion of the fixed and variable interest rate instruments and using interest rate swap contracts to mitigate the floating interest rate risk.

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JARLLYTEC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(w) Capital management

The Group's objectives for managing capital to safeguard its capacity to continue to operate and provide a return on shareholders, to maintain the interest of other related parties, and to maintain an optimal capital structure to reduce its cost of capital. The total capital and equity include share capital, capital surplus, retained earnings, and other equity, plus net debt.

The Group's debt-to-equity ratio at the end of the reporting period were as follows:

	December 31, 2021	December 31, 2020
Total liabilities	\$ 4,918,993	3,796,657
Less: cash and cash equivalents	(1,887,924)	(2,014,173)
Net liabilities	<u>\$ 3,031,069</u>	<u>1,782,484</u>
Total equity	<u>\$ 4,129,488</u>	<u>4,111,480</u>
Debt-to-equity ratio	<u>73.40%</u>	<u>43.35%</u>

(x) Investment and financing activities from non-cash transactions

Investment and financing activities from non-cash transactions were as follows:

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

(b) Assets acquired from investment activities; the reconciliation is as follows:

	Jan. 1, 2021	Cash Flow	Movements of non-cash				December 31, 2021
			Acquisition	Exchange rate	Interest expense	Other	
Lease liabilities	\$ 80,126	(40,046)	7,601	3,088	2,114	(12,906)	(39,977)

	Jan. 1, 2020	Cash Flow	Movements of non-cash				December 31, 2020
			Acquisition	Exchange rate	Interest expense	Other	
Lease liabilities	\$ 104,403	(48,229)	-	1,794	3,425	11,883	73,276

(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:

(Continued)

JARLLYTEC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	For the years ended December 31	
	2021	2020
Short-term employee benefits	\$ 25,261	21,600
Post-employment benefits	625	447
	<u>\$ 25,886</u>	<u>22,047</u>

(8) Pledged assets:

The carrying values of pledged assets were as follows:

Pledged assets	Object	December 31, 2021	December 31, 2020
Land	Secured loans	\$ 1,016,281	1,016,281
Buildings	Secured loans	230,492	241,154
Bank deposits (classified as prepayments and other current assets)	Performance guarantee	-	1,000
Bank deposits (classified as prepayments and other current assets)	Performance guarantee	174	175
Bank guarantee (classified as prepayments and other non-current assets-other)	Performance guarantee	-	1,139
		<u>\$ 1,246,947</u>	<u>1,259,749</u>

(9) Commitments and contingencies:

The Group's significant contractual commitments were as follows:

	December 31, 2021	December 31, 2020
Acquisition of property, plant and equipment	<u>\$ 64,122</u>	<u>90,432</u>

(10) Losses Due to Major Disasters: None

(11) Subsequent Events: None

(Continued)

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

(12) Other:

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

By item	By function	2021			2020		
		Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Employee benefits							
Salaries		859,107	297,659	1,156,766	580,929	310,829	891,758
Labor and health insurance		42,082	21,629	63,711	30,471	17,951	48,422
Pension		37,438	34,734	72,172	9,339	9,282	18,621
Remuneration of directors		-	5,510	5,510	-	6,371	6,371
Others		47,299	16,855	64,154	31,537	15,961	47,498
Depreciation		217,896	36,478	254,374	191,268	30,550	221,818
Amortization		8,714	14,915	23,629	4,891	16,017	20,908

(Continued)

JARLLYTEC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(13) Other disclosures:

(a) Information on significant transactions:

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

(i) Loans to other parties:

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance Of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Nature of financing (Note 3)	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits (Note 1 & 2)	Maximum limit of fund financing (Note 1 & 2)
													Item	Value		
0	The Company	Jarson Precision Technology Co., Ltd.	Other receivables	Yes	40,000	20,000	18,000 (Note 4)	2%	2	-	Operating turnover	-		-	550,598	1,651,794
0	The Company	Chian Fuh Enterprise Co., Ltd.	Other receivables	No	5,000	-	-	2%	2	-	Operating turnover	-		-	550,598	1,651,794
1	Royal Jarlly Holding Ltd.	Jarlly Technology (Shanghai) Co., Ltd.	Other receivables	Yes	74,736	74,736	69,999 (Note 4)	0%	2	-	Operating turnover	-		-	1,390,252	1,390,252
2	Jarlly Technology (Shanghai) Co., Ltd.	Kunshan Jarlly Electronics Ltd.	Other receivables	Yes	17,376	-	-	2%	2	-	Operating turnover	-		-	270,345	270,345
3	Fu Qing Jarlly Electronics Co., Ltd.	Xiamen Jarlly Electronics Co., Ltd.	Other receivables	Yes	78,192	39,096	39,096 (Note 4)	2%	2	-	Operating turnover	-		-	551,432	551,432
3	Fu Qing Jarlly Electronics Co., Ltd.	Kunshan Jarlly Electronics Ltd.	Other receivables	Yes	65,160	65,160	65,160 (Note 4)	2%	2	-	Operating turnover	-		-	551,432	551,432
4	Jarlly Technology (Chongqing) Co., Ltd.	Kunshan Jarlly Electronics Ltd.	Other receivables	Yes	30,408	30,408	30,408 (Note 4)	2%	2	-	Operating turnover	-		-	174,170	174,170
4	Jarlly Technology (Chongqing) Co., Ltd.	Jarlly Technology (Shanghai) Co., Ltd.	Other receivables	Yes	86,880	43,440	43,440 (Note 4)	2%	2	-	Operating turnover	-		-	174,170	174,170
5	Smart Hinge Holdings Ltd.	Great Hinge Trading Ltd.	Other receivables	Yes	49,824	49,824	49,824 (Note 4)	0%	2	-	Operating turnover	-		-	1,420,185	1,420,185
6	Jarlly Electronics Technology (Shanghai) Co., Ltd.	Jarlly Technology (Shanghai) Co., Ltd.	Other receivables	Yes	43,440	43,440	-	2%	2	-	Operating turnover	-		-	269,415	269,415

Note 1: The total amount available for financing purposes shall not exceed 40% of the Company's net worth. The total amount for short-term financing to one entity shall not exceed one third of the Company's loanable amount or 40% of the net transaction amount in recent year, whichever is lower.

Note 2: Subsidiaries

- (a) The total amount available for financing purposes shall not exceed 60% of the subsidiaries' net worth. The total amount for short-term financing to one entity shall not exceed one third of the subsidiaries' loanable amount or 40% of the transaction amount in recent year, whichever is lower.
- (b) For the entities that have short-term financing needs but have no business transaction with the Company, the total amount available for financing purposes shall not exceed 40% of the subsidiaries' net worth.
- (c) For short-term financing needs, the amount available for financing of each entity shall not exceed 1/3 of the Company's loanable amount.
- (d) For those foreign subsidiaries in which the Company, directly or indirectly, owned 100% of their shares the amount available for financing shall not exceed the 60% of the Company's net worth.

Note 3: Financing purpose

- (a) 1 for entities the Company has business transactions with.
- (b) 2 for entities that have short-term financing needs.

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

(Continued)

JARLLYTEC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(ii) Guarantees and endorsements for other parties:

No.	Name of guarantor and endorsements	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date (Note 3)	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements (Note 1)	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company (Note 2)										
0	The Company	Jarllly Technology (Shanghai) Co., Ltd.	2	1,376,496	332,160	332,160	221,440	-	8.04%	1,651,794	Y	N	Y
0	The Company	Jarllly Precision Technology Co., Ltd.	2	1,376,496	70,000	40,000	30,000	-	0.97%	1,651,794	Y	N	N
0	The Company	Jarllly Technology (Chongqing) Co., Ltd.	2	1,376,496	55,360	55,360	55,360	-	1.34%	1,651,794	Y	N	Y
0	The Company	Kunshan Jarllly Electronics Ltd.	2	1,376,496	55,360	55,360	55,360	-	1.34%	1,651,794	Y	N	Y
0	The Company	Jellytec (Vietnam) Co., Ltd.	2	1,376,496	110,720	110,720	-	-	2.68%	1,651,794	Y	N	N

Note 1: The total amount available for endorsement provided to others shall not exceed 40% of the Company's net worth (audited by Certified Public Accountant on December 31, 2021); 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 December 31, 2021 (excluding investment in subsidiaries, associates and joint ventures):

