Stock Code:3548

JARLLYTEC CO., LTD.

Parent Company Only 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 parent company only 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 parent company only financial statements, the Chinese version shall prevail.

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Independent Auditors' Report

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

Opinion

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing 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 Parent Company Only Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

1. Revenue recognition

   Please refer to Note 4(m) "Revenue recognition"

   Description of key audit matter:

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

How the matter was addressed in our audit:

Our principal audit procedures included:

(1) Understanding the design and implementation of internal controls over revenue recognition and verifying the compliance of accounting policy.

(2) Testing the manual control of sales and collection cycle.

(3) Analyzing the changes in sales revenue from top ten clients and comparing them with those of the same period in the previous year to confirm whether or not there are significant exceptions or irregular transactions exist.

(4) Examining the vouchers to determine the appropriate cut offs for revenue recognition within selected periods before and after the balance sheet date to evaluate whether the revenue was recorded in the appropriate period.

2. Impairment evaluation of accounts receivable

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

Description of key audit matter:

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

How the matter was addressed in our audit:

Our principal audit procedures included:

(1) Assessing the rationality of the provision policy and verifying the compliance of provision policy for accounts receivable allowance.

(2) Examining the aging analysis table and checking the amount of receivables received after the balance date, as well as discussing with the management to assess the whether or not the provision is reasonable.

(3) Evaluating the adequacy of the Company’s disclosure for bad debt allowance.

3. Inventory valuation

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

Description of key audit matter:

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

How the matter was addressed in our audit:

Our principal audit procedures included:

(1) Examining the inventory aging report and analyzing the trends of inventory aging.

(2) Evaluating the rationality of the provision policy and verifying the compliance of provision policy for inventory valuation.

(3) Assessing the adequacy of the Company's disclosure for inventories.

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

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines is necessary to enable the preparation of **parent company only** financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Parent Company Only Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 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 parent company only financial statements are intended only to present the financial position, financial performance and cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such parent company only financial statements are those generally accepted and applied in the Republic of China.

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

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

JARLLYTEC CO., LTD.

Balance Sheets

December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2021		December 31, 2020	
	Assets	**Amount**	**%**	**Amount**	**%**
	Current assets:				
1100	Cash and cash equivalents(Note 6(a))	$ 680,947	10	653,396	10
1170	Notes and accounts receivables, net(Note 6(c)(q))	1,426,061	21	932,974	15
1180	Accounts receivables - related parties, net(Note 6(c)(q) and 7)	16,698	-	11,437	-
1200	Other receivables, net(Note 6(d))	21,022	-	21,226	-
1210	Other receivables - related parties(Note 6(d) and 7)	84,311	1	44,335	1
1220	Current tax assets	-	-	23,110	-
130X	Inventories(Note 6(e))	232,915	4	130,894	2
1410	Prepayments and other current assets (Note 8)	27,072	-	32,627	1
	Total current assets	2,489,026	36	1,849,999	29
	Non-current assets:				
1517	Non-current financial assets at fair value through other comprehensive income (Note 6(b))	65,262	1	71,821	1
1550	Investments accounted for using equity method, net(Note 6(f))	2,727,073	39	2,699,059	43
1600	Property, plant and equipment(Note 6(g) and 8)	1,533,493	22	1,609,766	26
1755	Right-of-use assets(Note 6(h))	734	-	200	-
1780	Intangible assets	10,746	-	8,842	-
1840	Deferred income tax assets(Note 6(n))	39,629	1	47,384	1
1915	Prepayments for business facilities	52,408	1	4,264	-
1990	Other non-current assets, others(Note 8)	9,867	-	10,637	-
	Total non-current assets	4,451,973	64	4,451,973	71
	Total assets	$ 6,928,238	100	6,301,972	100

		December 31, 2021		December 31, 2020	
	Liabilities and Equity	**Amount**	**%**	**Amount**	**%**
	Current liabilities:				
2100	Short-term borrowings(Note 6(i) and 8)	$ 215,000	3	240,000	4
2170	Notes and accounts payables	379,042	5	140,731	2
2180	Accounts payables - related parties(Note 7)	806,331	12	587,321	10
2200	Other payables	520,297	8	346,231	5
2220	Other payables - related parties(Note 7)	4,079	-	29,897	-
2230	Income tax payable	9,819	-	-	-
2280	Current lease liabilities(Note 6(k))	257	-	207	-
2300	Other current liabilities	20,523	-	6,322	-
2322	Long-term borrowings, current portion(Note 6(j) and 8)	209,043	3	249,978	4
	Total current liabilities	1,600,687	31	1,600,687	25
	Non-Current liabilities:				
2540	Long-term borrowings(Note 6(j) and 8)	438,350	6	394,835	7
2570	Deferred income tax liabilities(Note 6(n))	148,354	2	169,694	3
2580	Non-current lease liabilities(Note 6(k))	521	-	-	-
2640	Net defined benefit liability, non-current(Note 6(m))	46,794	1	24,436	-
2670	Other non-current liabilities, others	340	-	840	-
	Total non-current liabilities	634,359	9	589,805	10
	Total liabilities	2,798,750	40	2,190,492	35
	Equity (Note 6(o)):				
3110	Ordinary share	601,214	9	601,214	10
3200	Capital surplus	1,334,534	20	1,334,534	21
	Retained earnings:				
3310	Legal reserve	380,412	5	349,873	5
3320	Special reserve	1,292	-	50,236	1
3350	Unappropriated retained earnings	1,888,521	27	1,776,915	28
	Total retained earnings	2,270,225	32	2,177,024	34
	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	60	4,111,480	65
	Total liabilities and equity	$ 6,928,238	100	6,310,972	100

See accompanying notes to financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

JARLLYTEC CO., LTD.

Statements of Comprehensive Income

For the years ended December 31, 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(q) and 7)**	$ 3,551,941	100	1,920,084	100
5000	**Operating costs (Note 6(e)(k)(m) and 7)**	2,995,433	84	1,660,270	86
	Gross profit	556,508	16	259,814	14
5920	Unrealized loss (profit) from sales	(383)	-	(370)	-
	Net gross profit	556,125	16	259,444	14
	Operating expenses (Note 6(c)(k)(m)(r)):				
6100	Selling expenses	264,677	7	117,475	6
6200	Administrative expenses	146,013	4	126,383	7
6300	Research and development expenses	121,182	3	150,219	8
6450	Expect credit loss (gain)	(1,855)	-	2,384	-
	Total operating expenses	530,017	14	396,461	21
	Net operating income (loss)	26,108	2	(137,017)	(7)
	Non-operating income and expenses:				
7010	Other income (Note 6(s) and 7)	165,310	5	166,011	9
7020	Other gains and losses, net (Note 6(s) and 7)	(22,740)	(1)	(19,271)	(1)
7050	Finance costs (Note 6(k)(s))	(5,721)	-	(5,025)	-
7070	Share of profit of associates accounted for using equity method	96,608	3	305,600	16
7100	Interest income (Note 6(s))	1,302	-	2,646	-
7630	Foreign exchange losses	(21,330)	(1)	(36,592)	(2)
	Total non-operating income and expenses	213,429	6	413,369	22
7900	**Profit from continuing operations before tax**	239,537	8	276,352	15
7950	Less: Income tax expenses (gains) (Note 6(n))	(8,258)	-	(26,332)	(1)
	Profit	247,795	8	302,684	16
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(m))	(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)	(2)	23,263	1
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
	Components of other comprehensive income (loss) that will be reclassified to profit or loss	(68,634)	(2)	23,263	1
8300	**Other comprehensive income, net of tax**	(79,484)	(2)	51,655	2
8500	**Total comprehensive income**	$ 168,311	6	354,339	18
	Earnings per share (NT dollars) (Note 6(p))				
9750	Basic earnings per share	$ 4.12		5.03	
9850	Diluted earnings per share	$ 4.10		5.00	

See accompanying notes to financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

JARLLYTEC CO., LTD.

