



2022 Annual Report

Notice to readers

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

Jarllytec annual report is available at

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

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

Printed on May 25, 2023

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VI. Corporate Website

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1. Letter to Shareholders

I. Annual summary and future prospects

Due to Covid-19 pandemic and the war between Ukraine and Russia in the year 2022, there are still a lot of uncertainties in the global energy and raw materials market, made worse by the continuing rise in the costs of supply chains and labors. There have been difficulties in the overall operations as inflation exacerbated, forcing many countries to continue lifting rates and thereby making changes in the global capital markets and costs. Despite facing such a changing environment, the company faces its difficulties head on, and with the efforts of all its employees, the operating income for this year remains profitable.

The display supply chain consulting company (DSCC) estimates that while the foldable phones market stagnated in the fourth quarter of 2022, it remains a highlight in the smartphone and display market, and the shipments of foldable phones will increase by 33% to 17 million units in 2023. The company has been deeply involved in production of the hinges of folding products for years. Based on solid technology, we actively invest in technological developments. At present, the company has made major breakthroughs in the technology of foldable mobile phone hinges, which have made great contributions to the company's revenue. It has become an important segment of the company's business territory.

Looking forward to the future, manufacturing activities in every country have apparently slowed down since major economies continue to lift rates in order to curb inflation in 2022, and the global economic prospects are ralise serious doubts due to changes such as the unsolved Ukraine-Russia war and the recurrence of the China-United States trade war. Market research institutions forecast that the overall PC market shipments will continue to decline in 2023, but they are optimistic that trend will turn to a positive growth in 2024. It is expected that after this economic downturn, the return of deferred demand from education and enterprises, coupled with the cessation of Windows 10 support services, will bring a wave of replacements and further promote market revival. The company will actively continue to deepen customer relationships, develop more new hinge products and carry out diversified development of its existing product lines.

In addition to pursuing profitable growth, the company adheres to its original mission of giving back to the society to participate in donating to vulnerable groups every year, responding to social needs, and giving back to society and communities. Given the increasingly serious global climate problems, we have taken the climate change risk into consideration for sustainable operations. We focus on energy saving and carbon reduction, aggressively engage in ESG (Environment, Social, Governance) related issues, and fulfill sustainable operational goals.

II. Operational results

(1) Financial performance

Consolidated revenue for the year 2022 was NT\$7.021 billion, a decrease of about 5.72% compared to the previous year. Net profit for the current period rose to 474 million due to product combinations and exchange rate fluctuations, a growth of 91.27% compared to the previous year. Basic earnings per share was NT\$7.88.

(2) Budget implementation

As the Company has no public finance prediction in 2022, the budget implementation will not be stated.

(3) Financial revenue and expenditure & profitability analysis

Unit: NT\$ 1,000

Item		2022	2021
Financial revenue and expenditure	Operating revenue	7,020,608	7,446,666
	Operating margin	1,403,982	1,228,725
	Operating expenses	951,282	998,774
	Net profit before tax	724,498	289,022
	Net income	473,968	247,795
Profitability	Return on assets (%)	5.41	3.03
	Return on equity (%)	10.88	6.01
	Ratio of income before tax to paid-in capital (%)	120.50	48.07
	Net profit ratio (%)	6.75	3.33
	Earnings per share (NT\$)	7.88	4.12

(4) Research and development

The investment in research and development in 2022 was NT\$220,943,000, accounting for approximately 3.15% of total revenue, a decrease of NT\$58,879,000 compared to NT\$279,822,000 in 2021. The company now mainly focuses on the research and development of laptop hinges, all-in-one computers (AIO PC), LCD monitor stands, video camera hinges, and flexible display hinges. Flexible display hinges are applied to foldable phones and are also developed for application to other product categories. At the early stages of product development, we have strengthened interactions with the end customers to conduct product seminars and further fully master the future developmental trend of the market and technologies for research and development. For the internal R&D department, we actively encourage innovative research and new product developments, apply for patents for new products and technologies, build a sound protection network for patents and intellectual properties, and strengthen product competitiveness.

III. Business plan

(1) Significant management policies

1. High-quality service, excellent management, continuous improvement, sustainable operations.
2. Develop further high precision and high value-added key components and technologies in Taiwan.
3. Flexible operations, distributed production and supply, and uninterrupted operating energy.
4. Sound fiscal management, austerity, and maximizing corporate resources.
5. Continue to invest in research and development, create product differentiation and high-end products, improve operating efficiency, and move forward in the direction of value-adding strategies.

6. Make good use of big data to analyze and make decisions to achieve an intelligent manufacturing process.
7. Implement sustainable management goals.

(2) Sales volume forecast and its basis

The Company has no financial forecasts to be disclosed for the year 2022, therefore, there is no explanation for the expected sales volume and its basis.

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

- (1) The Company executes all operations in compliance with relevant laws and regulations, therefore, the regulation environment has made no significant impact to the Company.
- (2) Due to the effects of weakening market demand and inventory destocking, upstream wafer production capacity has gradually reversed to oversupply. The market research institution, TrendForce, reckons that global notebook shipments will decline for two consecutive years in the coming years, barely reaching 176 million units, an annual decrease of 6.9%. Sales volume and speed of notebook, smartphones and portable devices, as well as the maintenance of prices, will be the most challenging issues in 2023. The company will maintain a sound flow of customer information, and prepare a working capital for flexible uses. We also strengthened the upstream and downstream layout of the supply chain, adjusted production schedules, increased safe inventory levels, etc. so that we can respond to the changes of the external environment.
- (3) Regarding the overall business environment, products such LCD and notebook have reached market saturation, speed of replacement of old products is slowing down, and stocking of consumer electronics inventory is too high. Due to financial pressures, selling price was lowered to stimulate purchase, resulting in compressing the profit margins. Therefore, the company continuously improves on the process, accelerates vertical integration, and persists in reducing manufacturing costs. In addition, the company continuously invests in research and development to develop new products that meet the customers' demands, and involves itself in more application fields as a mid- and long-term growth driver.

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

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

2. Company Profile

2.1 Date of Incorporation

July 7th, 2004

2.2 Company History

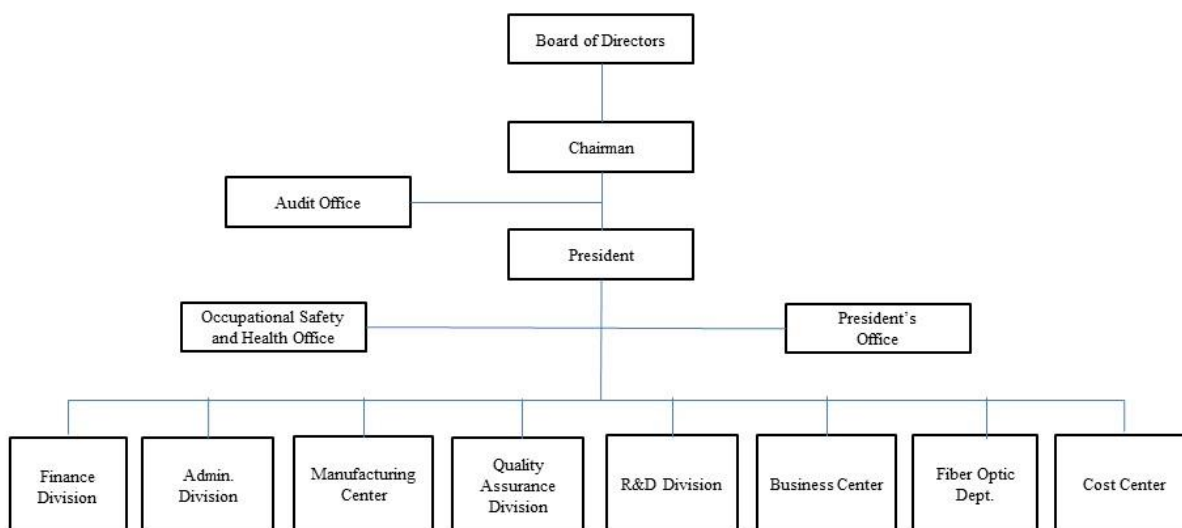
Jul, 2004	Jarlllytec founded in Wugu Industrial Center in New Taipei City
Dec, 2004	Move to a new building
Dec, 2004	Capital increased with cash to NT\$ 120,000,000
Aug, 2005	Acquired the ISO9001(2000 Edition) Quality Certification from BSMI, MOEA
Aug, 2005	Mass production of high-end LCD monitor hinge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

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

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

3. Corporate Governance Report

3.1 Organization



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

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

3.2 Directors, Supervisors and Management Team

3.2.1 Information of directors and supervisors

Apr 15, 2023

Title	Name	Gender, age	Nationality or place of registration	Date Elected	Term	Date First Elected	Shareholding when elected		Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience	Other Position	Managers who are Spouses or Within Two Degrees of Kinship			Remark (Note)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chairman	Dellson Investment Co., Ltd.	N/A	Taiwan (R.O.C)	07/07/2021	3 Years	06/21/2018	3,392,000	5.64%	3,714,000	6.18%	0	0	0	0	N/A	N/A	N/A			None
Director Representative,	Tai Yuan Chang	Male 61~70	Taiwan (R.O.C)	07/07/2021	3 Years	06/25/2004	711,325	1.18%	711,325	1.18%	470,467	0.78 %	3,714,000	6.18%	Master of Business Administration, EMBA of National Taipei University Quality control Specialist of Inventec Co., Ltd.	Gernal Manager of Jarllytec Co., Ltd. Chairman of Jarson Precision Technology Co., Ltd. Jarwin Investment Co., Ltd. Supplier Chairman of Dellson Investment Co., Ltd. Director representative, Smart Hinge Holding Ltd Director representative, Royal Jarly Holding Ltd. Director representative, Great Hinge Trading Ltd. Chairman of Shanghai Jarly, Chairman of Fu-Qing Jarly, Chairman of Dong Guan Jarly, Chairman of Jarly Electronic Shanghai, Chairman of Kunshan Jarly, Chairman of Xiamen Jarly Chairman of Chongqing Jarly	Senior Vice President	Hsu, Yao Kun	affinity	None
Vice-Chairman	Sunrise Investment Co., Ltd.	N/A	Taiwan (R.O.C)	07/07/2021	3 Years	06/25/2004	6,100,000	10.15%	6,100,000	10.15%	0	0	0	0	N/A	N/A	N/A			N/A