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Highest Percentage of ownership (%)	Note
				Shares (thousands)	Carrying value	Percentage of ownership (%)	Fair value		
The Company	WK Technology Fund IX Ltd.	-	Non-current financial assets at fair value through other comprehensive income	4,614	65,262	4.61%	65,262	4,614	
Fu Qing Jarllly Electronics Co., Ltd.	Fuqing Jelly Plastic Product Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	-	3,475	16.00%	3,475	3,475	
Fu Qing Jarllly Electronics Co., Ltd.	Chongqing Jelly Plastics Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	-	2,345	18.00%	2,345	2,345	
Fu Qing Jarllly Electronics Co., Ltd.	Chongqing Yuli Hardware Products Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	-	4,691	18.00%	4,691	4,691	
Xiamen Jarllly Electronics Co., Ltd.	Kunshan Huli Precision Hardware Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	-	4,126	19.00%	4,126	4,126	
Xiamen Jarllly Electronics Co., Ltd.	Xiamen Jinyao Precision Hardware Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	-	4,126	19.00%	4,126	4,126	
Kunshan Jarllly Electronics Co., Ltd.	Kunshan Huli Precision Hardware Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	-	6,602	19.00%	6,602	6,602	
Jarllly Technology (Shanghai) Co., Ltd.	Bank of Ningbo, structure deposit	-	Current financial assets at fair value through profit or loss	-	30,408	- %	30,408	30,408	
Jarwin Investment Co., Ltd.	Asustek Computer Inc., Stock	-	Current financial assets at fair value through profit or loss	10	3,543	- %	3,543	10	
Jarwin Investment Co., Ltd.	International Games System Co., Ltd., stock	-	Current financial assets at fair value through profit or loss	5	3,965	- %	3,965	15	

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

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Highest Percentage of ownership (%)	Note
				Shares (thousands)	Carrying value	Percentage of ownership (%)	Fair value		
Jarwin Investment Co., Ltd.	Treasure Cay Private Equity Fund	-	Non-current financial assets at fair value through profit or loss	-	1,564	- %	1,564	-	

- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock:

Name of company	Category and name of security	Account name	Name of counter-party	Relationship with the company	Beginning Balance		Purchases		Sales				Ending Balance	
					Shares (thousands)	Amount	Shares	Amount	Shares	Price	Cost	Gain (loss) on disposal	Shares	Amount
Jarllly Technology (Shanghai) Co., Ltd.	Product of Fubon China (Yue Xiang Ying)	Current financial assets at fair value through profit or loss	Fubon Bank (China) Co., Ltd.	not related party	-	-	-	123,804	-	125,403	123,804	1,599	-	-
Jarllly Technology (Shanghai) Co., Ltd.	Product of Fubon China (Yue Xiang Ying)	Current financial assets at fair value through profit or loss	Fubon Bank (China) Co., Ltd.	not related party	-	-	-	183,491	-	184,143	183,491	652	-	-
Jarllly Technology (Chongqing) Co., Ltd.	Product of Fubon China (Yue Xiang Ying)	Current financial assets at fair value through profit or loss	Fubon Bank (China) Co., Ltd.	not related party	-	-	-	152,040	-	153,277	152,040	1,237	-	-
Fu Qing Jarllly Electronics Co., Ltd.	Structured deposit product of Bank of China	Current financial assets at fair value through profit or loss	Bank of China	not related party	-	-	-	397,042	-	400,570	397,042	3,528	-	-
Fu Qing Jarllly Electronics Co., Ltd.	Structured deposit product of Xiamen Bank	Current financial assets at fair value through profit or loss	Xiamen Bank	not related party	-	-	-	165,072	-	167,501	165,072	2,429	-	-