Statements of Changes in Equity

For the years ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

			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 Parent Company Only Financial Statements Originally Issued in Chinese)

JARLLYTEC CO., LTD.

Statements of Cash Flows

For the years ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	2021	2020
Cash flows from operating activities:		
Profit before tax	$ 239,537	276,352
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	125,664	125,426
Amortization expense	8,079	5,854
Expected credit loss	(1,856)	2,384
Interest expense	5,721	5,025
Interest revenue	(1,302)	(2,646)
Dividend revenue	(7,844)	(1,015)
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	(96,608)	(305,600)
Gain from disposal of property, plant and equipment	(590)	(1,026)
Unrealized loss from sales	383	370
Total adjustments to reconcile profit (loss)	31,647	(171,228)
Changes in operating assets and liabilities:		
Notes receivables	(236)	(496)
Accounts receivables	(490,995)	(563,446)
Accounts receivables-related parties	(5,261)	(3,531)
Other receivables	73	1,895
Other receivable-related parties	(39,976)	8,226
Inventories	(102,021)	71,878
Prepayments	(6,964)	1,799
Other current assets	(2,327)	8,149
Other financial assets	14,846	28,993
Notes payables	12,183	(3,508)
Accounts payables	226,128	(24,555)
Accounts payables-related parties	219,010	509,258
Other payables	174,083	(8,565)
Other payables-related parties	(25,818)	(83,197)
Other current liabilities	14,201	3,465
Net defined benefit liability	18,067	699
Total changes in operating assets and liabilities	4,993	(52,936)
Total adjustments	36,640	(224,164)
Cash inflow generated from operations	276,177	52,188
Interest received	1,433	2,507
Interest paid	(5,738)	(4,922)
Income taxes (paid) refund	27,602	(5,971)
Net cash flows from operating activities	299,474	43,802
Cash flows used in investing activities:		
Acquisition of investments accounted for using equity method	(423)	(50,000)
Acquisition of property, plant and equipment	(56,602)	(226,191)
Proceeds from disposal of property, plant and equipment	8,044	2,506
Acquisition of intangible assets	(5,450)	(3,030)
Decrease (increase) in prepayments for business facilities	(48,144)	106,871
Increase in other non-current assets	(3,763)	(9,659)
Dividends received	7,844	16,381
Net cash flows used in investing activities	(98,494)	(163,122)
Cash flows from financing activities:		
Increase (decrease) in short-term borrowings	(25,000)	160,000
Proceeds from long-term borrowings	473,412	367,507
Repayments of long-term borrowings	(470,832)	(31,250)
Payment of lease liabilities	(206)	(302)
Increase in other non-current liabilities	(500)	500
Cash dividends paid	(150,303)	(150,303)
Net cash flows from financing activities	(173,429)	346,152
Net increase (decrease) in cash and cash equivalents	27,551	226,832
Cash and cash equivalents at beginning of period	653,396	426,564
Cash and cash equivalents at end of period	**$ 680,947**	**653,396**

See accompanying notes to financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

JARLLYTEC CO., LTD.

Notes to the Financial Statements

For the years ended December 31, 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 has been actively developing, designing, production, assembly, inspection, manufacturing and sell stamping parts, hinges and MIM, which are widely applied in NB, LCD monitor, LCD TV, 3C-related products.

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

These parent company only financial statements were authorized for issue by the Board of Directors on March 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 Company has initially adopted the following new amendments, which do not have a significant impact on its 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 Company 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 parent company only 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"

(Continued)

JARLLYTEC CO., LTD.

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

The Company does not expect the following other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its parent company only 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”

JARLLYTEC CO., LTD.

Notes to the Financial Statements

(4) Summary of significant accounting policies:

The accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of, the English and Chinese language parent company only financial statements, the Chinese version shall prevail.

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

(a) Statement of compliance

These financial statements have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” (hereinafter referred to as the Regulations).

(b) Basis of preparation

(i) Basis of measurement

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

1) Financial instruments at fair value through profit or loss are measured at fair value;

2) Financial assets at fair value through other comprehensive income are measured at fair value; and

3) The defined benefit liabilities (asset) are measured at fair value of the plan assets less the present value of the defined benefit obligation, limited as explained in note4(o).

(ii) Functional and presentation currency

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

(c) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Company entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items 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.

(Continued)

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

1) an investment in equity securities designated as at fair value through other comprehensive income;

2) a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or

3) qualifying cash flow hedges to the extent that the hedges are effective.

(ii) Foreign operations

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

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

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

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

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

(i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is expected to be realized within twelve months after the reporting period; or

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

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

(Continued)

JARLLYTEC CO., LTD.

Notes to the Financial Statements

An entity shall classify a liability as current when:

(i) It is expected to be settled in the normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is due to be settled within twelve months after the reporting period; or

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

(e) Cash and cash equivalents

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

(f) Financial instruments

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

(i) Financial assets

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

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

1) Financial assets measured at amortized cost

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

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and

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- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

2) Fair value through other comprehensive income (FVOCI)

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

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

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

3) Fair value through profit or loss (FVTPL)

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

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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.

5) Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

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

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

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

6) Derecognition of financial assets

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

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

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

2) Equity instrument

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

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

3) Treasury shares

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

4) Financial liabilities

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

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

5) Derecognition of financial liabilities

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

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Notes to the Financial Statements

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

6) Offsetting of financial assets and liabilities

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

(iii) Derivative financial instruments

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

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

(g) Inventories

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

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

(h) Investment in subsidiaries

When preparing the parent company only financial statements, investment in subsidiaries which are controlled by the Company is accounted for using the equity method. Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of profit or loss and other comprehensive income of the subsidiary as well as the distribution received. The Company also recognized its share in the changes in the equity of subsidiaries.

Changes in a parent’s ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity.

(i) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Subsequent cost

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

(iii) Depreciation

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

Land is not depreciated.

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

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

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

(j) Leases

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

(i) As a leasee

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

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the

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end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

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

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

- fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

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

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

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

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

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

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

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JARLLYTEC CO., LTD.

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(ii) As a lessor

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

The Company recognizes a finance lease receivable at an amount equal to its net investment in the lease. Initial direct costs such as lessors to negotiate and arrange a lease, are included in the measurement of the net investment. The lessor recognizes the interest income over the lease term based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the lease. The Company recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'leases income'.

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Notes to the Financial Statements

(k) Intangible assets

(i) Recognition and measurement

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

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

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

(ii) Subsequent expenditure

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

(iii) Amortization

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

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

(l) Impairment of non-derivative financial assets

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

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

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

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JARLLYTEC CO., LTD.

Notes to the 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 Company expects to be entitled in exchange for transferring goods to a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control of a good to a customer.

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

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

(n) Government grants and government assistance

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

(o) Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

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

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

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

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

(iii) Short-term employee benefits

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

(p) Income taxes

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

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

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

(i) Temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;

(ii) Temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

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

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

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

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

(i) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and

(ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

1) The same taxable entity; or

2) Different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(q) Earnings per share

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

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JARLLYTEC CO., LTD.

Notes to the Financial Statements

(r) Operating segment

The Company discloses the operating segments information in the consolidated financial statements. Therefore, the Company does not disclose such information in the parent company only financial statements.

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

The preparation of the financial statements in conformity with the Regulations and the IFRSs endorsed by the FSC requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

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

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment of the book value of assets and liabilities within the next financial year and has reflected the impact of the COVID-19 epidemic is as follows:

(a) Impairment of accounts receivable

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

(b) Valuation of inventories

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

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Notes to the Financial Statements

(c) Measurement of defined benefit obligations

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

The Company's accounting policies include measuring financial and non-financial assets and liabilities at fair value through profit or loss. The Company's financial instrument valuation group conducts independent verification on fair value by using data sources that are independent, reliable, and representative of exercise prices. This financial instrument valuation group also periodically adjusts valuation models, conducts back-testing, renews input data for valuation models, and makes all other necessary fair value adjustments to assure the rationality of fair value.