Title	Name	Gender, age	Nationality or place of registration	Date Elected	Term	Date First Elected	Shareholding when elected		Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience	Other Position	Managers who are Spouses or Within Two Degrees of Kinship			Remark (Note)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Director Representative	Liu, Kuang Hua	Male 61~70	Taiwan (R.O.C)	07/07/2021	3 Years	06/25/2004	1,316,000 (Trust property 1,100,000 shares)	2.19%	1,316,000 (Trust property 1,100,000 shares)	2.19%	906,000 (Trust property 700,000 shares)	1.51 %	1,550,000	2.58%	Master of EMBA School of Management, National Taiwan University Taipei University of Marine Technology Inventec Sourcing Manager	Director of Jmim Precision Industry Co., Ltd., Director representative, Sunrise Investment Co., Ltd. Director representative, Jarson Precision Technology Co., Ltd. Director representative, Jarwin Investment Co., Ltd. Director Representative, Algoltek Independent Director, Audit Committee, Remuneration Committee Director of Great Hinge Trading Ltd. Director of Shanghai Jarlly Director of Fu-Qing Jarlly Director of Dong Guan Jarlly Director of Jarlly Electronic Shanghai Director of Kunshan Jarlly Director of Xiamen Jarlly Director of Chongqing Jarlly	Director representative	Liu, Chih Chen	Father Son	None
Director	Young Win Assets Management CO., Ltd.	N/A	Taiwan (R.O.C)	07/07/2021	3 Years	07/07/2021	1,550,000	2.58%	1,550,000	2.58%	0	0	0	0	N/A	N/A	N/A			N/A
Director Representative	Liu, Chih Chen	Male 31~40	Taiwan (R.O.C)	07/07/2021	3 Years	07/07/2021	282,000	0.47%	500,000	0.83%	0	0	0	0	Bournemouth University, Master of Marketing Management	Shanghai Jarlly, Deputy Director	Director representative	Liu, Kuang - Hua	Father Son	None

Title	Name	Gender, age	Nationality or place of registration	Date Elected	Term	Date First Elected	Shareholding when elected		Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience	Other Position	Managers who are Spouses or Within Two Degrees of Kinship			Remark (Note)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Independent Director	Wu, Sou Shan	Male 71~80	Taiwan (R.O.C)	07/07/2021	3 Years	07/07/2021	0	0	0	0	0	0	0	0	PhD of Department of Finance, Insurance & Real Estate, University of Florida Master's degree of Institute of Management of Science, National Chiao Tung University Bachelor's degree of Department of Accounting and Statistics, National Chung Hsing University Independent director of Yuanta Financial Holding Co., Ltd. (Yuanta Securities Co., Ltd.) Professor and dean of College of Management, Chang Gung University Professor of Chiao Tung University Consultant of State-owned Enterprise Commission, Ministry of Economic Affairs Supervisor of Hua Nan Financial Holding Co. (and permanent in Hua Nan Bank) Chairman of Securities & Futures Institute Chairman of Taipei Exchange Director of Chunghwa Post Co., Ltd. Managing director of Taipower Co. Supervisor of the board of directors, Nan Kai University	Compensation committee of JARLLYTEC CO., Ltd. Chair professor at National Taiwan Normal University Independent director of Citibank Taiwan Independent director of Energenesis Biomedical Co., Ltd. Consultant of Taiwan Institute of Economic Research of Technology Independent director Yang, Shang Hsien Department of Accounting, Tamkang University Accountant of Baker Tilly Clock & Co Accountant of	N/A	N/A	N/A	N/A

Title	Name	Gender, age	Nationality or place of registration	Date Elected	Term	Date First Elected	Shareholding when elected		Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience	Other Position	Managers who are Spouses or Within Two Degrees of Kinship			Remark (Note)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Independent Director	Yang, Shang Hsien	Male 51~60	Taiwan (R.O.C)	07/07/2021	3 Years	07/07/2021	0	0	0	0	0	0	0	0	Department of Accounting, Tamkang University Accountant of Baker Tilly Clock & Co Accountant of Lan-Jai CPAs Firm	Compensation committee of JARLLYTEC Co., Ltd. Accountant of Cheng Yang CPAs Firm Juristic representative director of YesHealth Agri Biotechnology Co., Ltd. Independent director of Da Hui Limited Independent director of ETREND High tech Corp. (the term of office will terminate on June 17, 2021) Independent director of REPOND Co., Ltd. Supervisor of Chip Hope Co., Ltd. Independent director of Yeedex Electronic Corporation Supervisor of A Shine Biotech Corp.	N/A	N/A	N/A	N/A
Independent Director	Lee, Chien Ming	Male 51~60	Taiwan (R.O.C)	07/07/2021	3 Years	07/07/2021	0	0	0	0	0	0	0	0	Master of Business Administration, EMBA of National Taiwan University PhD of Department of Science, New York University Tandon School of Engineering Master's degree of Department of Science, Fu Jen Catholic University Bachelor's degree of Department of Science, Fu Jen Catholic University Asia area manager of Ciba Specialty Chemicals Inc. General manager of the subsidiary, View Sonic Group (Sintech Technology Corp./Opti International Corp., Taiwan) Vice general manager of Marketing and Purchasing Departments, Chan Mao Optoelectronics Co., Ltd. Taiwan's General manager of LG Display Co., Ltd. General manager of Asian Chemical Group Division	Compensation committee of Jarllytec Co., Ltd. Vice general manager of TPK Co., Ltd. General Manager of Hongtong Technology (Xiamen) Co., Ltd. Unic Technology Corp. Independent Director, Audit Committee, Salary Committee	N/A	N/A	N/A	N/A

Title	Name	Gender, age	Nationality or place of registration	Date Elected	Term	Date First Elected	Shareholding when elected		Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience	Other Position	Managers who are Spouses or Within Two Degrees of Kinship			Remark (Note)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Independent Director	Liu, Chun Ying	Female 41~50	Taiwan (R.O.C)	07/07/2021	3 Years	07/07/2021	0	0	0	0	0	0	0	0	Master of Business Administration, EMBA of National Taiwan University Master of Laws, Northwestern University Bachelor's degree of Laws, National Taiwan University Copartner of TSAR & TSAI LAW FIRM	Independent director and audit committee's member of Jarlytec Co., Ltd. Copartner of TSAR & TSAI LAW FIRM Independent Director, Audit Committee, and Compensation Committee of MetaEdge Corporation Juristic representative director of Taiwan Cement Corporation Juristic representative Director of Chinatrust Investment Co., Ltd	N/A	N/A	N/A	N/A

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

- (1) Set up four independent directors to effectively play the supervision function.
- (2) Set up functional committees (salary, remuneration and audit), fully discuss and put forward professional suggestions for the reference of the board of directors to implement corporate governance.
- (3) More than half of the members of the board of directors do not concurrently serve as employees or managers.
- (4) Every year, each director is arranged to attend courses of external professional institutions to improve the professional ability of directors to improve the operation efficiency of the board of directors. Arrange each director to attend the courses of external professional every institutions year to improve the professional level of directors

Note 2: Former directors Hung, Tung Hsiung and independent directors Ku, Yung Chia, Lai, Chia Yi, Chung, Kuang Chih 's term expires on July 7, 2021.

Note 3: The legal representatives of the directors are Liu, Chih Chen and the independent directors Yang, Shang Hsien, Lee, Chien Ming, Wu, Sou Shan term starts on July 7, 2021

3.2.2 Major shareholders of Corporate Shareholders

April 15, 2023

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

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

April 15, 2023

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

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

Qualification Name	Professional qualifications and experience	Independence analysis	No. of other public companies at which the person concurrently serves as an independent director
Chairman Dellson Investment Co., Ltd. Representative: Chang, Tai - Yuan	1. Board leadership experience (For work experience, see Director Profile on page 13). 2. Professional experience in operational judgment, business management, crisis management, industry knowledge, international market outlook, leadership decision-making. 3. There are no circumstances under Article 30 of the Company Law.	(6)(7)(8)(9)(10)(11)(12)	0
Vice Chairman Sunrise Investment Co., Ltd. Representative: Liu, Kuang - Hua	1. Board leadership experience (For work experience, see Director Profile on page 14). 2. Professional experience in operational judgment, business management, crisis management, industry knowledge, international market outlook, leadership decision-making. 3. There are no circumstances under Article 30 of the Company Law.	(6)(7)(8)(9)(10)(11)(12)	1
Director Young Win Assets Management CO., Ltd. Representatives: Liu, Chih Chen	1. Professional experience in operational judgment, business management, crisis management, industry knowledge, international market outlook. 2. There are no circumstances under Article 30 of the Company Law. (For work experience, please refer to page 14 for director information)	(2)(6)(7)(8)(9)(10)(11)(12)	0
Independent Director Liu, Chun-Ying	1. Leadership experience of compensation committee, audit committee and board of directors (for work experience, please refer to the information of directors on page 17). 2. Have industry knowledge and legal knowledge. 3. There are no circumstances under Article 30 of the Company Law.	(1)(2)(3)(4)(5)(6)(7)(8)(9)(10)(11)(12)	1
Independent Director Wu, Sou-Shan	1. Leadership experience of compensation committee, audit committee and board of directors (for work experience, please refer to the information of directors on page 15). 2. Knowledge of industry and financial accounting. 3. There are no circumstances under Article 30 of the Company Law.	(1)(2)(3)(4)(5)(6)(7)(8)(9)(10)(11)(12)	2

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

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

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

3.2.5 Diversity and independence of the board of directors

(1) Diversity of the Board of Directors

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

operation, operation type and development needs.