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

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JARLLYTEC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
Jarson Precision Technology Co., Ltd.	The Company	Associates	Sale	(346,061)	90.46%	150 days	-	150 days for related parties; 30~180 days for third-parties.	182,972	97.16%	Note
The Company	Jarson Precision Technology Co., Ltd.	Associates	Purchase	346,061	14.25%	150 days	-	150 days for related parties; 30~180 days for third-parties.	(182,972)	15.69%	Note
Dong Guan Jarlly Electronics Co., Ltd.	The Company	Associates	Sale	(270,484)	65.68%	150 days	-	150 days for related parties; 30~180 days for third-parties.	109,174	81.57%	Note
The Company	Dong Guan Jarlly Electronics Co., Ltd.	Associates	Purchase	270,484	11.14%	150 days	-	150 days for related parties; 30~180 days for third-parties.	(109,174)	9.36%	Note
Fu Qing Jarlly Electronics Co., Ltd.	The Company	Associates	Sale	(196,907)	22.59%	150 days	-	150 days for related parties; 120~150 days for third-parties.	74,515	25.62%	Note
The Company	Fu Qing Jarlly Electronics Co., Ltd.	Associates	Purchase	196,907	8.11%	150 days	-	150 days for related parties; 120~150 days for third-parties.	(74,515)	6.39%	Note
Kunshan Jarlly Electronics Ltd.	The Company	Associates	Sale	(549,586)	40.41%	150 days	-	150 days for related parties; 30~180 days for third-parties.	245,193	40.09%	Note
The Company	Kunshan Jarlly Electronics Ltd.	Associates	Purchase	549,586	22.63%	150 days	-	150 days for related parties; 120~150 days for third-parties.	(245,193)	21.02%	Note
Jarlly Technology (Chongqing) Co., Ltd.	The Company	Associates	Sale	(149,067)	17.86%	150 days	-	150 days for related parties; 120~150 days for third-parties.	43,711	13.18%	note
The Company	Jarlly Technology (Chongqing) Co., Ltd.	Associates	Purchase	149,067	6.14%	150 days	-	150 days for related parties; 120~150 days for third-parties.	(43,711)	3.75%	Note
Jarlly Technology (Shanghai) Co., Ltd.	The Company	Associates	Sale	(182,373)	10.69%	150 days	-	150 days for related parties; 120~150 days for third-parties.	121,222	12.37%	Note
The Company	Jarlly Technology (Shanghai) Co., Ltd.	Associates	Purchase	182,373	7.51%	150 days	-	150 days for related parties; 30~180 days for third-parties.	(121,222)	10.39%	Note
Jarlly Technology (Shanghai) Co., Ltd.	Royal Jarlly Holding Ltd.	Associates	Sale	(304,183)	17.83%	150 days	-	150 days for related parties; 30~180 days for third-parties.	61,713	6.30%	Note
Royal Jarlly Holding Ltd.	Jarlly Technology (Shanghai) Co., Ltd.	Associates	Purchase	304,183	38.74%	150 days	-	150 days for related parties; 30~180 days for third-parties.	(61,713)	25.41%	Note
Kunshan Jarlly Electronics Ltd.	Royal Jarlly Holding Ltd.	Associates	Sale	(378,051)	27.80%	150 days	-	150 days for related parties; 30~180 days for third-parties.	152,800	24.98%	Note
Royal Jarlly Holding Ltd.	Kunshan Jarlly Electronics Ltd.	Associates	Purchase	378,051	48.15%	150 days	-	150 days for related parties; 120~180 days for third-parties.	(152,800)	62.93%	note
Jarlly Technology (Chongqing) Co., Ltd.	Royal Jarlly Holding Ltd.	Associates	Sale	(114,541)	13.72%	150 days	-	150 days for related parties; 120~180 days for third-parties.	28,450	8.58%	note
Royal Jarlly Holding Ltd.	Jarlly Technology (Chongqing) Co., Ltd.	Associates	Purchase	114,541	14.59%	150 days	-	150 days for related parties; 120~180 days for third-parties.	(28,450)	11.72%	Note
Xiamen Jarlly Electronics Co., Ltd.	The Company	Associates	Sale	(70,261)	36.92%	150 days	-	150 days for related parties; 30~180 days for third-parties.	29,913	57.11%	Note
The Company	Xiamen Jarlly Electronics Co., Ltd.	Associates	Purchase	70,261	2.89%	150 days	-	150 days for related parties; 120~150 days for third-parties.	(29,913)	2.56%	Note

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

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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	Turnover rate	Overdue		Amounts received in subsequent period	Allowance for bad debts
					Amount	Action taken		
Jarson Precision Technology Co., Ltd.	The Company	Associates	182,972	1.98	-	-	45,968	-
Dong Guan Jarlly Electronics Co., Ltd.	The Company	Associates	109,174	2.82	-	-	50,636	-
Kunshan Jarlly Electronics Ltd.	The Company	Associates	245,193	2.93	-	-	59,686	-
Jarlly Technology (Shanghai) Co., Ltd.	The Company	Associates	121,222	3.01	-	-	-	-
Kunshan Jarlly Electronics Ltd.	Royal Jarlly Holding Ltd.	Associates	152,800	2.03	-	-	88,053	-

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

(ix) Trading in derivative instruments: None.