The Company strives to use market observable inputs when measuring assets and liabilities. Different levels of the fair value hierarchy to be used in determining the fair value of financial instruments are as follows:

(a) Level 1: quoted prices (unadjusted) in active markets for identifiable assets or liabilities.

(b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

(c) Level 3: inputs for the assets or liability that are not based on observable market data.

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2021	December 31, 2020
Cash on hand	$ 345	268
Demand deposits	542,202	368,328
Time deposits	138,400	284,800
	$ 680,947	**653,396**

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

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Notes to the Financial Statements

(b) Financial instrument

(i) 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	$	65,262	71,821

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

(ii) 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	$	896	660
Accounts receivables		1,426,550	935,555
Accounts receivables-related parties		16,698	11,437
Less: loss allowance		(1,385)	(3,241)
	$	1,442,759	944,411

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

The loss allowance provisions were determined as follows:

	December 31, 2021			
		Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	$	1,392,501	0%~1%	-
1 to 90 days past due		49,282	0%~1%	204
More than 90 days past due		2,361	50%~100%	1,181
	$	1,444,144		1,385

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	December 31, 2020			
	Gross carrying amount		Weighted-average loss rate	Loss allowance provision
Current	$	926,823	0%~1%	-
1 to 90 days past due		17,735	0%~1%	147
More than 90 days past due		3,094	50%~100%	3,094
	$	947,652		3,241

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

	For the years ended December 31,		
	2021		2020
Balance at January 1	$	3,241	857
Impairment loss recognized		-	2,384
Reversal of impairment loss		(1,856)	-
Balance at December 31	$	1,385	3,241

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

(d) Other receivables

	December 31, 2021		December 31, 2020
Other accounts receivable-loans	$	18,000	25,000
Overpaid business tax returned		15,359	8,170
Other receivables-related parties		66,311	24,335
Others		5,663	8,056
	$	105,333	65,561

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

(e) Inventories

	December 31, 2021		December 31, 2020
Raw materials and supplies	$	35,920	23,059
Work in process		143,515	63,503
Finished goods		53,480	44,332
	$	232,915	130,894

For the years ended December 31, 2021 and 2020, the Company recognized as cost of sales and operating expense amounted to $2,992,245 and $1,592,292, respectively.

For the year ended December 31, 2021, the gain of $22,706 was recognized from the reversal of

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JARLLYTEC CO., LTD.

Notes to the Financial Statements

provision arising from scrapping, wherein such loss was included in cost of sales.

For the year ended December 31, 2020, the amounts of the loss on valuation of inventories was $41,488 wherein such loss was included in cost of sales.

As of December 31, 2021 and 2020, the inventories were not pledged.

(f) Investments accounted for using equity method

The components of the investments accounted for using equity method were as follows:

	December 31, 2021	December 31, 2020
Subsidiaries	$ 2,727,073	2,699,059

(i) Please refer to the consolidated financial statements for the year ended December 31, 2021.

(ii) As of December 31, 2021 and 2020, the aforementioned investments accounted for using equity method were not pledged as collateral.

(g) Property, plant and equipment

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

	Land	Buildings and construction	Machine and equipment	Mold equipment	Rental equipment	Other facilities	Construction in progress and testing equipment	Total
Cost:								
Balance at January 1, 2021	$ 797,507	267,111	744,281	2,998	272,153	62,829	10,398	2,157,277
Additions	-	11,141	28,361	-	-	3,169	13,931	56,602
Reclassifications	(77,261)	(15,482)	-	-	98,484	-	(5,741)	-
Disposals	-	(8,336)	(5,982)	(260)	-	(3,656)	-	(18,234)
Balance at December 31, 2021	$ 720,246	254,434	766,660	2,738	370,637	62,342	18,588	2,195,645
Balance at January 1, 2020	$ 903,965	222,094	588,241	8,930	139,516	57,034	30,820	1,950,600
Additions	-	11,427	164,999	-	-	9,491	40,274	226,191
Reclassifications	(106,458)	33,590	-	-	132,637	927	(60,696)	-
Disposals	-	-	(8,959)	(5,932)	-	(4,623)	-	(19,514)
Balance at December 31, 2020	$ 797,507	267,111	744,281	2,998	272,153	62,829	10,398	2,157,277
Accumulated depreciation:								
Balance at January 1, 2021	$ -	64,576	418,969	2,998	14,760	46,208	-	547,511
Depreciation	-	16,004	97,335	-	4,841	7,241	-	125,421
Reclassifications	-	(9,094)	-	-	9,094	-	-	-
Disposals	-	(1,637)	(5,917)	(260)	-	(2,966)	-	(10,780)
Balance at December 31, 2021	$ -	69,849	510,387	2,738	28,695	50,483	-	662,152

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Balance at January 1, 2020	$ -	56,214	326,659	8,930	6,059	42,558	-	440,420
Depreciation	-	13,628	99,909	-	3,435	8,153	-	125,125
Reclassifications	-	(5,266)	-	-	5,266	-	-	-
Disposals	-	-	(7,599)	(5,932)	-	(4,503)	-	(18,034)
Balance at December 31, 2020	$ -	64,576	418,969	2,998	14,760	46,208	-	547,511
Carrying amounts:								
Balance at December 31, 2021	$ 720,246	184,585	256,273	-	341,942	11,859	18,588	1,533,493
Balance at January 1, 2020	$ 903,965	165,880	261,582	-	133,457	14,476	30,820	1,510,180
Balance at December 31, 2020	$ 797,507	202,535	325,312	-	257,393	16,621	10,398	1,609,766

As of December 31, 2021 and 2020, the property, plant and equipment of the Company had been pledged as collateral for bank borrowings. Please refer to Note 8.

(h) Right-of-use assets

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

	Buildings and construction	Transportation equipment	Total
Cost:			
Balance at January 1, 2021	$ 801	-	801
Additions	-	777	777
Balance at December 31, 2021	**$ 801**	**777**	**1,578**
Balance at January 1, 2020	$ 801	801	801
Balance at December 31, 2020	**$ 801**	**801**	**801**
Accumulated depreciation:			
Balance at January 1, 2021	$ 601	-	601
Depreciation for the year	200	43	243
Balance at December 31, 2021	**$ 801**	**43**	**844**
Balance at January 1, 2020	$ 300	-	300
Depreciation for the year	301	-	301
Balance at December 31, 2020	**$ 601**	**-**	**601**
Carrying amount:			
Balance at December 31, 2021	**$ -**	**734**	**734**
Balance at January 1, 2020	**$ 501**	**-**	**501**
Balance at December 31, 2020	**$ 200**	**-**	**200**

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(i) Short-term borrowings

The short-term borrowings were summarized as follows:

	December 31, 2021	December 31, 2020
Secured bank loans	$ 115,000	120,000
Unsecured bank loans	100,000	120,000
	$ 215,000	**240,000**
Unused short-term credit lines	**$ 814,720**	**630,000**
Range of interest rates	**0.88%~0.90%**	**0.88%~0.90%**

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

(j) 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				**$ 438,350**
Unused long-term credit lines				**$ 1,002,325**

	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				**$ 394,835**
Unused long-term credit lines				**$ 950,737**

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

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(k) Lease liabilities

	December 31, 2021	December 31, 2020
Current	$ 257	207
Non-current	$ 521	-

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

The amounts recognized in profit or loss were as follows:

	For the years ended December 31	
	2021	2020
Interest on lease liabilities	$ 2	11
Expenses relating to short-term leases	$ 910	1,757

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

	For the years ended December 31	
	2021	2020
Total cash outflow for leases	$ 1,118	2,070

(i) Real estate leases

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

(ii) Other leases

The Company 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 Company has elected not to recognize its right-of-use assets and lease liabilities for these leases.

(iii) Transportation equipment

The Company leases transportation equipment, which typically run for a period of 3 years.