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

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

Item Name	Employment in Jarlytec	Age					Term		Operational Judgment	Financial Analysis	Management	Industry Knowledge	Management Risk	Market View	Lead	Decision Making
		31 ~ 40	41 ~ 50	51 ~ 60	61 ~ 70	Over 71	0~3 years	4~6 years								
Chang, Tai Yuan	✓				✓				✓		✓	✓	✓	✓	✓	✓
Liu, Kuang Hua	✓				✓				✓		✓	✓	✓	✓	✓	✓
Liu, Chih Chen	✓	✓							✓		✓	✓	✓	✓	✓	✓
Liu, Chun Ying			✓					✓	✓	✓	✓	✓	✓	✓	✓	✓
Wu, Sou Shan						✓	✓		✓	✓	✓	✓	✓	✓	✓	✓
Yang, Shang Hsien				✓			✓		✓	✓	✓	✓	✓	✓	✓	✓
Lee, Chien Ming				✓			✓		✓	✓	✓	✓	✓	✓	✓	✓

(2) Independence of the Board of Directors

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

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

April 23, 2022

Title	Nationality	Name	Gender	Date of appointment to position	Holding Shares		Relatives hold shares		Under Other's		Experience	Occupation	Title	Name	Relationship	Employee Options	Remark
					Shares	Ratio	Shares	Ratio	Shares	Ratio							
Gernal Manager	Taiwan (R.O.C)	Chang, Tai Yuan	Male	07/07/2004	711,325	1.18%	470,467	0.78%	3,714,000	6.18%	Master of Business Administration, EMBA, Taipei University Inventec QA Specialist	Chairman of Jarllytec Co., Ltd. Chairman of Jarson Precision Technology Co., Ltd. Chairman of Jarwin Investment Co., Ltd. Chairman of Dellson Investment Co., Ltd. Legal representative of Smart Hinge Holding Ltd. Legal representative of Royal Jarlly Holding Ltd. Legal representative of Great Hinge Trading Ltd. Director representative of Smart Hinge Holding Ltd. Director representative of Royal Jarlly Holding Ltd. Director representative of Great Hinge Trading Ltd. Chairman of Shanghai Jarlly Chairman of Fu-Qing Jarlly Chairman of Dong Guan Jarlly Chairman of Jarlly Electronic Shanghai Chairman of Kunshan Jarlly Chairman of Xiamen Jarlly Chairman of Chongqing Jarlly	Senior Deputy General Manager	Hsu, Yao Kun	affinity	None	None
Senior Deputy General Manager	Taiwan (R.O.C)	Hsu, Yao Kun	Male	02/01/2005	367,237	0.61%	1,368	0.00%	0	0	Tsinghua University Jarllytec Sales Manager	General Manager of South China: Fu-Qing Jarlly, Xiamen Jarlly, Dong Guan Jarlly, Director of Fu-Qing Jarlly, Dong Guan Jarlly, Xiamen Jarlly, Jarllytec (Thailand) Co., Ltd.	Gernal Manager	Chang, Tai Yuan	affinity	None	None
Senior Deputy General Manager	Taiwan (R.O.C)	Huang, Chin Ming	Male	07/01/2005	84,220	0.14%	1,000	0.00%	0	0	Department of Mechanical Engineering, Chinese Culture University Director of Institutional Design of Tatung Company	General Manager of East China: Shanghai Jarlly, Chongqing Jarlly, Shanghai Jarlly Director of Jarlly Electronic Shanghai, Kunshan Jarlly	None	None	None	None	None
Deputy General Manager	Taiwan (R.O.C)	Hung, Chin Fu	Male	07/07/2004	236,764	0.39%	187,116	0.31%	1,100,000	1.83%	Qinyi Engineering College Mechanical Division Qianji Company	Supervisor of Chongqing Jarlly	None	None	None	None	None
Deputy General Manager	Taiwan (R.O.C)	Li, Yung Ta	Male	02/01/2005	3,425	0.01%	0	0	0	0	PhD in Mechanical Engineering, National Taiwan University Shentong Computer Lecturer	None	None	None	None	None	None
Deputy General Manager	Taiwan (R.O.C)	Huang, Shih Hui	Male	07/30/2012	0	0	0	0	0	0	Bachelor of Mechanical Engineering, National Taiwan University Master of Industrial Engineering, Iowa State University Meilong Industrial R&D Manager Ford Liuhe Design and Technology Center Manager	None	None	None	None	None	None

Title	Nationality	Name	Gender	Date of appointment to position	Holding Shares		Relatives hold shares		Under Other's		Experience	Occupation	Title	Name	Relationship	Employee Options	Remark
					Shares	Ratio	Shares	Ratio	Shares	Ratio							
Deputy General Manager	Taiwan (R.O.C)	Chang, Yu Chung	Male	08/01/2021	9,000	0.01%	0	0	0	0	Bachelor of Industrial Design, Datong University of Technology General Manager of Hanyang Precision, Getac Group Senior Director of Handa Precision, Mitac Group Huayu Group Jiada Precision Business Associate	General Manager of Jarlytec (Vietnam) Co., Ltd. Deputy General Manager of Kunshan Jarlly	None	None	None	None	None
Chief Financial Officer	Taiwan (R.O.C)	Hsu, Pei Wen	Female	04/01/2005	1,000	0	0	0	0	0	Master of EMBA School of Management, National Taiwan University of Science and Technology Department of Accounting, Tamkang University Chief Financial Officer of New System Logistics Financial Manager of Qingliang Electronics Co., Ltd.	None	None	None	None	None	None
Accounting Director	Taiwan (R.O.C)	Chen, Ying Hsuan	Female	06/18/2019	0	0	0	0	0	0	Master of EMBA School of Management, National Taiwan University of Science and Technology Department of Accounting, Soochow University KPMG Manager	Legal Representative Supervisor of Jarson Precision Technology Co., Ltd. ZheJiang Zhaowang Precision Technology Co. Ltd. Supervisor	None	None	None	None	None

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

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

3.3.1 Remuneration of Directors and Independent Directors

Dec 31st 2022 Unit: NT\$ thousand

Title	Name	Remuneration to directors								Sum of A+B+C+D and ratio to net income		Remuneration received by directors for concurrent service as an employeeec								Sum of A+B+C+D+E+F +G and ratio to net income		Remuneration received from investee enterprises other than subsidiaries or from the parent company
		Base Compensation (A)		Retirement pay and pension (B)		Director profitsharing compensation (C)		Expenses and perquisites (D)				Salary, rewards, and special disbursements (E)		Retirement pay and pension (F)		Employee profit-sharing compensation (G)						
		The company	All Consolidat ed entities	The company	All Consolidat ed entities	The company	All Consolida ted entities s	The comp any	All Consolidat ed entities s	The company	All Consolidated entities	The company	All Consolidat ed entities	The company	All Consolida ted entities	The company		All Consolidated entities		The company	All Consolidat ed entities	
Chairman	Dellson Investment Co., Ltd.	3,333	3,862	254	254	9,975	9,975	0	0	13,562 2.86%	14,091 2.97%	4,531	5,367	306	306	312	0	312	0	18,711 3.95%	20,076 4.24%	0
Representative	Chang, Tai Yuan																					
Vice-Chairman	Sunrise Investment Co., Ltd.																					
Representative	Liu, Kuang Hua																					
Director	Young Win Assets Management CO., Ltd.																					
Representative	Liu, Chih Chen	1,320	1,320	0	0	2,774	2,774	39	39	4,133 0.87%	4,133 0.87%	0	0	0	0	0	0	0	0	4,133 0.87%	4,133 0.87%	0
Independent Director	Liu, Chun Ying																					
	Wu, Sou Shan																					
	Yang, Shang Hsien																					
	Lee, Chien Ming																					
1. The remuneration policy, system, standard and structure of independent directors and the relationship with the amount of remuneration paid according to the responsibilities, risks, investment time and other factors. In Chapter 6, Article 22, if the company has a profit in the year, it shall allocate no more than 2% as the director's remuneration. However, when the company still has accumulated losses, it should reserve the amount in advance to make up for it. And in accordance with the company's "Board of Directors" Performance Evaluation Method" to evaluate the degree of participation in the company's operations and the value of its contribution (for example: interaction with the management team, understanding of the company's industry.), taking into account domestic and foreign industry standards to provide reasonable remuneration, the relevant performance assessment and the rationality of the remuneration are reviewed by the Remuneration Committee and the Board of Director s and the remuneration system will be reviewed in a timely manner according to the actual operating conditions and relevant laws and regulations. 2. Except as disclosed in the above table, the remuneration received by the directors of the company for providing services to all the companies in the financial report in the most recent year (such as serving as a consultant for the parent compar companies in the financial report/reinvestment enterprises that are not employees of the company): None.																						

Note 1: Directors' remuneration refers to the amount of directors' remuneration distributed by the board of directors in 2023.

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

Note 3: It is based on the amount of employee remuneration distributed by the board of directors in 2023 and estimated based on the ratio of the distribution amount in 2021s.

Remuneration scale

Range of Remuneration	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The company	All Consolidated entities	The company	All Consolidated entities
Under NT\$1,000,000	Young Win Assets Management CO., Ltd. Representative: Liu, Chih Chen	Young Win Assets Management CO., Ltd. Representative: Liu, Chih Chen	-	-
NT\$ 1,000,000 ~ NT\$2,000,000	Liu, Chun Ying, Wu, Sou Shan, Yang, ShangHsien, Lee, Chien Ming,	Liu, Chun Ying, Wu, Sou Shan, Yang, ShangHsien, Lee, Chien Ming,	Young Win Assets Management CO., Ltd. Representative: Liu, Chih Chen, Liu, Chun Ying, Wu, Sou Shan, Yang, ShangHsien, Lee, Chien Ming,	Young Win Assets Management CO., Ltd. Representative: Liu, Chih Chen, Liu, Chun Ying, Wu, Sou Shan, Yang, ShangHsien, Lee, Chien Ming,
NT\$2,000,000 ~ NT\$3,500,000	-	-	-	-
NT\$3,500,000 ~ NT\$5,000,000	Dellson Investment Co., Ltd. Representative: Chang, Tai Yuan	Dellson Investment Co., Ltd. Representative: Chang, Tai Yuan	-	-
NT\$5,000,000 ~ NT\$10,000,000	Sunrise Investment Co., Ltd. Representative: Liu, Kuang Hua	Sunrise Investment Co., Ltd. Representative: Liu, Kuang Hua	Dellson Investment Co., Ltd. Representative: Chang, Tai Yuan Sunrise Investment Co., Ltd. Representative: Liu, Kuang Hua	Dellson Investment Co., Ltd. Representative: Chang, Tai Yuan Sunrise Investment Co., Ltd. Representative: Liu, Kuang Hua
NT\$10,000,000 ~ NT\$15,000,000	-	-	-	-
NT\$15,000,000 ~ NT\$30,000,000	-	-	-	-
NT\$30,000,000 ~ NT\$50,000,000	-	-	-	-
NT\$50,000,000 ~ NT\$100,000,000	-	-	-	-
Over NT\$100,000,000	-	-	-	-
Total amount of person	7	7	7	7

3.3.2 Remuneration of Management team

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

3.3.3 Compensation paid to President and Vice-President

Title	Name	Salary(A)		Retirement pay and pension (B)		Rewards and special disbursements (C)		Employee profit-sharing compensation (D)				Sum of A+B+C+D and ratio to net income (%)		Remuneration received from investee enterprises other than subsidiaries or from the parent company
		The company	All Consolidated entities	The company	All Consolidated entities	The company	All Consolidated entities	The company		All Consolidated entities		The company	All Consolidated entities ts	
								Cash	Stock	Cash	Stock			
General Manager	Chang, Tai Yuan	13,029	15,007	893	893	5,895	5,895	5,737	0	5,737	0	25,554 5.39%	27,532 5.81%	0
Senior Deputy General Manager	Hsu, Yao Kun													
Senior Deputy General Manager	Huang, Chin Ming													
Deputy General Manager	Hung, Chin Fu													
Deputy General Manager	Li, Yung Ta													
Deputy General Manager	Huang, Shih Hui													
Deputy General Manager	Chang, Yu Chung													
Chief Financial Officer	Hsu, Pei Wen													

*1: It is the amount of employee compensation approved by the board of directors in 2023 and estimated according to the ratio of distribution amount in 2022.