(x) Business relationships and significant intercompany transactions:

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	The Company	Jarson Precision Technology Co., Ltd.	1	Other receivables	41,519	follow the agreement	0.46%
0	The Company	Jarlly Technology (Shanghai) Co., Ltd.	1	Other income	25,577	follow the agreement	0.34%
0	The Company	Jarlly Technology (Shanghai) Co., Ltd.	1	Other receivables	25,302	follow the agreement	0.28%
1	Jarson Precision Technology Co., Ltd.	The Company	2	Right-of-use assets	25,776	follow the agreement	0.28%
1	Jarson Precision Technology Co., Ltd.	The Company	2	Sales revenue	346,061	mark up by cost	4.65%
1	Jarson Precision Technology Co., Ltd.	The Company	2	Accounts receivable	182,972	150 days	2.02%
2	Royal Jarlly Holding Ltd.	Jarlly Technology (Shanghai) Co., Ltd.	3	Other receivables	69,999	follow the agreement	0.77%
3	Jarlly Technology (Chongqing) Co., Ltd.	The Company	2	Sales revenue	149,067	mark up by cost	2.00%
3	Jarlly Technology (Chongqing) Co., Ltd.	The Company	2	Accounts receivable	43,711	150 days	0.48%
3	Jarlly Technology (Chongqing) Co., Ltd.	Jarlly Technology (Shanghai) Co., Ltd.	3	Other receivables	43,642	follow the agreement	0.48%
3	Jarlly Technology (Chongqing) Co., Ltd.	Kunshan Jarlly Electronics Ltd.	3	Other receivables	30,561	follow the agreement	0.34%
3	Jarlly Technology (Chongqing) Co., Ltd.	Royal Jarlly Holding Ltd.	3	Sales revenue	114,541	mark up by cost	1.54%
3	Jarlly Technology (Chongqing) Co., Ltd.	Royal Jarlly Holding Ltd.	3	Accounts receivable	28,450	150 days	0.31%
4	Dong Guan Jarlly Electronics Co., Ltd.	The Company	2	Sales revenue	270,484	mark up by cost	3.63%
4	Dong Guan Jarlly Electronics Co., Ltd.	The Company	2	Accounts receivable	109,174	150 days	1.21%
5	Fu Qing Jarlly Electronics Co., Ltd.	The Company	2	Sales revenue	196,907	mark up by cost	2.64%
5	Fu Qing Jarlly Electronics Co., Ltd.	The Company	2	Accounts receivable	74,515	150 days	0.82%
5	Fu Qing Jarlly Electronics Co., Ltd.	Xiamen Jarlly Electronics Co., Ltd.	3	Other receivables	39,096	follow the agreement	0.43%
5	Fu Qing Jarlly Electronics Co., Ltd.	Kunshan Jarlly Electronics Ltd.	3	Other receivables	65,160	follow the agreement	0.72%
6	Kunshan Jarlly Electronics Ltd.	The Company	2	Sales revenue	549,586	mark up by cost	7.38%
6	Kunshan Jarlly Electronics Ltd.	The Company	2	Accounts receivable	245,193	150 days	2.71%
6	Kunshan Jarlly Electronics Ltd.	Royal Jarlly Holding Ltd.	3	Sales revenue	378,051	mark up by cost	5.08%

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JARLLYTEC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
6	Kunshan Jarlly Electronics Ltd.	Royal Jarlly Holding Ltd.	3	Accounts receivable	152,800	150 days	1.69%
7	Jarlly Technology (Shanghai) Co., Ltd.	The Company	2	Sales revenue	182,373	mark up by cost	2.45%
7	Jarlly Technology (Shanghai) Co., Ltd.	The Company	2	Accounts receivable	121,222	150 days	1.34%
7	Jarlly Technology (Shanghai) Co., Ltd.	Royal Jarlly Holding Ltd.	3	Sales revenue	304,183	mark up by cost	4.08%
7	Jarlly Technology (Shanghai) Co., Ltd.	Royal Jarlly Holding Ltd.	3	Accounts receivable	61,713	150 days	0.68%
8	Xiamen Jarlly Electronics Co., Ltd.	The Company	2	Sales revenue	70,261	mark up by cost	0.94%
8	Xiamen Jarlly Electronics Co., Ltd.	The Company	2	Accounts receivable	29,913	150 days	0.33%
8	Xiamen Jarlly Electronics Co., Ltd.	Fu Qing Jarlly Electronics Co., Ltd.	3	Other income	24,987	mark up by cost	0.34%
9	Smart Hinge Holdings Ltd.	Great Hinge Trading Ltd.	3	Other receivables	49,824	follow the agreement	0.55%
10	Jarlly Electronics Technology (Shanghai) Co., Ltd.	Jarlly Technology (Shanghai) Co., Ltd.	3	Other income	27,617	follow the agreement	0.37%