(l) 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	$ 9,399	9,630
One to two years	781	9,399
Two to three yeas	-	786
Total undiscounted leases payments	$ 10,180	19,815

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Notes to the Financial Statements

(m) 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	$ 46,794	24,436

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

1) Composition of plan assets

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

The Company's Bank of Taiwan labor pension reserve account balance amounted to $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 Company 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	$ 65,284	43,485

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Notes to the Financial Statements

3) Movements in fair value of plan assets

The movements in the present value of the defined benefit plan assets for the Company 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 Company 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
Prior period service costs	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 Company'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)**

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 Company to the defined benefit plans for the one-year period after the reporting date is $559.

The weighted average lifetime of the defined benefits plans is 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

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benefit obligation by the amounts shown above. The method used in the sensitivity analysis is 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.

(ii) Defined contribution plans

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

The pension costs incurred from the contributions to the Bureau of the Labor Insurance amounted to $14,176 and $13,097 for the years ended December 31, 2021 and 2020, respectively.

(n) Income taxes

(i) Income tax expense

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

	For the years ended December 31	
	2021	**2020**
Current tax expense		
Current period	$ 3,881	1,739
Adjustment for prior periods	1,446	4,246
Deferred tax expense		
Origination and reversal of temporary differences	(13,585)	(32,317)
	$ (8,258)	**(26,332)**

Reconciliation of income tax and profit before tax for 2021 and 2020 were as follows:

	For the years ended December 31	
	2021	**2020**
Profit excluding income tax	**$ 239,537**	**276,352**
Income tax using the Company's domestic tax rate	$ 47,907	55,270
Tax incentive	(4,796)	-
Undistributed earnings additional tax	(2,543)	-
Others	(53,912)	(81,602)
Total	**$ (8,258)**	**$ (26,332)**

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(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	**$ 16,588**	**23,041**	**39,629**
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	**$ 21,129**	**26,255**	**47,384**

	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	**$ 148,354**
Balance at January 1, 2020	$ 172,769
Recognized in profit or loss	(3,075)
Balance at December 31, 2020	**$ 169,694**

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Notes to the Financial Statements

(iii) Assessment of tax

The Company's tax returns for the years through 2019 were assessed by the Taiwan National Tax Administration.

(o) 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.

(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
	$ 1,334,534	**1,334,534**

According to the R.O.C. Company 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.

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.

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Notes to the Financial Statements

3) Earnings distribution

The amounts of cash dividends on the appropriations of earnings for 2020 and 2019 had been approved during the board meeting 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	**150,303**	2.50	**150,303**

(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	**$ (95,607)**	**(6,559)**	**(76,485)**

	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	**$ (26,973)**	**25,681**	**(1,292)**

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Notes to the Financial Statements

(p) Earnings per share

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

(q) 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	$ 2,935,913	116,135	3,052,048
America	74,608	186,494	261,102
Thailand	2,775	-	2,775
Taiwan	102,588	1,809	104,397
Other country	122,492	9,127	131,619
Total	$ 3,238,376	313,565	3,551,941
Main product/service line:			
Electronic component manufacturing and sales	$ 3,238,376	313,565	3,551,941

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	For the year ended December 31, 2020		
	Hinge department	**Fiber optic department**	**Total**
Primary geographical markets:			
China	$ 1,643,154	57,445	1,700,599
America	32,620	74,134	106,754
Thailand	24,948	-	24,948
Taiwan	71,831	1,549	73,380
Other country	7,197	7,206	14,403
Total	$ 1,779,750	140,334	1,920,084
Main product/service line:			
Electronic component manufacturing and sales	$ 1,779,750	140,334	1,920,084

(ii) Contract balances

	December 31, 2021	**December 31, 2021**	**January 1, 2020**
Notes receivable	$ 896	660	164
Accounts receivables	1,426,550	935,555	372,109
Accounts receivables-related parties	16,698	11,437	7,906
Less: loss allowance	(1,385)	(3,241)	(857)
	$ 1,442,759	944,411	379,322

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

(r) Remuneration to employees and directors

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

For the years ended December 31, 2021 and 2020, the Company 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 Company’s pre-tax net profit for the period before deducting the amounts of the remuneration to employees and directors, multiplied by the distribution of ratio of the remuneration to employees and directors based on the Company's articles of incorporation, and expensed under operating costs or expenses. Related information would be available at the Market Observation Post System website. The amounts, as stated in the financial statements are identical to those of the actual distributions for 2021 and 2020.

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Notes to the Financial Statements

(s) 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	$	952	2,100
Other interest income		355	546
	$	1,302	2,646

(ii) Other income

		For the years ended December 31	
		2021	2020
Service income	$	90,124	40,063
Dividend income		7,844	1,015
Rent income		9,661	5,973
Mold income		8,086	79,883
Sample income		10,402	15,673
Government grants income		-	20,563
Other income		39,193	2,841
	$	165,310	166,011

(iii) Other gains and losses

		For the years ended December 31	
		2021	2020
Sample expenses	$	(19,303)	(17,333)
Gains on disposal of property, plant and equipment		590	1,026
Mold expenses		(3,748)	(2,831)
Others		(279)	(133)
	$	(22,740)	(19,271)

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Notes to the Financial Statements

(iv) Finance costs

	For the years ended December 31	
	2021	**2020**
Interest expenses	$ 5,718	5,022
Others	3	3
	$ 5,721	5,025

(t) 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 Company are centralized in the high-tech computer industry. As of December 31, 2021 and 2020, 70% and 82% of the accounts receivable were concentrated on six and four major customers, respectively. To minimize credit risk, the Company periodically evaluates the Company's financial positions and the possibility of collecting accounts receivables.

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.

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(ii) Liquidity risk

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

	Carrying amount	Contractual cash flow	within six months	6-12 months	1-2 years	2-5 years	over 5 years
December 31, 2021							
Non derivative financial liabilities							
Short-term borrowings	$ 215,000	215,338	215,338	-	-	-	-
Notes and accounts payables	379,042	379,042	379,042	-	-	-	-
Accounts payables-related parties	806,331	806,331	806,331	-	-	-	-
Other payables	520,297	520,297	520,297	-	-	-	-
Other payables-related parties	4,079	4,079	4,079	-	-	-	-
Lease liabilities	778	788	131	131	263	263	-
Long-term borrowings	647,393	654,603	130,930	81,433	207,646	199,642	34,952
(current portion included)							
	$ 2,572,920	2,580,478	2,056,148	81,564	207,909	199,905	34,952
December 31, 2020							
Non derivative financial liabilities							
Short-term borrowings	$ 240,000	240,240	240,240	-	-	-	-
Notes and accounts payables	140,731	140,731	140,731	-	-	-	-
Accounts payable-related parties	587,321	587,321	587,321	-	-	-	-
Other payables	346,231	346,231	346,231	-	-	-	-
Other payables-related parties	29,897	29,897	29,897	-	-	-	-
Lease liabilities	207	209	157	52	-	-	-
Long-term borrowings	644,813	653,812	194,536	59,010	117,495	252,272	30,499
(current portion included)							
	$ 1,989,200	1,998,441	1,539,113	59,062	117,495	252,272	30,499

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

(iii) Currency risk

1) Exposure to foreign currency risk

The Company'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
Financial assets						
Monetary items						
USD	$ 73,884	27.680	2,045,265	55,939	28.480	1,593,143

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JARLLYTEC CO., LTD.

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	December 31, 2021			December 31, 2020		
	Foreign currency	Exchange rate	New Taiwan Dollars	Foreign currency	Exchange rate	New Taiwan Dollars
Financial liabilities						
Monetary items						
USD	40,242	27.680	1,113,897	23,489	28.480	668,967

2) Sensitivity analysis

The Company's exposure to foreign currency risk arises from the conversion of the foreign currency exchange gains and losses on cash and cash equivalents, 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 $46,568 and $46,209, respectively. The analysis for the two periods were on the same basis.