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

Remuneration scale

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

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

3.3.4 Name of the manager who allocates employee remuneration and distribution

Dec 31st 2022 Unit: NT\$ thousand

Title	Name	Amount in stock	Amount in cash	Total	As a % of net profit
General Manager	Chang, Tai-Yuan	0	6,154	6,154	1.30%
Senior Deputy General Manager	Hsu, Yao Kun				
Senior Deputy General Manager	Huang, Chin Ming				
Deputy General Manager	Hung, Chin Fu				
Deputy General Manager	Li, Yung Ta				
Deputy General Manager	Huang, Shih Hui				
Deputy General Manager	Chang, Yu Chung				
Chief Financial Officer	Hsu, Pei Wen				
Director	Hsu, Ching Chih				
Accounting Director	Chen, Ying Hsuan				

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

Note 1: The amount of employee remuneration distributed by the board of directors in 2022 is estimated based on the ratio of the amount distributed in 2022.

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

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

Unit: NT\$ thousand

Title	2021				2022			
	Total remuneration		Net profit after tax (%)		Total remuneration		Net profit after tax (%)	
	The company	All Consolidated entities	The company	All Consolidated entities	The company	All Consolidated entities	The company	All Consolidated entities
Director* ¹	31,147	32,467	12.57	13.10	22,844	24,208	4.82	5.11
Supervisor* ²	-	-	-	-	-	-	-	-
General Manager and Deputy General Manager* ³	29,744	32,315	12.00	13.04	25,555	27,533	5.39	5.81

The total remuneration of directors, general managers and deputy general managers in 2011 decreased compared with 2011, because the severance payment for appointed managers was withdrawn from the accounts in 2011, and the impact in 2011 was relatively small.

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

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

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

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

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

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

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

3.4 Implementation of Corporate Governance

3.4.1 The operation of the board of directors

The Board of Directors has held 6 meetings in the last year (A) and the attendance of directors is as follows:

Title	Name	No. of meetings attended in person (B)	No. of meetings attended in proxy	In-person attendance rate (%) [B/ A]	Remark
Director	Dellson Investment Co., Ltd. Representative: Chang, Tai Yuan	6	0	100%	07/07/2021 re-elected
Director	Sunrise Investment Co., Ltd.	6	0	100%	07/07/2021 re-elected

Title	Name	No. of meetings attended in person (B)	No. of meetings attended in proxy	In-person attendance rate (%) [B/ A]	Remark
	Representative: Liu, Kuang Hua				
Director	Young Win Assets Management CO., Ltd. Representative: Liu, Chih Chen	6	0	100%	07/07/2021 elected
Independent Director	Liu, Chun Ying	6	0	100%	07/07/2021 re-elected
Independent Director	Wu, Sou Shan	6	0	100%	07/07/2021 elected
Independent Director	Yang, Shang Hsien	6	0	100%	07/07/2021 elected
Independent Director	Lee, Chien Ming	6	0	100%	07/07/2021 elected

Other items to be recorded were as follows

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

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

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

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

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

Date	Name	Contents	Reasons for the recusal of interest and the circumstances of participation in voting
01/14/2022	Chang, Tai Yuan Liu, Kuang Hua Liu, Chih Chen	Discuss the company's year-end bonus distribution for managers in 2021.	In this case, in addition to the chairman, Chang, Tai Yuan, director Liu, Kuang Hua, Liu, Chih Chen Except that had to withdraw due to his own interests, the proposal was passed without objection from the directors present after consultation by the acting chairman.
08/09/2022	Chang, Tai Yuan	Discuss the company's 2021 annual manager's employee compensation cash distribution.	Director Chang, Tai Yuan also serves as the general manager, but because he did not receive employee remuneration in 2021, he has no interest and does not need to avoid interests. The case was approved

Date	Name	Contents	Reasons for the recusal of interest and the circumstances of participation in voting
			by the chairman after consultation with all the directors present without objection.
12/29/2022	Chang, Tai Yuan Liu, Kuang Hua Liu, Chih Chen	Discuss the company's year-end bonus distribution for managers in 2022.	In this case, in addition to the chairman, Chang, Tai Yuan, director Liu, Kuang Hua, Liu, Chih Chen Except that had to withdraw due to his own interests, the proposal was passed without objection from the directors present after consultation by the acting chairman.

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

The Board of Directors evaluates the implementation

Evaluation cycle	Evaluation period	Scope of evaluation	Method of evaluation	Evaluation content
Once pre year	1/1/2022~12/31/2022	Board of Directors, individual board members, functional committees (compensation committee and audit committee)	Internal self-assessment, member self-assessment	<p>Contents of the performance evaluation of the board of directors:</p> <p>(1) Participation in the company's operations</p> <p>(2) Improve the decision-making quality of the board of directors</p> <p>(3) Composition and structure of the board of directors</p> <p>(4) Election of Directors and Continuing Education</p> <p>(5) Internal control</p> <p>Contents of performance evaluation of individual board members:</p> <p>(1) Mastering the company's goals and tasks</p> <p>(2) Cognition of Directors' Responsibilities</p> <p>(3) Participation in the company's operations</p> <p>(4) Internal relationship management and communication</p> <p>(5) Professional and continuing education of directors</p> <p>(6) Internal control</p> <p>Contents of functional committee performance evaluation:</p> <p>(1) Participation in the company's operations</p> <p>(2) Cognition of the responsibilities of the functional committee</p> <p>(3) Improve the decision-making quality of functional committees</p> <p>(4) Composition and member selection of functional committees</p> <p>(5) Internal control</p>

At the end of each year, the executive unit collects relevant information on the activities of the board of directors, fills out the "Board of Directors Performance Evaluation Self-evaluation Questionnaire" and "Functional Committee Performance Evaluation Self-evaluation Questionnaire" in Attachment 1, and distributes Attachment 3 "Board members (self or peers) Assessment Self-assessment Questionnaire" for directors to fill out, and finally the coordinating executive unit collects the data uniformly, In accordance with the scoring standards of the evaluation indicators in Article 7 of the performance evaluation method of the board of directors of the company, record the evaluation result report, and report to the Board of Directors.

On March 13, 2023, the company submitted the performance evaluation of the year 2022 annual functional committees (remuneration committee, audit committee) and the board of directors to the remuneration committee for evaluation, and the result was excellent and submitted to the board of directors for approval.

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

i. Set up a compensation committee

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

ii. Executive training

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

iii. Improve information transparency

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

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

To implement corporate governance, clearly define performance goals and improve the function and operational efficiency of the board of directors, the

company passed the resolution of the board meeting on October 26, 2012 to formulate the company's "performance evaluation method for directors and supervisors" and 2019, August On the 8th, the board meeting passed a resolution to formulate the company's "Board of Directors Performance Evaluation Measures". In addition, in response to the amendments to laws and regulations, on December 30, 2020, the board of directors meeting passed a resolution to amend the relevant provisions and the performance of the board of directors shall be regularly evaluated every year according to the regulations.

v. Set up an audit committee

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

3.4.2 Operation of the Audit Committee

The Audit Committee held 6 meetings in the last year (A), and the attendance of independent directors is as follows:

Title	Name	No. of meetings attended in person (B)	No. of meetings attended in proxy	In-person attendance rate (%) [B/ A]	Remark
Independent Director	Liu, Chun Ying	6	0	100%	07/07/2021 Re-election
Independent Director	Wu, Sou Shan	6	0	100%	07/07/2021 New appointment
Independent Director	Yang, Shang Hsien	6	0	100%	07/07/2021 New appointment
Independent Director	Lee, Chien Ming	6	0	100%	07/07/2021 New appointment

Other matters to be recorded:

I. The annual work focusses of the Audit Committee:

The Audit Committee of the Company consists of 4 members from all independent directors. The Audit Committee is held in front of the board of directors on a quarterly basis to review the company's internal control system and the implementation of internal audit and major financial business practices and communicate with the Certified Public Accountant to supervise the company's operations and risk control. A total of 6 times in 2022 Meeting. The main review contents of the audit committee of the company are as follows:

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

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

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

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

Date	Proposal content and follow-up	SEC § 14-5	Resolutions
01/14/2022	1. Assess the independence of the company's certified accountants.	V	None
	2. The consolidated comprehensive budget of the company and overseas factories in 2022.	V	None
	3. The company's capital loan and 100% reinvestment of Jarson Precision Technology Co., Ltd. NT\$ 20,000 thousand.	V	None
	4. The new capital loan of Jarlly Technology(Chongqing) Co., Ltd., which was 100% transferred by the company, to Jarlly Technology(Shanghai) Co., Ltd. of RMB 10 million °	V	None
	The result of the resolution of the Audit Committee (January 14, 2022): After consultation by the chairman of all the attending members, the proposal was passed without objection.		
	The company's handling of the audit committee's opinion: None.		
03/02/2022	1. The company's 2021 individual financial statements and consolidated financial statements.	V	None
	2. It is planned to pass the company's 2021 "Internal Control System Statement".	V	None
	3. Approved the company's 2021 business report.	V	None
	4. The second extension of the capital loan of Fu-Qing Jarlly Electronics Co., Ltd. and Kunshan Jarlly Electronics Ltd. of RMB 10 million, which was 100% reinvested by the company °	V	None
	5. Jarlly Technology(Chongqing) Co., Ltd. and Kunshan Jarlly Electronics Ltd., which are 100% invested by the company, plan to apply to the bank for the renewal of the foreign debt line of US\$2 million, and the company will endorse them as a guarantee.	V	None
	6. The company intends to handle the 2022 cash capital increase issuance of ordinary shares and the first domestic unsecured conversion of corporate bonds.	V	None
	7. The company's 2021 shareholders' regular meeting will not handle the case of private placement of common stock cash capital increase, or private placement of domestic convertible corporate bonds.	V	None
	The result of the resolution of the Audit Committee (March 2, 2023): After consultation by the chairman of all the attending members, the proposal was passed without objection.		
	The company's handling of the audit committee's opinion: None.		
05/11/2022	1. The company's consolidated financial statements for the first quarter of 2022.	V	None
	2. Discuss the company's 2021 profit distribution plan.	V	None
	3. Ratification of the right-to-use asset case of Jarson Precision Technology Co., Ltd., which was 100% invested by the company.	V	None
	4. Ratification of the right-to-use assets of Kunshan Jarlly Electronics Ltd., which was 100% invested by the company.	V	None