Note 1: (a) 0 represents The Company

(b) 1 and thereafter represent subsidiaries

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

(a) Parent to subsidiary

(b) Subsidiary to parent

(c) Subsidiary to subsidiary

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

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2021 (excluding information on investees in Mainland China):

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2021			Highest Percentage of ownership (%)	Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2021	December 31, 2020	Shares (thousands)	Percentage of ownership	Carrying value				
The Company	Great Hinge Trading Ltd.	British Virgin Islands	Investment industry	318	318	10	100%	40,326	100%	(13,082)	(13,082)	Note
The Company	Smart Hinge Holdings Ltd.	British Virgin Islands	Investment industry	750,588	750,588	23,434	100%	2,366,613	100%	37,211	38,457	Note
The Company	Jarson Precision Technology Co., Ltd.	Republic of China	Powder metallurgy industry	134,076	134,076	11,480	100%	263,071	100%	64,897	66,129	Note
The Company	JARLLYTEC USA L.L.C.	America	Computer design and service	2,959	2,959	-	100%	31	100%	(1,684)	(1,684)	Note
The Company	Jarwin Investment Co., Ltd.	Republic of China	Investment industry	50,000	50,000	5,000	100%	57,002	100%	7,169	7,169	Note
The Company	JARLLYTEC SINGAPORE PTE. LTD.	Singapore	Computer design and service	423	-	-	100%	30	100%	(381)	(381)	Note
Great Hinge Trading Ltd.	Main Source Logistic Ltd.	British Virgin Islands	Electronic equipment and mold trading	-	318	-	- %	-	-	(2,841)	(2,841)	Note
Great Hinge Trading Ltd.	JARLLYTEC (VIETNAM) CO., LTD.	Vietnam	Sale and produce Precision Hinge	166,723	-	-	100%	136,228	100%	(1,225)	(1,225)	Note
Smart Hinge Holdings Ltd.	Royal Jarlly Holding Ltd.	Hong Kong	Investment industry	750,588	750,588	23,434	100%	2,317,088	100%	37,189	37,189	Note
Royal Jarlly Holding Ltd.	JARLLYTEC (THAILAND) CO., LTD.	Thailand	Sale and produce Precision Hinge	149,229	149,229	2,000	100%	127,139	100%	273	273	Note

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

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JARLLYTEC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(c) Information on overseas branches and representative offices:

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

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment note 1	Accumulated outflow of investment from Taiwan as of January 1, 2020	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2021	Net income (losses) of the investee	Percentage of ownership	Highest Percentage of ownership	Invest income (losses) note 2 and note 3	Book value note 3	Accumulated remittance of earnings in current period
					Outflow	Inflow							
Jarllly Technology (Shanghai) Co., Ltd.	Sale and produce special purpose material of component equipment	261,462	(2)	131,272	-	-	131,272	(22,487)	100.00%	100.00%	(22,487)	450,575	-
Fu Qing Jarllly Electronics Co., Ltd.	Sale and produce Precision Hinge	240,658	(2)	27,370	-	-	27,370	28,815	100.00%	100.00%	28,815	919,055	-
Dong Guan Jarllly Electronics Co., Ltd.	Sale and produce Precision Hinge	81,466	(2)	81,466	-	-	81,466	2,277	100.00%	100.00%	2,277	109,421	15,366
Kunshan Jarllly Electronics Ltd.	Sale and produce Precision Hinge	71,906	(2)	65,369	-	-	65,369	11,703	100.00%	100.00%	11,703	48,539	-
Jarllly Electronics Technology (Shanghai) Co., Ltd.	Sale and produce Precision Hinge	473,450	(2)	386,330	-	-	386,330	5,079	100.00%	100.00%	5,079	449,026	-
Xiamen Jarllly Electronics Co., Ltd.	Sale and produce Precision Hinge	43,801	(2)	29,281	-	-	29,281	19,195	100.00%	100.00%	19,195	80,754	-
Jarllly Technology (Chongqing) Co., Ltd.	Sale and produce Precision Hinge	61,722	(2)	29,500	-	-	29,500	(8,234)	100.00%	100.00%	(8,234)	290,284	-

Note 1: Investments are made through one of three ways:

- (1) Direct investment from Mainland China
- (2) Indirect investment from third-party country
- (3) Others

Note 2: The recognition of gain and loss on investment based on the financial report which was assured by R.O.C. Accountant.