3) Foreign exchange gain and loss on monetary items

Since the Company transacts in different functional currencies, the information on foreign exchange gains (losses) on monetary items is disclosed by total amount. For the years ended December 31, 2021 and 2020, the foreign exchange gain (loss) (including realized and unrealized portions) amounted to $(21,330) thousand and $(36,592) thousand, respectively.

(iv) Interest rate analysis

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

The following sensitivity analysis is based on the exposure to the interest rate risk of derivative and non-derivative financial instruments on the reporting date. Regarding 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 Company management's assessment of the reasonably possible interest rate change.

If the interest rate had increased (decreased) by 1% basis points, the Company's net income would have decreased or increased by $8,624 and $8,848 for the years ended December 31, 2021 and 2020, assuming all other variable factors remain constant. This is mainly due to the Company's borrowing in floating variable rates and investment in variable-rate bills.

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(v) Fair value of financial instruments

1) Fair value hierarchy

The carrying amount and fair value of the Company'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				
		Fair value			
	Book value	Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income	$ 65,262	-	-	65,262	65,262
Financial assets measured at amortized cost					
Cash and cash equivalents	680,947	-	-	-	-
Notes and accounts receivables (related parties included)	1,442,759	-	-	-	-
Other receivable (related parties included)	105,333	-	-	-	-
Subtotal	2,229,039	-	-	-	-
Total	$ 2,294,301	-	-	65,262	65,262
Financial liabilities at amortized cost					
Short-term borrowings	$ 215,000	-	-	-	-
Notes and accounts payable (related parties included)	1,185,373	-	-	-	-
Other payables (related parties included)	524,376	-	-	-	-
Lease liabilities	778	-	-	-	-
Long term borrowings (current portion included)	647,393	-	-	-	-
Total	$ 2,572,920	-	-	-	-

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	December 31, 2020				
		Fair value			
	Book value	**Level 1**	**Level 2**	**Lever 3**	**Total**
Financial assets at fair value through other comprehensive income	$ 71,821	-	-	71,821	71,821
Financial assets measured at amortized cost					
Cash and cash equivalents	653,396	-	-	-	-
Notes and accounts receivables (related parties included)	944,411	-	-	-	-
Other receivables (related parties included)	65,561	-	-	-	-
Subtotal	1,663,368	-	-	-	-
Total	$ 1,735,189	-	-	71,821	71,821
Financial liabilities at amortized cost					
Short-term borrowings	$ 240,000	-	-	-	-
Notes and accounts payables (related parties included)	728,052	-	-	-	-
Other payables (related parties included)	376,128	-	-	-	-
Lease liabilities	207	-	-	-	-
Long-term borrowings (current portion included)	644,813	-	-	-	-
Total	$ 1,989,200	-	-	-	-

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 Company'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".

Most of the Company's fair values are classified as Level 3 with a single significant unobservable input. Investments for using equity instrument in inactive market have multiple significant unobservable inputs. Significant unobservable inputs of investments for using equity instrument in inactive market are independent from each other, the correlation does not exist.

Quantified information of significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets at fair value through other comprehensive income (Available for sale financial assets) equity investments without an active market	Net Asset Value Method	• Net Asset Value • Market illiquidity discount rate (As of December 31, 2021 and 2020, was 30%)	The estimated fair value would decrease if market liquidity discount rate was higher.

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

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

			Profit or loss		Other comprehensive income	
	Input	Assumptions	Favorable	Unfavorable	Favorable	Unfavorable
December 31, 2021						
Financial assets at fair value through other comprehensive income						
Available for sale financial assets equity investments without an active market	30%	5%	-	-	3,263	(3,263)

	Input	Assumptions	Profit or loss		Other comprehensive income	
			Favorable	Unfavorable	Favorable	Unfavorable
December 31, 2020						
Financial assets at fair value through other comprehensive income						
Available for sale financial assets equity investments without an active market	30%	5%	-	-	3,591	(3,591)

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.

(u) Financial risk management

(i) Overview

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

1) Credit risk

2) Liquidity risk

3) Market risk

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

(ii) Risk management framework

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

(iii) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company’s receivables from customers and investments in 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 Company’s standard payment and delivery terms and conditions are offered.

Since the Company has a large customer base in mainland China, it does not significantly focus 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 Company also regularly assess of the financial statues of its customers, if necessary, and will require its customers to provide security or guarantee.

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

2) Investments

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

3) Guarantees

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

Loans and borrowings from the bank form an important source of liquidity for the Company. As of December 31, 2021 and 2020, the Company’s unused credit line amounted to \$1,817,725,000 and \$1,580,737,000, respectively.

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(v) Market risk

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

1) Currency risk

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

2) Interest rate risk

The Company 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.

(v) Capital management

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

	December 31, 2021	December 31, 2020
Total liabilities	$ 2,798,750	2,190,492
Less: cash and cash equivalents	(680,947)	(653,396)
Net liabilities	$ 2,117,803	1,537,096
Total equity	$ 4,129,488	4,111,480
Debt-to-equity ratio	51.28%	37.39%

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

The Company's investment and financing activities from non-cash transactions at the end of the reporting period were as follows:

	Jan. 1, 2021	Cash Flow	Movements of non-cash: Acquisition	Exchange rate	Interest expense	Other	Dec 31, 2021
Lease liabilities	$ 207	(208)	777	-	2	-	778

	Jan. 1, 2020	Cash Flow	Movements of non-cash: Acquisition	Exchange rate	Interest expense	Other	Dec 31, 2020
Lease liabilities	$ 509	(313)	-	-	11	-	207

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(7) Related-party transactions:

(a) Parent company and ultimate controlling company

Company is both the parent company and the ultimate controlling party of the Company.

(b) Names and relationship with related parties

Name of related party	Relationship with the Company
Jarson Precision Technology Co., Ltd.	Subsidiary
Jarwin Investment Co., Ltd.	〃
Great Hinge Trading Ltd.	〃
Smart Hinge Holdings Ltd.	〃
JARLLYTEC USA L.L.C.	〃
Main Source Logistic Ltd.	〃
Royal Jarlly Holding Ltd.	〃
Jarlly Technology (Shanghai) Co., Ltd.	〃
Fu Qing Jarlly Electronics Co., Ltd.	〃
Dong Guan Jarlly Electronics Co., Ltd.	〃
Kunshan Jarlly Electronics Ltd.	〃
Jarlly Electronics Technology (Shanghai) Co., Ltd.	〃
Xiamen Jarlly Electronics Co., Ltd.	〃
Jarlly Technology (Chongqing) Co., Ltd.	〃
JARLLYTEC (THAILAND) CO., LTD.	〃
JARLLYTEC (VIETNAM) CO., LTD.	〃
JARLLYTEC (SINGAPORE) CO., LTD.	〃

(c) Significant transactions with related parties

(i) Sales

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

	For the years ended December 31	
	2021	**2020**
Subsidiary	$ 35,730	35,429

The credit term with the related parties is 150 days, and the credit term with third-parties ranged from 30 days to 180 days.

Because the Company exclusively sold raw materials and semi-finished goods to its related parties, there is no comparison for the selling price to its related parties from those of its third

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parties.

The Company price its raw material and semi-finished goods using the cost mark-up method.

(ii) Purchases

The amounts of significant purchases by the Company from its related parties were as follows:

	For the years ended December 31 2021	For the years ended December 31 2020
Subsidiaries		
Kunshan Jarlly Electronics Co. Ltd.	$ 549,848	237,148
Jarson Precision Technology Co., Ltd.	346,026	154,915
Dong Guan Jarlly Electronics Co., Ltd.	270,515	112,334
Other related parties	599,525	302,110
	$ 1,765,914	$ 806,507

The terms and pricing of purchase transactions with related parties were not significantly different from those offered by other vendors.

(iii) Loans to Related Parties

The loans to related parties were as follows:

	December 31, 2021	December 31, 2020
Subsidiary:		
Jarson Precision Technology Co., Ltd.	$ 18,000	20,000

The interest charged by the Company to its related parties is based on the market interest rate. The loans to related parties are unsecured. There are no expected credit loss required after the management's assessment.