Date	Proposal content and follow-up	SEC § 14-5	Resolutions
05/11/2022	5. The first extension case of RMB 7 million of capital loan of Jarlly Technology(Chongqing) Co., Ltd., which was 100% transferred by the company, and Kunshan Jarlly Electronics Ltd.	V	None
	6. Revised some texts of the company's "Procedures for Acquisition or Disposal of Assets".	V	None
	The result of the resolution of the Audit Committee (May 11, 2022): After consultation by the chairman of all the attending members, the proposal was passed without objection.		
	The company's handling of the audit committee's opinion: None.		
08/09/2022	1. The company's consolidated financial statements for the second quarter of 2021.	V	None
	2. Jarlly Technology(Shanghai) Co., Ltd., which is 100% invested by the company, intends to apply to the bank for the renewal of the foreign debt line of US\$8 million, and the company will endorse and guarantee it.	V	None
	3. Jarson Precision Technology Co., Ltd., which is 100% invested by the company, intends to handle the case of capital increase of NT\$35,200 thousand from surplus.	V	None
	4. Amended some provisions of the company's "Subsidiary Acquisition or Disposal of Assets Handling Procedures".	V	None
	5. The case of changing the audit supervisor of the company	V	None
	The result of the resolution of the Audit Committee (August 9, 2022): After consultation by the chairman of all the attending members, the proposal was passed without objection.		
	The company's handling of the audit committee's opinion: None.		
11/04/2022	1. The company's consolidated financial statements for the third quarter of 2022.	V	None
	2. Passed the company's 2023 annual audit plan.	V	None
	3. Revise the company's 2022 consolidated comprehensive budget.	V	None
	4. The real estate use right asset case of Jarson Precision Technology Co., Ltd. 100% invested by the company.	V	None
	5. The 100% capital loan of Fu-Qing Jarlly Electronics Co., Ltd. and Kunshan Jarlly Electronics Ltd. for the second extension of RMB 5 million.	V	None
	6. The company monetary loans with Jarllytec (Vietnam) Co., Ltd.US\$ 4 million.	V	None
	7. The company provided a NT\$40 million loan endorsement guarantee to Jarson Precision Technology Co., Ltd., which was 100% reinvested.	V	None
	8. Jarllywin Investment Co., Ltd. plans to distribute NT\$6,301,690 in surplus	V	None
	9. Fu-Qing Jarlly Electronics Co., Ltd. which is 100% invested by the company, plans to distribute the surplus of US\$5 million to Royal Jarlly Holding Ltd.	V	None
	The result of the resolution of the Audit Committee (November 4, 2022): After consultation by the chairman of all the attending members, the proposal was passed without objection.		
	The company's handling of the audit committee's opinion: None.		
12/29/2022	1. Formulate the general principles of the company's pre-approval non-confirmation service policy.	V	None
	2. The company's 2023 consolidated comprehensive budget.	V	None

Date	Proposal content and follow-up	SEC § 14-5	Resolutions
12/29/2022	3. Assess the independence of the company's certified accountants.	V	None
	4. The real estate use right asset case of Jarlly Technology(Shanghai) Co., Ltd. 100% invested by the company.	V	None
	5. The company monetary loans with Jarson Precision Technology Co., NT\$ 20 million.	V	None
	6. The new capital loan of Fu-Qing Jarlly Electronics Co., Ltd. 100% reinvested by the company to Kunshan Jarlly Electronics Ltd. of RMB 10 million.	V	None
	7. In response to the capital needs of Jarson Precision Technology Co., Ltd. which is 100% reinvested by the company, the company intends to pay its payment in advance.	V	None
	8. The case of Smart Hinge Holdings Ltd., which is 100% invested by the company, plans to distribute the surplus of Smart Hinge Holdings Ltd. USD 10,000.	V	None
	The result of the resolution of the Audit Committee (December 29, 2022): After consultation by the chairman of all the attending members, the proposal was passed without objection.		
	The company's handling of the audit committee's opinion: None.		

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

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

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

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and reasons
	Yes	No	Summary description	
			engage in insider trading, nor shall they disclose it to others. The company passed the resolution of the board of directors on August 9, 2011 to revise the "Internal Material Information Processing and Prevention of Insider Trading Management Operation Procedures", adding that directors are not allowed to report 30 days before the announcement of the annual financial report and ten days before the announcement of the quarterly financial report. Trading of company stocks during the five-day closed period. The company notified directors and insiders on 111/10/14 that they are not allowed to trade stocks during the closed period fifteen days before the 111 third quarter financial report announcement. Notified directors and insiders on 112/2/7 that they are not allowed to trade stocks during the closed period of 30 days before the announcement of the 111 annual financial report. In December 2011, a total of 15 person-times and 15 hours of relevant education and publicity were conducted for directors and managers. The course content included laws and regulations related to insider trading, ownership rights, and shareholder changes. In 2011, the directors of the company participated in the defense insider trading course for a total of 2 person-times and 6 hours. The course content included insider trading prevention, legal responsibility and case analysis.	
3.Composition and Responsibilities of the Board of Directors (1)Does the Board develop and implement a diversified policy for the composition of its members? (2)Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee? (3)Does the company establish a standard to measure the performance of the Board, and implement it annually? (4)Does the company regularly evaluate the independence of CPAs?	✓ ✓ ✓	✓ ✓ ✓	(1)The company has formulated the "Corporate Governance Code". Article 20 of the company's "Corporate Governance Code" stipulates the diversity policy of the board of directors. For the company's board diversity policy, specific management objectives and implementation, please refer to the annual report "II. Information on Directors, General Manager, Deputy General Managers, Assistant Managers, Heads of Departments and Branches (2) On December 27, 2021, the Board of Directors passed the "Organization Regulations of the Remuneration Committee" and established the Remuneration Committee, which will be held at least twice a year. The current term is July 7, 2021 to July 6, 113. In addition, on March 8, 2018, the Board of Directors approved the "Organization Regulations of the Audit Committee" and after the new independent director was elected at the shareholders' meeting on June 21, 2018, an audit committee was set up and held at least once a quarter. The term of office is 2021 July 7, 2024 to July 6, 2024. There are currently no plans to add other functional committees. (3) The company has discussed and approved by the Remuneration Committee on September 26, 2010 and passed the "Measures for the Performance Management of Directors and Supervisors" by the resolution of the board of directors on October 26, 101. In addition, in response to the revision of laws and regulations and the actual operation needs, it was	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and reasons						
	Yes	No	Summary description							
			<p>discussed and approved by the Salary Committee on August 8, 2019 and the "Measures for the Performance Evaluation of the Board of Directors" was approved by the resolution of the board of directors on August 8, 2019. In addition to the amendments to laws and regulations, in 2020 On December 30, the board meeting resolved to amend the relevant provisions and the performance of the board of directors shall be regularly assessed every year in accordance with the regulations.</p> <p>At the end of each year, the executive unit collects relevant information on the activities of the board of directors, fills out the "Board of Directors Performance Evaluation Self-evaluation Questionnaire" and "Functional Committee Performance Evaluation Self-evaluation Questionnaire" in Attachment 1, and distributes Attachment 3 "Board members (self or peers) Assessment Self-evaluation Questionnaire” for the directors to fill out, and finally the coordinating executive unit collects the data in a unified manner, records the assessment results and reports to the board of directors in accordance with the scoring standards of the evaluation indicators in Article 7 of the Company’s Board of Directors Performance Evaluation Measures. On March 13, 2012, the company submitted the performance evaluation of the year 2022 annual functional committees (remuneration committee, audit committee) and the board of directors to the remuneration committee for evaluation, and the result was excellent and submitted to the board of directors for approval.</p> <p>(4) The board of directors of the company regularly evaluates the independence of the appointed accountants every year in accordance with the company's "Code of Corporate Governance". The Audit Committee on December 29, 2022 and the Board of Directors on December 29, 2022 evaluated the Certified Public Accountant appointed by the company and the certified public accountants KPMG, Hsu, Ming Fang, Chuang, Chun Wei were entrusted to perform the 2022annual financial statement audit and certified work. Independence, according to Article 47 of the Accountants Law and the content of "Integrity, Impartiality, Objectivity and Independence" in the Bulletin on the Code of Professional Ethics for Accountants of the Republic of China No. (Note), the accounting firm will also issue a letter of declaration.</p> <p>Note: Criteria for assessing the independence of accountants</p> <table><tr><th>Evaluation Items (Summary lists important evaluation items)</th><th>Result</th><th>Independent</th></tr><tr><td>Accountant without continuous certified service for seven years</td><td>Yes</td><td>Yes</td></tr></table>	Evaluation Items (Summary lists important evaluation items)	Result	Independent	Accountant without continuous certified service for seven years	Yes	Yes	
Evaluation Items (Summary lists important evaluation items)	Result	Independent								
Accountant without continuous certified service for seven years	Yes	Yes								