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

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2021	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
735,222	735,222	2,477,692

(iii) Significant transactions:

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

(d) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
Sunrise Investment Co., Ltd.		6,100,000	10.14%
Dellson Investment Co., Ltd.		3,492,000	5.80%

Note: 1. The information on major shareholders, which is provided by Taiwan Depositor & Clearing Corporation, summarized the shareholders who held over 5% of total non-physical common stocks and preferred stocks (including treasury stocks) on the last business date of each quarter. The registered non-physical stocks may be different from the capital stocks disclosed in the financial statement due to different calculation basis.

2. If shares are entrusted, the above information regarding such shares will be revealed by each trustor of individual trust account. The shareholders holding more than 10% of the total shares of the company should declare insider's equity according to Securities and Exchange Act. The numbers if the shares declared by the insider include the shares of the trust assets which the insiders has discretion over use. For details of the insider's equity announcement please refer to the TWSE website.

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

(14) Segment information:

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

	For the year ended December 31, 2021			
	Segment hinge	Segment fiber optic	Reconciliation and elimination	Total
Revenue				
Revenue from external customers	\$ 7,133,101	313,565	-	7,446,666
Intersegment revenues	-	-	-	-
Interest revenue	6,841	-	-	6,841
Total revenue	<u>\$ 7,139,942</u>	<u>313,565</u>	<u>-</u>	<u>7,453,507</u>
Reportable segment profit or loss	<u>\$ 252,758</u>	<u>36,264</u>	<u>-</u>	<u>289,022</u>
	For the year ended December 31, 2020			
	Segment hinge	Segment fiber optic	Reconciliation and elimination	Total
Revenue				
Revenue from external customers	\$ 5,405,896	140,334	-	5,546,230
Intersegment revenues	-	-	-	-
Interest revenue	8,722	-	-	8,722
Total revenue	<u>\$ 5,414,618</u>	<u>140,334</u>	<u>-</u>	<u>5,554,952</u>
Reportable segment profit	<u>\$ 351,833</u>	<u>16,384</u>	<u>-</u>	<u>368,217</u>

Note: The amounts of intersegment assets were not provided to the Group, thus, there were no disclosed amounts.

JARLLYTEC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(b) Product and service information

Revenue from the external customers of the Group was as follows:

<u>Product and service</u>	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Hinge	\$ 7,133,101	5,405,896
Fiber optic	313,565	140,334
Total	<u>\$ 7,446,666</u>	<u>5,546,230</u>

(c) Geographic information

In presenting information on the basis of geography, segment revenue was based on the geographical location of customers, while segment assets were based on the geographical location of the assets.

<u>Geographical information</u>	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Revenue from external customers:		
China	\$ 6,876,753	5,220,022
United States	285,523	176,741
Thailand	3,339	25,405
Taiwan	120,928	86,285
Other countries	160,123	37,777
	<u>\$ 7,446,666</u>	<u>5,546,230</u>
	<u>December 31,</u>	<u>December 31,</u>
	<u>2021</u>	<u>2020</u>
Non-current assets:		
Taiwan	\$ 1,777,498	1,746,621
China	1,050,910	855,160
Total	<u>\$ 2,828,408</u>	<u>2,601,781</u>

Non-current assets include property, plant and equipment, right-of-use assets, intangible assets, prepayment for business facilities, and other assets, excluding financial instruments and deferred tax assets.

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JARLLYTEC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(d) Major customers

	For the year ended December 31, 2021
A customer of hinge division	\$ 684,820
E customer of hinge division	<u>1,461,903</u>
	<u>\$ 2,146,723</u>
	For the year ended December 31, 2020
A customer of hinge division	\$ 892,758
E customer of hinge division	<u>1,315,998</u>
	<u>\$ 2,208,756</u>