(iv) Other

For the years ended December 31, 2021 and 2020, the amounts of management and production technical services provided by the Company to its subsidiaries were $90,124 and $40,063 which were accounted for as other income.

For the years ended December 31, 2020, the Company obtained the compensation of $3,380 from its subsidiaries for the poor-quality products, for which $2,608 was recognized as deduction of cost of goods sold, $772 was recognized as other income.

For the years ended December 31, 2021 and 2020, the amounts of leasing office provided by the Company to its subsidiaries were $9,593 and $5,906, which were recognized as other income.

For the years ended December 31, 2021 and 2020, the amounts of property, plant and

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equipment sold from the Company to its subsidiaries were $6,839 and $1,871, the gain on disposal due to these transactions are $91 and $1,115, respectively.

(v) Receivables from Related Parties

Receivables from related parties were as follows:

Account	Relationship	December 31, 2021	December 31, 2020
Accounts receivables	Subsidiary	$ 16,698	11,437
Other receivables	Subsidiary	$ 84,311	44,335

(vi) Payables to Related Parties

The payables to related parties were as follows:

Account	Relationship	December 31, 2021	December 31, 2020
Accounts payables	Jarson Precision Technology Co., Ltd.	$ 182,967	166,655
Accounts payables	Kunshan Jarlly Electronics Co. Ltd.	245,051	129,444
Other payables	Other subsidiaries	378,313	291,222
		$ 806,331	587,321
Other payables	Subsidiaries	$ 4,079	29,897

(vii) Guarantees

As of December 31, 2021 and 2020, the amount of guarantees used to secure loans for its subsidiaries were $593,600 and $143,920, respectively,

(d) Key management personnel compensation

Key management personnel compensation comprised:

	For the years ended December 31	
	2021	2020
Short-term employee benefits	$ 22,830	17,788
Post-employment benefits	625	447
	$ 23,455	18,235

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(8) Pledged assets:

The carrying values of pledged assets were as follows:

Pledged assets	Object	December 31, 2021	December 31, 2020
Land	Secured loans	$ 720,246	797,507
Buildings	Secured loans	184,585	202,535
Leased assets	Secured loans	341,942	257,393
Bank deposits (classified as prepayments and other current assets)	Performance guarantee	-	1,000
Bank deposits (classified as other-non-current assets-other)	Performance guarantee	-	1,139
		$ 1,246,773	1,259,574

(9) Commitments and contingencies:

The Company's significant contractual commitments were as follows:

	December 31, 2021	December 31, 2020
Acquisition of property, plant and equipment	$ 854	13,163

(10) Losses Due to Major Disasters: None

(11) Subsequent Events: None

(12) Other:

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

By function / By item	2021			2020		
	Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Employee benefits						
Salaries	183,448	152,641	336,089	168,755	158,261	327,016
Labor and health	18,076	15,240	33,316	16,019	13,994	30,013
Pension	6,463	26,740	33,203	6,021	8,677	14,698
Remuneration of directors	-	5,510	5,510	-	6,371	6,371
Others	9,626	5,028	14,654	8,826	4,613	13,439
Depreciation	110,131	15,533	125,664	111,272	14,154	125,426
Amortization	5,295	2,784	8,079	2,575	3,279	5,854

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The information on the Company's employee and employee for the years ended 2021 and 2020 were as follow:

	For the years ended December 31	
	2021	**2020**
Number of employees	572	546
Number of non-employee directors	6	6
The average employee benefit	$ 737	713
The average salaries and wages	$ 594	606
Adjustment of average salaries	(1.98)%	(6.05)%
Supervisors compensation	$ -	-

The remuneration policy (including directors, managers and employees) is as follows:

1.Directors:

According to Article 22, Chapter 6 of the Company's Article of Incorporation, bonuses to directors are not more than 2% of the current year net profit. When allocating the net profits for each fiscal year, the Company shall first offset its losses in previous years.

In addition, the Company's Regulations of Board of Directors' operating performance provide the evaluation standards of the Company's participation and contribution (such as the interactions with the teams and the degree of understanding), even compare to the criteria at home and aboard, on which the Company formulates the employees' remuneration.

The performance evaluation and the reasonableness of the salary are reviewed by the Company's Remuneration Committee and Board of Directors, and are adjusted timely based on the Company's operating situation and the regulation announced by the government.

2.Managers and employees:

The remuneration of managers and employees (including salary, year-end bonus and dividend (variable payment)) is based on the regulations of the Company, considering the position, education, experience, industry status, and their performance and achievement of long and short-term goals. The remuneration is adjusted according to the profitability and operational risk of the Company. The remuneration of managers is submitted to the Board of Directors for approval.

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(13) Other disclosures:

(a) Information on significant transactions:

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

(i) Loans to other parties:

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Nature of financing (Note 3)	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits (Note 1 & 2)	Maximum limit of fund financing (Note 1 & 2)
													Item	Value		
0	The Company	Jarson Precision Technology Co., Ltd.	Other receivables	Yes	40,000	20,000	18,000	2%	2	-	Operating turnover	-		-	550,598	1,644,592
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	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	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	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	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	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	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: Loan limit from the Company:

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

(b) The total amount to one entity which has business transactions with the Company shall not exceed one third of the Company's loanable amount or 40% of the net transaction amount (the amount of purchasing or selling, whichever is higher) in recent year, whichever is lower.

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

Note 2: Loan limit from subsidiaries:

(a) The total amount available for financing purposes shall not exceed 60% of the subsidiaries' net worth. The total amount for short-term financing to one entity shall not exceed one third of the subsidiaries' loanable amount or 40% of the transaction amount in recent year, whichever is lower.

(b) The total amount to one entity which has business transactions with the Company shall not exceed one third of the Company's loanable amount or 60% of the net transaction amount (the amount of purchasing or selling, whichever is higher) in recent year, whichever is lower.

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

(d) For those foreign subsidiaries in which the Company, directly or indirectly, owned 100% of their shares the amount available for financing shall not exceed the 60% of the Company's net worth.

Note 3: Financing purpose:

(a) 1 for entities the Company has business transactions with.

(b) 2 for entities that have short-term financing needs.

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Notes to 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	Jarlly 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	Jarson 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	Jarlly 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 Jarlly Electronics Ltd.	2	1,376,496	55,360	55,360	55,360	-	1.34%	1,651,794	Y	N	Y
0	The Company	Jarllytec (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.

(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				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	
Fu Qing Jarlly 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	
Fu Qing Jarlly 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	
Fu Qing Jarlly 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	
Xiamen Jarlly Electronics Co., Ltd.	Xiamen Jinli Precision Hardware Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	-	4,126	19.00%	4,126	
Xiamen Jarlly Electronics Co., Ltd.	Xiamen Jinyaoli Precision Hardware Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	-	4,126	19.00%	4,126	
Kunshan Jarlly Electronics Ltd.	Kunshan Huli Precision Hardware Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	-	6,602	19.00%	6,602	
Jarlly Technology (Shanghai) Co., Ltd.	Bank of Ningbo, structure deposit		Current financial assets at fair value through profit or loss	-	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	
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	
Jarwin Investment Co., Ltd.	Treasure Cay Private Equity Fund		Non-current financial assets at fair value through profit or loss	-	1,564	- %	1,564	

(Continued)