Evaluation Item	Implementation Status						Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and reasons												
	Yes	No	Summary description																
			<table><tr><td>There is no direct or material indirect financial interest relationship between the accountant and the company</td><td>Yes</td><td>Yes</td></tr><tr><td>The accountant has not accepted any gifts or gifts of excellent value from the company and its directors, supervisors and managers</td><td>Yes</td><td>Yes</td></tr><tr><td>Accountants do not receive any business-related commissions</td><td>Yes</td><td>Yes</td></tr><tr><td>The accountant issues a statement of independence</td><td>Yes</td><td>Yes</td></tr></table>				There is no direct or material indirect financial interest relationship between the accountant and the company	Yes	Yes	The accountant has not accepted any gifts or gifts of excellent value from the company and its directors, supervisors and managers	Yes	Yes	Accountants do not receive any business-related commissions	Yes	Yes	The accountant issues a statement of independence	Yes	Yes	
There is no direct or material indirect financial interest relationship between the accountant and the company	Yes	Yes																	
The accountant has not accepted any gifts or gifts of excellent value from the company and its directors, supervisors and managers	Yes	Yes																	
Accountants do not receive any business-related commissions	Yes	Yes																	
The accountant issues a statement of independence	Yes	Yes																	
4. Whether the TWSE/TPEx listed company has a qualified and appropriate number of corporate governance personnel, and designates a corporate governance supervisor to be responsible for corporate governance-related affairs (including but not limited to providing directors and supervisors with information needed to perform business, assisting directors and supervisors to comply with laws and regulations, Handle matters related to the meetings of the board of directors and shareholders' meeting according to law, make minutes of the board of directors and shareholders' meetings, etc.)?	✓		<p>On August 8, 2018, the Remuneration Committee and the Board of Directors resolved to appoint a corporate governance supervisor to implement corporate governance and strengthen the functions of the board of directors. The director of corporate governance has been in charge of finance and stock affairs in a public company for more than three years. He is the top executive responsible for corporate governance-related affairs, and the stock affairs unit is responsible for reporting directly to him. The main responsibilities are</p> <ol style="list-style-type: none">1. Handle matters related to the meetings of the board of directors and shareholders' meeting according to law.2. Prepare the minutes of the board of directors and shareholders' meetings.3. Assist directors in their appointment and continuing education.4. Provide the information required by the directors to execute their business.5. Assist directors to comply with laws and regulations.6. Report to the board of directors the results of its examination of whether the qualifications of independent directors comply with relevant laws and regulations at the time of nomination, election and during their tenure.7. Handle matters related to the change of directors.8. Other matters stipulated in the company's articles of association or contract, etc.. <p>In 2022, the director of corporate governance completed 12 hours of training, and the status of the training is as follows</p>				None												

Evaluation Item	Implementation Status						Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and reasons
	Yes	No	Summary description				
			Date for attending continuing education	Hosted By	Course Title	Hours	
			11/21/2022	Taiwan Corporate Governance Association	How do directors and supervisors supervise the company to do a good job in risk management and internal control	3	
			12/16/2022	Taiwan Corporate Governance Association	Understanding related party transactions and unconventional transactions from practical cases	3	
			12/30/2022	Accounting Research And Development Foundation	Policy development and internal control management practices related to "ESG sustainability" and "self-compilation of financial reports"	6	
5. Does the company appoint a professional shareholder service agency to deal with shareholder affairs?	✓		The company's website (http://www.jarlly.com) has a "Stakeholders Area", which has corresponding windows for business management and operational projects. Stakeholders (including shareholders, employees, customers and suppliers) can directly contact, communicate and coordinate with the corresponding window. In addition, there is an "Investor Corner" on the website, which regularly discloses various business, financial information and valuable information for investors' reference and implements the spokesperson system to fully understand the company. Financial and business status, in line with company policies and needs to release information on weekdays. The speakers were Hsu, Pei Wen, Chief Financial Officer. The acting spokesperson was Li Xueling, the assistant of the General Management Office.				None
6. Does the company appoint a professional stock agency to oversee the affairs of the shareholders' meeting?	✓		The company has appointed YongFeng Gold Securities Share Agency Department to manage the affairs of the shareholders' meeting.				None
7. Information Disclosure	✓		(1) The company has set up an "Investor Corner" on the company's website (http://www.jarlly.com) to regularly disclose various business and financial information for				None

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

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and reasons								
	Yes	No	Summary description									
			<p>still no suitable candidate at that time, the company will find a suitable professional manager to take the position.</p> <p>(3) Intellectual property management plan and implementation</p> <p>The company's intellectual property management plan and implementation were reported to the board of directors on December 29, 2011.</p> <p>Since its establishment, Jarlly Technology has focused on the development of the "hub" industry. In response to the industrial development trend and the rapid changes in the domestic and foreign business environment, it has followed the group's business philosophy and business plan, and established an internal control system for "public offering companies" issued by the Financial Supervisory Commission. "Processing Guidelines" stipulates that a set of intellectual property management operations should be established to cooperate with the implementation, so as to enhance the overall competitiveness and take into account corporate social responsibility.</p> <p>Due to the wide coverage of intellectual property, from 2005 onwards, the ISO system has gradually introduced relevant management procedures for works, patents and trademarks. Through these management procedures, the intellectual knowledge output is controlled within the company as a business Confidentiality protection, and management procedures have been established for customers and suppliers outside the company. So far, it has focused on information security management, forming a second layer of protection in addition to the security measures controlled by traditional entities.</p> <p>The following is a brief description of the three stages of patent, trademark and copyright management operations in intellectual property, based on the current situation, countermeasures and implementation results:</p> <table><tr><th></th><th>Patent Management</th><th>trademark</th><th>Book Management</th></tr><tr><td>situati on</td><td>"Hinge" is an important part used in various electronic products. There are trends such as high barriers to entry, patents and functions becoming more and more complex. It is not easy for small factories to expand and it is not</td><td>The Group is a well-known supplier of notebook computer hubs, AIO hubs and LCD hubs, and its brand reputation and image in the field of "hub" products have already become well-known; goods demand and</td><td>The Group has worked hard in the "hub" for many years and has a certain economic scale. It has produced many engineering design drawings that are regarded as the results of research and development. In order to</td></tr></table>		Patent Management	trademark	Book Management	situati on	"Hinge" is an important part used in various electronic products. There are trends such as high barriers to entry, patents and functions becoming more and more complex. It is not easy for small factories to expand and it is not	The Group is a well-known supplier of notebook computer hubs, AIO hubs and LCD hubs, and its brand reputation and image in the field of "hub" products have already become well-known; goods demand and	The Group has worked hard in the "hub" for many years and has a certain economic scale. It has produced many engineering design drawings that are regarded as the results of research and development. In order to	
	Patent Management	trademark	Book Management									
situati on	"Hinge" is an important part used in various electronic products. There are trends such as high barriers to entry, patents and functions becoming more and more complex. It is not easy for small factories to expand and it is not	The Group is a well-known supplier of notebook computer hubs, AIO hubs and LCD hubs, and its brand reputation and image in the field of "hub" products have already become well-known; goods demand and	The Group has worked hard in the "hub" for many years and has a certain economic scale. It has produced many engineering design drawings that are regarded as the results of research and development. In order to									

Evaluation Item	Implementation Status						Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Summary description				
				easy for new factories to enter this field. In order to cope with various electronic products In terms of innovation, R&D and design capabilities have always been the most important capability of the Group, and patents are one of the R&D strategies, so as to provide the best cooperation and services for customers, thereby enhancing the added value of customers' products and product competitiveness.	secure a competitive niche.	effectively manage the results of the works and continuously integrate internal and external resources, the management system is used to adjust the company's constitution. , enhance the overall competitiveness.	
			Count ermeasures	(1) Patent application, acquisition, maintenance and inventory ●R&D achievements and new technology structures apply for patents ●Multi-category hub patent layout raises the threshold ●Program control, timely disclosure ●Submit bonuses and encourage innovative research and development	(1) Trademark application, acquisition and maintenance of each base : Group Logo Group English name Jarlly Group English nameJarllytec (2) The presentation of the use of trademark rights uniformly highlights the group logo and English name.	(1) Works Achievement Management ●Intranet and information platform ●design control procedures ●Documented Information Control Operating Procedures ●Information Security Management Program (2) Integration of resources	

Evaluation Item	Implementation Status						Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Summary description				
				(2) Patent Search Analysis ●competition monitoring ●Patent Risk Warning ●R&D Proposal Patentability Assessment		●Intranet and information platform ●Education and training control procedures ●knowledge management program ●Information Security Management Program	
			Implementations	(1) As of 2022/11/30, a total of 963 patents have been obtained so far, of which 484 are in existence (477 in Taipei, 6 in Shanghai, and 1 in Fuqing). 32 patent applications are regularly published on the group website "Technical Information Awarded Patents" webpage; and submit the patent bonus sign-up every quarter to reward the proposers. (2) Search for various "hub" patent structures in electronic products such as NB, LCD, and	Apply for trademarks in Taiwan, mainland China, Thailand, Vietnam and other bases to protect brand reputation and image and prevent counterfeiting by unscrupulous operators.	(1) The research and development unit undertakes the "hub" design and development projects of various electronic products, and has produced a total of 4,861 engineering design drawings, which are stored in the internal network platform and managed by the "Cultural Management Center". (2) In addition, select the design and development projects that are competitive or have been manufactured.	

Evaluation Item	Implementation Status					Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and reasons	
	Yes	No	Summary description				
				3C. At this stage, it has been compiled into 24 types (216 in total) of "hub" patent search reports, all of which have been uploaded to the company's internal information platform.		(3) The manpower training materials for internal and external education and training are stored in the internal network platform, with a total of 1117 copies.	
			(4) Maintain good relationship and interaction with investors, suppliers and stakeholders The company upholds the principle of fairness and openness to all shareholders. In addition to convening shareholders' meetings every year in accordance with the provisions of the Company Law and related laws and regulations, shareholders are encouraged to actively participate in the proposals and questions of shareholders' meetings, and the positions of spokespersons and acting spokespersons are set up to properly handle shareholders' Suggestions. In addition, special personnel are designated to be responsible for the collection and disclosure of company information, and to handle information announcement reporting matters at the public information observation station in accordance with relevant regulations, and to maintain smooth communication channels with banks, employees, investors, and stakeholders of business-related companies. And respect and safeguard their legitimate rights and interests, and provide sufficient information so that they can make judgments and make decisions on the company's operating and financial conditions. The company also has a good relationship with suppliers, and implements business in accordance with the principle of good faith to maintain the stability of cost and supply.				
			(5) Status of directors' training The directors of the company take advanced training every year in accordance with laws and regulations. For detailed training courses, please refer to Public Information Observatory/Corporate Governance/Directors and Supervisors Attending (listing) Board of Directors and Training Status.				
			(6) Implementation of consumer protection or customer policy: The company has a special person to deal with customer complaints.				