JARLLYTEC CO., LTD.
Notes to Financial Statements

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

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

(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)		
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	Note
Jarson Precision Technology Co., Ltd.	The Company	Associates	Sale	(346,061)	90.46%	150 days	-	the related parties are 150 days, third-parties are ranged from 30 days to 180 days.	182,972	97.16%	Note
The Company	Jarson Precision Technology Co., Ltd.	Associates	Purchase	346,061	14.25%	150 days	-	the related parties are 150 days, third-parties are ranged from 30 days to 180 days.	(182,972)	15.69%	Note
Dong Guan Jarlly Electronics Co., Ltd.	The Company	Associates	Sale	(270,484)	65.68%	150 days	-	the related parties are 150 days, third-parties are ranged from 30 days to 180 days.	109,174	81.57%	Note
The Company	Dong Guan Jarlly Electronics Co., Ltd.	Associates	Purchase	270,484	11.14%	150 days	-	the related parties are 150 days, third-parties are ranged from 30 days to 180 days.	(109,174)	9.36%	Note
Fu Qing Jarlly Electronics Co., Ltd.	The Company	Associates	Sale	(196,907)	22.59%	150 days	-	the related parties are 150 days, third-parties are ranged from 120 days to 150 days.	74,515	25.62%	Note
The Company	Fu Qing Jarlly Electronics Co., Ltd.	Associates	Purchase	196,907	8.11%	150 days	-	the related parties are 150 days, third-parties are ranged from 120 days to 150 days.	(74,515)	6.39%	Note

(Continued)

JARLLYTEC CO., LTD.
Notes to Financial Statements

Name of company	Related party	Nature of relationship	Transaction details: Purchase/Sale	Transaction details: Amount	Transaction details: Percentage of total purchases/sales	Transaction details: Payment terms	Transactions with terms different from others: Unit price	Transactions with terms different from others: Payment terms	Notes/Accounts receivable (payable): Ending balance	Notes/Accounts receivable (payable): Percentage of total notes/accounts receivable (payable)	Note
Kunshan Jarlly Electronics Ltd.	The Company	Associates	Sale	(549,586)	40.41%	150 days	-	the related parties are 150 days, third-parties are ranged from 30 days to 180 days.	245,193	40.09%	Note
The Company	Kunshan Jarlly Electronics Ltd.	Associates	Purchase	549,586	22.63%	150 days	-	the related parties are 150 days, third-parties are ranged from 30 days to 180 days.	(245,193)	21.02%	Note
Jarlly Technology (Chongqing) Co., Ltd.	The Company	Associates	Sale	(149,067)	17.86%	150 days	-	the related parties are 150 days, third-parties are ranged from 120 days to 180 days.	43,711	13.18%	Note
The Company	Jarlly Technology (Chongqing) Co., Ltd.	Associates	Purchase	149,067	6.14%	150 days	-	the related parties are 150 days, third-parties are ranged from 120 days to 180 days.	(43,711)	3.75%	Note
Jarlly Technology (Shanghai) Co., Ltd.	The Company	Associates	Sale	(182,373)	10.69%	150 days	-	the related parties are 150 days, third-parties are ranged from 120 days to 180 days.	121,222	12.37%	Note
The Company	Jarlly Technology (Shanghai) Co., Ltd.	Associates	Purchase	182,373	7.51%	150 days	-	the related parties are 150 days, third-parties are ranged from 120 days to 180 days.	(121,222)	10.39%	Note
Jarlly Technology (Shanghai) Co., Ltd.	Royal Jarlly Holding Ltd.	Associates	Sale	(304,183)	17.83%	150 days	-	the related parties are 150 days, third-parties are ranged from 30 days to 180 days.	61,713	6.30%	Note
Royal Jarlly Holding Ltd.	Jarlly Technology (Shanghai) Co., Ltd.	Associates	Purchase	304,183	38.74%	150 days	-	the related parties are 150 days, third-parties are ranged from 30 days to 180 days.	(61,713)	25.41%	Note
Kunshan Jarlly Electronics Ltd.	Royal Jarlly Holding Ltd.	Associates	Sale	(378,051)	27.80%	150 days	-	the related parties are 150 days, third-parties are ranged from 30 days to 180 days.	152,800	24.98%	Note
Royal Jarlly Holding Ltd.	Kunshan Jarlly Electronics Ltd.	Associates	Purchase	378,051	48.15%	150 days	-	the related parties are 150 days, third-parties are ranged from 30 days to 180 days.	(152,800)	62.93%	Note
Jarlly Technology (Chongqing) Co., Ltd.	Royal Jarlly Holding Ltd.	Associates	Sale	(114,541)	13.72%	150 days	-	the related parties are 150 days, third-parties are ranged from 120 days to 180 days.	28,450	8.58%	Note
Royal Jarlly Holding Ltd.	Jarlly Technology (Chongqing) Co., Ltd.	Associates	Purchase	114,541	14.59%	150 days	-	the related parties are 150 days, third-parties are ranged from 120 days to 180 days.	(28,450)	11.72%	Note
Xiamen Jarlly Electronics Co., Ltd.	The Company	Associates	Sale	(70,261)	36.92%	150 days	-	the related parties are 150 days, third-parties are ranged from 120 days to 180 days.	29,913	57.11%	Note
The Company	Fu Qing Jarlly Electronics Co., Ltd.	Associates	Purchase	70,261	2.89%	150 days	-	the related parties are 150 days, third- parties are ranged from 120 days to 180 days.	(29,913)	2.56%	Note

(Continued)

JARLLYTEC CO., LTD.
Notes to 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	-

(ix) Trading in derivative instruments: None

(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			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	(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	37,211	38,457	Note
The Company	Jarson Precision Technology Co., Ltd.	Taiwan	Powder metallurgy industry	134,076	134,076	11,480	100%	263,071	64,897	66,129	Note
The Company	JARLLYTEC USA L.L.C.	America	Computer design and service	2,959	2,959	-	100%	31	(1,684)	(1,684)	Note
The Company	Jarwin Investment Co., Ltd.	Taiwan	Investment industry	50,000	50,000	5,000	100%	57,002	7,169	7,169	Note
The Company	JARLLYTEC SINGAPORE PTE. LTD.	Singapore	Computer design and service	423	-	-	100%	30	(381)	(381)	Note
Great Hinge Trading Ltd.	Main Source Logistic Ltd.	British Virgin Islands	Electronic equipment and mold trading, sale and produce precision hinge	-	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	(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	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	273	273	Note

(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, 2019	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2021	Net income (losses) of the investee	Percentage of ownership	Net income (losses) in current period (Note 2)	Balance as of Dec 31, 2021	Accumulated remittance of earnings in current period
					Outflow	Inflow						
Jarlly Technology (Shanghai) Co., Ltd.	Sale and produce special purpose material of component equipment	261,462	(2)	131,272	-	-	131,272	(22,487)	100.00%	(22,487)	450,575	-
Fu Qing Jarlly Electronics Co., Ltd.	Sale and produce Precision Hinge	240,658	(2)	27,370	-	-	27,370	28,815	100.00%	28,815	919,055	-
Dong Guan Jarlly Electronics Co., Ltd.	Sale and produce Precision Hinge	81,466	(2)	81,466	-	-	81,466	2,277	100.00%	2,277	109,421	15,366
Kunshan Jarlly Electronics Ltd.	Sale and produce Precision Hinge	71,906	(2)	65,369	-	-	65,369	11,703	100.00%	11,703	48,539	-
Jarlly Electronics Technology (Shanghai) Co., Ltd.	Sale and produce Precision Hinge	473,450	(2)	386,330	-	-	386,330	5,079	100.00%	5,079	449,026	-
Xiamen Jarlly Electronics Co., Ltd.	Sale and produce Precision Hinge	43,801	(2)	29,281	-	-	29,281	19,195	100.00%	19,195	80,754	-
Jarlly Technology (Chongqing) Co., Ltd.	Sale and produce Precision Hinge	61,722	(2)	29,500	-	-	29,500	(8,234)	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.

JARLLYTEC CO., LTD.
Notes to 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:

Shareholding / Shareholder's Name	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 have discretion over use. For details of the insider's equity announcement please refer to the TWSE website.

(14) Segment information:

Please refer to 2021 Consolidated Financial Statements.

Jarllytec Co., Ltd.