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and reasons
	Yes	No	Summary description	
			<p>(7) In order to implement corporate governance, in addition to establishing effective internal control, the company has also introduced an independent director system, relying on the professional experience of independent directors, and has formulated detailed board meeting procedures in accordance with laws and regulations. The company has purchased directors, supervisors and important staff liability insurance for directors, and reported the relevant insurance situation to the board of directors on November 4, 2022.</p> <p>(8) The company passed the board of directors on March 11, 2014 to formulate the ethical code of conduct. In addition, in response to the operational needs of the company's 2018 establishment of an audit committee to replace the supervisor, the board of directors resolved to revise relevant provisions on March 12, 2019. , and submitted the report of the shareholders' meeting on June 18, 2019, which has been disclosed on the public information observation station and the company's website.</p>	
9. Please explain what has been improved on the results of the corporate governance evaluation issued by the Corporate Governance Center of Taiwan Stock Exchange Corporation Limited in the most recent year and propose priority enhancements and measures for those that have not yet improved.	✓		<p>In the 9th Corporate Governance Evaluation of the Company (evaluation year: 2022), there were 15 indicators for unscored items. At present, the following indicators are being improved and prioritized. The improvement situation is explained as follows:</p> <p>Evaluation indicator 4.4: Is the company compiling and uploading the sustainability report on the public information observatory and the company website before the end of September in accordance with the GRI guidelines issued by the Global Sustainability Reporting Institute (GRI)?</p> <p>Improvement situation: A sustainability report is expected to be prepared.</p>	None

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

(1) Compensation Committee Members

April 15, 2022

Qualification Name	Professional qualifications and experience	Independence analysis	No. of other public companies at which the person concurrently serves as an independent director
Independent Director Liu, Chun Ying	1. Leadership experience of compensation committee, audit committee and board of directors (for work experience, please refer to the information of directors on page 17). 2. Have industry knowledge and legal knowledge. 3. There are no circumstances under Article 30 of the Company Law.	(1)(2)(3)(4)(5) (6)(7)(8)(9)(10)	1
Independent Director Wu, Sou Shan	1. Leadership experience of compensation committee, audit committee and board of directors (for work experience, please refer to the information of directors on page 15). 2. Have industry knowledge and financial accounting knowledge. 3. There are no circumstances under Article 30 of the Company Law.	(1)(2)(3)(4)(5) (6)(7)(8)(9)(10)	2
Independent Director Yang, Shang Hsien	1. Leadership experience of compensation committee, audit committee and board of directors (for work experience, please refer to the information of directors on page 16). 2. Have industry knowledge and financial accounting knowledge. 3. There are no circumstances under Article 30 of the Company Law.	(1)(2)(3)(4)(5) (6)(7)(8)(9)(10)	3

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

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

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

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

(2) Information on the operation of the Remuneration Committee

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

B. The term of office of the current members : From July 7, 2021 to July 6, 113, the salary and remuneration committee held 4 meetings in the most recent year (2022). The qualifications and attendance of the members are as follows:

Title	Name	No. of meetings attended in person (B)	No. of meetings attended in proxy	In-person attendance rate (%) [B/ A]	Remarks
Convener	Liu, Chun Ying	4	0	100%	07/07/2021 New appointment
Committee Member	Wu, Sou Shan	4	0	100%	07/07/2021 New appointment
Committee Member	Yang, Shang Hsien	4	00	100%	07/07/2021 New appointment

Other mentionable items:

1. Responsibilities of the Compensation Committee:

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

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

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

Date	Proposal Content	Result	Remuneration on Committee
01/14/2022	1. Discuss the distribution of year-end bonuses for managers in 2021. 2. Discuss the company's 2021 annual board performance evaluation plan. 3. Deliberation on the company's manager reward management plan.	All the members present passed the case without objection	All the directors shall approve the proposed board of directors

	4. Discuss the company's internal business executive change case		present without objection
03/02/2022	1. Discuss the company's 2021 director's remuneration and employee remuneration distribution plan.	All the members present passed the case without objection	All the directors shall approve the proposed board of directors present without objection
08/09/2022	1. Discuss the company's 2021 manager's employee compensation cash payment 2. Discuss the 2023 work plan of the company's salary and compensation committee	All the members present passed the case without objection	All the directors shall approve the proposed board of directors present without objection
12/29/2022	1. Discuss the distribution of year-end bonuses for managers in 2022.	All the members present passed the case without objection	All the directors shall approve the proposed board of directors present without objection
<p>3. If the board of directors declines to adopt or modifies a recommendation of the remuneration committee, it should specify the date of the meeting, session, content of the motion, resolution by the board of directors, and the Company's response to the remuneration committee's opinion (eg., the remuneration passed by the Board of Directors exceeds the recommendation of the remuneration committee, the circumstances and cause for the difference shall be specified): None.</p> <p>4. Resolutions of the remuneration committee objected to by members or subject to a qualified opinion and recorded or declared in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion should be specified: None.</p>			

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

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Summary description	
1. Does the company establish a governance structure to promote sustainable development and set up a resolute (part-time) unit to promote sustainable development, which is authorized by the board of directors to manage senior management and the supervision of the board of directors?	✓		The company strictly complies with international conventions, and established the Corporate Social Responsibility Implementation Committee in 2017 to promote the governance structure of sustainable development. It is composed of representatives from each unit, formulates management norms based on various operational risk assessments, and operates through internal audit and internal control mechanisms to ensure compliance with relevant laws and regulations; the company holds quarterly labor-management communication meetings to regularly review work rules, such as working hours system, salary Welfare, employee health, education and training, etc., to ensure that the conditions of appointment and dismissal of employees comply with laws and regulations. The general management office regularly reports to the board of directors on December 29, 2022 on its implementation (for example: education and training and Complaint system implementation), the board of directors reviewed the relevant implementation content and direction after hearing the report, and supervised the management team to make adjustments when necessary. Organize internal and external education and training related to integrity management issues every year (for example: integrity management, corporate governance, accounting system, internal control and other related courses). In terms of complaint system, the company has established "complaints and personal rights and interests protection operating procedures". The public website has a complaint acceptance telephone and reporting mailbox as complaint channels, and can respond to the general management office, audit room or financial department through telephone and mailbox. appeal.	There are no major differences yet. Although the company has not yet compiled a sustainability report, it has set up "Corporate Social Responsibility" on the company's website (http://www.jarlly.com) to disclose corporate social responsibility-related information for investors' reference.
2. Does the company conduct risk assessments on environmental, social and corporate governance issues	✓		The company conducts risk assessments on environmental, social and corporate governance issues related to the	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and reasons								
	Yes	No	Summary description									
related to company operations in accordance with the principle of materiality and formulate relevant risk management policies or strategies? (Note 2)			company's operations in accordance with the principle of materiality. The aforementioned risk assessment boundary is limited to the parent company Jarlytec Co., Ltd., and the relevant risk management policies or strategies are formulated as follows:									
			<table><tr><th>Subject</th><th>Risk management policy</th></tr><tr><td>Environment</td><td>The company is committed to environmental protection and responds to green and cleaner production. Operating through the ISO environmental considerations, it effectively reduces the emission of pollution and the impact on the environment. At the same time, plans and programs for implementation are formulated every year and the progress of various goals is regularly tracked and reviewed to ensure the achievement of goals.</td></tr><tr><td>Society</td><td>The company passed the ISO 45001 (2018 version) occupational safety and health management system certification in June 2019 and further implemented the occupational safety and health management system; regular fire drills and occupational safety education and training are held every year to cultivate employees' emergency response and self-safety management capabilities</td></tr><tr><td>Corporate Governance</td><td>The company strictly abides by international conventions. In 2017, the company established a corporate social responsibility implementation committee, held quarterly labor-management communication meetings</td></tr></table>		Subject	Risk management policy	Environment	The company is committed to environmental protection and responds to green and cleaner production. Operating through the ISO environmental considerations, it effectively reduces the emission of pollution and the impact on the environment. At the same time, plans and programs for implementation are formulated every year and the progress of various goals is regularly tracked and reviewed to ensure the achievement of goals.	Society	The company passed the ISO 45001 (2018 version) occupational safety and health management system certification in June 2019 and further implemented the occupational safety and health management system; regular fire drills and occupational safety education and training are held every year to cultivate employees' emergency response and self-safety management capabilities	Corporate Governance	The company strictly abides by international conventions. In 2017, the company established a corporate social responsibility implementation committee, held quarterly labor-management communication meetings
			Subject		Risk management policy							
			Environment		The company is committed to environmental protection and responds to green and cleaner production. Operating through the ISO environmental considerations, it effectively reduces the emission of pollution and the impact on the environment. At the same time, plans and programs for implementation are formulated every year and the progress of various goals is regularly tracked and reviewed to ensure the achievement of goals.							
			Society		The company passed the ISO 45001 (2018 version) occupational safety and health management system certification in June 2019 and further implemented the occupational safety and health management system; regular fire drills and occupational safety education and training are held every year to cultivate employees' emergency response and self-safety management capabilities							
Corporate Governance	The company strictly abides by international conventions. In 2017, the company established a corporate social responsibility implementation committee, held quarterly labor-management communication meetings											

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and reasons
	Yes	No	Summary description	
			and regularly reviewed work rules to ensure that all employee appointments and dismissal conditions comply with laws and regulations.	
Environmental issues (1) Has the company established an appropriate environmental management system according to its industrial characteristics? (2) Is the company committed to improving the utilization efficiency of various resources and using recycled materials with minimal impact on the environment? (3) Has the company assessed the current and future potential risks and opportunities of climate change to the company and taken measures to address climate-related issues? (4) Has the company counted the greenhouse gas emissions, water consumption and total weight of waste in the past two years and formulated policies for energy conservation and carbon reduction, greenhouse gas reduction, water reduction or other waste management?	✓ ✓ ✓ ✓		(1)(June 2018, it was awarded the ISO14001 (2004 version) environmental management system certification by the Bureau of Standards, Inspection and Quarantine of the Ministry of Economic Affairs and was awarded by the Bureau of Standard and Inspection of the Ministry of Economic Affairs OHSAS18001 (2007 version) occupational safety and health management system certification; January 2009 awarded LCIE - IECQ QC 080000: 2012 Hazardous Substances Process Management System (HSPM) certification; February 2020 awarded ARES-IECQ QC 080000: 2017 Hazardous Substance management system (HSPM) certification (valid period 2020/12/03~2023/12/02, certification date: 2009/01/12); in June 2019, it was awarded ISO45001 (2018 version) occupational safety and health by the Bureau of Standards, Inspection and Quarantine of the Ministry of Economic Affairs Management certification; In 2022, it will pass the ISO14001 (2015 version) environmental management system certification (valid period: 2022/06/05~2025/06/04) and ISO45001 (2018 version) occupational safety and health management certification again in 2022 (Valid period: 2022/05/30~2025/05/29). (2) To fulfill the social responsibility of protecting the global environment, the company develops relevant processes and technologies to reduce the use of harmful substances in electronic and electrical equipment and requires suppliers to provide raw materials that meet environmental protection requirements. At present, all products of the company fully comply with the European Union. The use of hazardous substances in electronic and electrical equipment is restricted and the RoHS2.0 directive is prohibited, so that the recycling	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and reasons
	Yes	No	Summary description	
			<p>and disposal of waste electronic and electrical equipment meets environmental protection requirements. In 2021, the realized amount of recycled waste is NT3,000.</p> <p>(3) In accordance with the ISO 14001 framework, the company evaluates the risks and opportunities of climate change for the company every year. And after completing the latest environmental consideration assessment at the end of 2011, the issue of greenhouse gas inventory and reduction was proposed. Since 2017, the company has also started to conduct inventory and risk identification of climate change based on the CDP disclosure platform every year, including direct or indirect impacts caused by extreme weather, or impacts caused by regulations or market demand, and other social impacts on the company's operating activities. Risks and opportunities were analyzed, and the latest inventory was completed in August 2011. The company formulates target management plans every year based on the results of the previous analysis, and regularly tracks and reviews the progress of each target. In December 2011, it ensured that the target was 100% achieved.</p> <p>(4) The company's energy-saving and carbon-reduction mechanism has been incorporated into the ISO14001 & ISO45001 environmental, occupational safety and health management policies and the environmental and hazard risk assessments have been considered to formulate energy-saving and carbon-saving control measures. The company's main source of carbon emissions is electrical energy, with a carbon emission of 478 tons in 2020 and 707 tons in 2021. To reduce carbon emissions, the purchased air-conditioning equipment considers its energy consumption value and frequency conversion function, lamps. Electric equipment has been replaced with energy-saving labels one after another. In 2017, lamps and lanterns have been replaced with energy-saving LED panel lights to gradually replace outdated lighting equipment. All newly purchased air conditioners use energy-</p>	