Statement of cash and cash equivalents

December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

Item	Description	Amount
Cash	Cash on hand and Petty cash	$ 345
Demand deposits	Demand and check deposits (including foreign demand deposits USD15,289 thousand)	542,202
	Time deposits(including foreign time deposits USD5,000 thousand; Current Amount Expired within one year；the annual rate ranges：0.2%~0.33%)	138,400
Total		$ 680,947

Note 1: The ending rates of foreign currency deposits on December 31, 2021 is as follows:
NTD：USD＝1：27.68

Statement of notes receivable

Item	Amount
Client HH	$ 417,281
Client A	153,183
Client EE	141,684
Client II	100,543
Client AA	95,406
Client JJ	87,703
Others (less than 5%)	431,646
Subtotal	1,427,446
Less: loss allowance	(1,385)
Total	$ 1,426,061

Jarllytec Co., Ltd.

Statement of inventories

December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

Item	Amount		Note
	Cost	Loss On Valuation	
Raw materials and supplies	$ 35,920	-	Note 1
Work in process	143,515	-	〃
Finished goods	53,480	68,746	Net realizable value
	$ 232,915		

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

Jarllytec Co., Ltd.

Statement of movement in investments accounted for using the equity method

For the year ended December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

	Beginning Balance			Increase		Decrease			Investments Accounted for		Ending Balance			Market Value or Net Assets Value		
Name of investee	Shares (in thousands)	Percentage of ownership	Amount	Shares (in thousands)	Amount	Shares (in thousands)	Amount	Others (Note 1)	using the equity method income (loss)	Cumulative translation adjustment	Shares (in thousands)	Percentage of ownership	Amount	Unit price	Total Amounts	Collateral
Accounted for using the equity method value:																
Great Hinge Trading Ltd.	10	100.00	$ 84,246	-	-	-	-	-	(13,082)	(30,838)	10	100.00	40,326	4,032.60	40,326	None
Smart Hinge Holdings Ltd.	23,434	100.00	2,366,304	-	-	-	-	(383)	38,457	(37,765)	23,434	100.00	2,366,613	101.00	2,366,976	None
Jarson Precision Technology Co., Ltd.	11,480	100.00	196,942	-	-	-	-	-	66,129	-	11,480	100.00	263,071	22.92	263,345	None
JARLLY TEC USA L.L.C.	-	100.00	1,734	-	-	-	-	-	(1,684)	(19)	-	100.00	31	-	31	None
Jarwin Investment Co., Ltd.	5,000	100.00	49,933	-	-	-	-	-	7,169	-	5,000	100.00	57,002	11.40	57,002	None
Jarllytec Singapore Pte Ltd.	-	-	-	-	423	-	-	-	(381)	(12)	-	-	30	-	30	None
			$ 2,699,059		423		-	(383)	96,608	(68,634)			2,727,073			

Note1：Unrealized gain on inter-affiliate accounts.

Jarllytec Co., Ltd.

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

December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

Item	Amount
Prepayments and Other Current Assets:	
Prepayments	$ 10,309
Temporary debits	6,521
Office supplies	10,213
Others	29
	$ 27,072
Other Non-Current Assets:	
Other deferred expenses	$ 1,043
Other prepayments	5,885
Refundable deposits	212
Other non-current financial asset	1,107
Others	1,620
Total	$ 9,867

Statement of movement in intangible assets

For the year ended December 31, 2021

Item	Beginning Balance	Increase	Decrease	Ending Balance	Note
Computer software	$ 8,842	5,450	(3,546)	10,746	-

Jarllytec Co., Ltd.

Statement of notes and accounts payables

December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

Item	Amount
Vendor O	$ 104,885
Vendor B	51,942
Vendor I	41,300
Vendor K	35,755
Vendor M	31,342
Others (less than 5%)	113,818
Total	$ 379,042

Statement of short-term borrowings

Item	Bank	Ending Balance	Interest Rate	Financing Amount	Collateral
Secured bank loans	Hua Nan Bank	$ 115,000	0.88%	220,000	Yes
Unsecured bank loans	CTBC Bank	50,000	0.90%	100,000	No
〃	E.SUN Bank	50,000	0.90%	100,000	〃
		$ 215,000			

Jarllytec Co., Ltd.

Statement of long-term borrowings

December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

Bank	Amount: Current Amount Expired within one year	Amount: Non-current Amount Expired after one year	Period	Interest Rate	Collateral
Hua Nan Bank	$ 83,056	166,112	2019.12.30~2024.12.30	0.35%	No
E.SUN Bank	-	71,541	2020.10.30~2024.12.15	0.40%	No
Chang Hwa Bank	75,000	118,750	2019.07.10~2024.07.10	0.95%	Yes
Chang Hwa Bank	987	81,947	2019.12.11~2029.11.15	0.66%	Yes
Taiwan Business Bank	50,000	-	2020.11.06~2023.11.06	1.15%	Yes
	$ 209,043	**438,350**			

Jarllytec Co., Ltd.

Statement of other payables

December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

Item	Amount
Processing payable	$ 94,887
Product testing payable	76,465
Wages and salaries payable (including employees' bonus and directors' compensation)	68,737
Mold payable	27,418
Others (less than 5%)	252,790
Total	**$ 520,297**

Statement of operating revenue

For the year ended December 31, 2021

Product	Quantity (KPCS)	Amount
Hinge	31,104	$ 3,238,376
Fiber optic	22,384	313,565
Total		**$ 3,551,941**

Jarllytec Co., Ltd.

Statement of operating costs

For the year ended December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

Item	Amount
Raw materials and supplies	
Beginning balance of raw materials and supplies	$ 23,059
Add：Purchases	1,000,153
Others	10
Less：Ending balance of raw materials and supplies	(35,920)
Transferred to manufacturing overhead	(93)
Transferred to operating expenses	(552)
Sold	(18,492)
Raw materials and supplies used	968,165
Direct labor	137,975
Manufacturing overhead	536,084
Total manufacturing cost	1,642,224
Add：Beginning balance of work-in-process inventory	63,503
Purchases	16,009
Others	678
Less：Ending balance of work-in-process inventory	(143,515)
Transferred to manufacturing overhead	(3,931)
Transferred to operating expenses	(1,220)
Sold	(87,284)
Cost of finished goods	1,486,464
Add：Beginning balance of finished goods	44,332
Purchases	1,413,869
Others	42
Less：Ending balance of finished goods	(53,480)
Transferred to manufacturing overhead	(1,376)
Transferred to operating expenses	(389)
Cost of sales-finished goods	2,889,462
Cost of sales	105,776
Other operating costs-other	700
Income from sale of scraps	(505)
Operating costs	$ 2,995,433

Jarllytec Co., Ltd.

Statement of selling expenses

For the year ended December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

Item	Amount
Wages and salaries	$ 14,437
Commissions expense	151,779
Export expense	14,539
Other expenses (less than 5%)	83,922
Total	**$ 264,677**

Statement of administrative expenses

Item	Amount
Wages and salaries	$ 58,914
Employees' and directors' compensation	19,422
Depreciations	10,113
Insurance expense	7,446
Other expenses (less than 5%)	50,118
Total	**$ 146,013**

Jarllytec Co., Ltd.

Statement of Research and Development Expenses

For the year ended December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

Item		Amount
Wages and salaries	$	63,752
Sample expenses		25,770
Other expenses (less than 5%)		31,660
Total	**$**	**121,182**

Statement of other receivables, please refer to 2021 Parent Company Only Financial Statements Notes 6(d).
Statement of movement of property, plant and equipment, please refer to 2021 Parent Company Only Financial Statements Notes 6(g).
Statement of movement of accumulated depreciation of property, plant and equipment, please refer to 2021 Parent Company Only Financial Statements Notes 6(g).
Statement of movement of right-of-use assets, plant and equipment, please refer to 2021 Parent Company Only Financial Statements Notes 6(h).
Statement of movement of accumulated depreciation of right-of-use assets, plant and equipment, please refer to 2021 Parent Company Only Financial Statements Notes 6(h).
Statement of other income, please refer to 2021 Parent Company Only Financial Statements Notes 6(s).