Evaluation Item	Implementation Status				Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and reasons																			
	Yes	No	Summary description																					
			<div>saving inverter models. The goal is to reduce carbon emissions by 1% every year starting from 2023.</div> <table><tr><td>Emission proportion of each category</td><td>foundation year</td><td>Category 1</td><td>Category 2</td><td>Total</td></tr><tr><td rowspan="3">greenhouse gas emissions (CO2e/Year)</td><td>2021</td><td>34.94</td><td>671.73</td><td>706.67</td></tr><tr><td>2022</td><td>28.88</td><td>571.56</td><td>600.44</td></tr><tr><td>Difference(%)</td><td>-21%</td><td>-18%</td><td>-18%</td></tr></table> <div>Water management - the company's 8,100 degrees in 2021 and 7,348 degrees in 2022, a decrease of 752 degrees compared with 2021, a decrease of 9.3%. To fulfill social responsibility and respond to global water shortage issues.</div> <div>Waste Management - The company's waste is domestic waste (non-hazardous waste), and internal waste classification and recycling management are implemented. The total weight of resource recovery in 2022 is about 6500Kg, and the waste output is reduced by about 1%. The goal is to reduce waste output by 1% every year in the future.</div>			Emission proportion of each category	foundation year	Category 1	Category 2	Total	greenhouse gas emissions (CO2e/Year)	2021	34.94	671.73	706.67	2022	28.88	571.56	600.44	Difference(%)	-21%	-18%	-18%	
Emission proportion of each category	foundation year	Category 1	Category 2	Total																				
greenhouse gas emissions (CO2e/Year)	2021	34.94	671.73	706.67																				
	2022	28.88	571.56	600.44																				
	Difference(%)	-21%	-18%	-18%																				
4. Social Issues (1) Does the company formulate relevant management policies and procedures in accordance with relevant laws and international human rights conventions?	✓		<div>(1)Jarllytec bases abide by local laws and regulations, and support the “United Nations Universal Declaration of Human Rights (UDHR)” to pursue compliance with international human rights standards, including the “International Human Rights Code”, “International Labor Organization Core Convention Standards”, and “United Nations Global Covenant Ten Items”. "Principles", and strictly implement the "Responsible Business Alliance and its Code of Conduct (RBA)". Respecting the human rights of workers and labor rights is a concrete practice of human rights policy. Formulate a social responsibility management manual, carry out identification and assessment every year, and formulate annual management goals. Through the promotion and audit of the committee, reports and corrections are carried out continuously. Stakeholders can convey and communicate through various confidential channels, and relevant documents must also be preserved. The specific plan is as follows:</div>			None																		

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and reasons												
	Yes	No	Summary description													
			<div>1. Organize social responsibility education and training for suppliers every year.</div> <div>2. Provide at least 3 hours of education and training for employees on the Code of Conduct of the Responsible Business Alliance and labor safety and health work.</div> <div>3. Set up an employee complaint hotline and mailbox, which will be accepted by the management unit</div> <div>4. Hold 4 labor-management meetings every year.</div> <div>5. Prohibition of forced labor, reasonable and legal working hours, and clear salary payment details.</div> <div>6. Explain the company's operating conditions and other measures to shareholders and investors at the legal briefing to implement the labor human rights policy. The rights and obligations of the company's labor and management parties are handled in accordance with the company's work rules. The labor-management relationship is harmonious and there are no major labor disputes and losses.</div> <div>Human Rights Concerns and Practices</div> <table><tr><td></td><td>ban child labor</td><td>Prohibition of forced labor</td></tr><tr><td>Normative approach</td><td><div>• Corporate Social Responsibility Handbook</div><div>• Employee Recruitment and Appointment Procedures</div></td><td><div>• Corporate Social Responsibility Handbook</div><div>● Employee Recruitment and Appointment Procedures</div></td></tr><tr><td>Status statement</td><td>Establish a recruitment process with a specific review mechanism to avoid the occurrence of child labor appointments.</td><td>None.</td></tr></table> <div></div> <table><tr><td></td><td>Eliminate illegal discrimination</td><td>Safe and Healthy Work Environment</td></tr></table>		ban child labor	Prohibition of forced labor	Normative approach	<div>• Corporate Social Responsibility Handbook</div> <div>• Employee Recruitment and Appointment Procedures</div>	<div>• Corporate Social Responsibility Handbook</div> <div>● Employee Recruitment and Appointment Procedures</div>	Status statement	Establish a recruitment process with a specific review mechanism to avoid the occurrence of child labor appointments.	None.		Eliminate illegal discrimination	Safe and Healthy Work Environment	
	ban child labor	Prohibition of forced labor														
Normative approach	<div>• Corporate Social Responsibility Handbook</div> <div>• Employee Recruitment and Appointment Procedures</div>	<div>• Corporate Social Responsibility Handbook</div> <div>● Employee Recruitment and Appointment Procedures</div>														
Status statement	Establish a recruitment process with a specific review mechanism to avoid the occurrence of child labor appointments.	None.														
	Eliminate illegal discrimination	Safe and Healthy Work Environment														

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and reasons		
	Yes	No	Summary description			
			Normative approach	<ul style="list-style-type: none">● Corporate Social Responsibility Handbook● Employee Recruitment and Appointment Procedures	<ul style="list-style-type: none">● Health Check Control Procedures● Human Factors Evaluation Management Program● Hazard Identification and Risk Assessment Regulatory Procedures	
			Status statement	There are no different selection criteria for the selection of qualified personnel due to various identities.	Continuously improve the working environment and promote health promotion activities based on the physical examination forms of new employees, the health examination forms of current employees, and the human factors engineering evaluation report.	
			Sexual Harassment Strictly Prohibited			
			Normative approach	<ul style="list-style-type: none">● Measures for the Prevention and Control of Sexual Harassment● Complaints and Personal Rights Protection Operating Procedures		
			Status statement	Any form of harassment is strictly prohibited, including physical, psychological, gender, and verbal harassment; the company has multiple complaint channels to report those who violate the regulations and protect the personal safety of complainants.		
			Human Rights Education and Training			

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and reasons
	Yes	No	Summary description	
			Every year, the company promotes education and training on topics such as prohibition of forced labor, prohibition of child labor, anti-discrimination, and anti-harassment in accordance with the code of conduct of the business alliance. According to statistics, a total of 546 person-times and a total of 349.5 hours of training were conducted in 2022 to implement the promotion of human rights policies.	
<p>(2) Does the company formulate and implement reasonable employee welfare measures (including remuneration, vacation and other benefits.) and appropriately reflect business performance or results in employee remuneration?</p> <p>(3) Does the company provide employees with a safe and healthy working environment and conduct regular safety and health education for employees? career development training program for employees?</p> <p>(4) Does the Company established effective career development training programs for employees?</p> <p>(5) Regarding issues such as customer health and safety, customer privacy, marketing and labelling of products and services, does the company follow relevant regulations and international standards and formulate relevant policies and appeal procedures for the protection of consumers or customers’ rights and interests?</p> <p>(6) Has the company formulated a supplier management policy, requiring suppliers to follow relevant norms on issues such as environmental protection, occupational safety and health, or labor rights and their implementation?</p>	<p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p>		<p>(2) The company's governance is combined with the sustainable implementation of each department, and departmental sustainability indicators (such as safety and sanitation, environmental protection, sewage, quality indicators, etc.) have been set up to integrate social responsibility into the company's operations and employee rewards to achieve sustainable management. In providing welfare measures On the one hand, practice guaranteeing employee salaries and appropriating employee remuneration; purchasing labor insurance and health insurance for employees; distributing birthday/Mid-Autumn Festival/Dragon Boat Festival/labor gift money, providing subsidies for weddings and funerals, domestic and foreign travel, and holding year-end end-of-year activities, etc.; The law stipulates employee vacation measures; implements on-the-job training for employees, upholds the concept of lifelong learning, and provides employees with learning software and hardware facilities to achieve the purpose of holistic education; establishes employee welfare committees and meal committees to coordinate employees Various welfare measures, and monthly allocation of employee welfare funds. At present, according to the Labor Standards Law, the old system has fully allocated a full amount of pensions. From July 1, 1994, the new system will apply, and wages will also be allocated in accordance with the Labor Pension Regulations 6% to the employee's personal pension account. The old system also asks an actuary to evaluate whether the provision</p>	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and reasons
	Yes	No	Summary description	
			<p>is adequate at the end of each year. If there is any shortage, it will be made up.</p> <p>The company's remuneration structure is roughly divided into salary, year-end bonus and employee remuneration (variable salary). The higher the rank, the higher the responsibility for the company's operating performance, so the higher the proportion of variable salary.</p> <p>The company's payment policy for directors is clearly stipulated in Article 22 of the company's articles of association. If the company makes annual profits, no more than 2% should be allocated as directors' remuneration. However, if the company still has accumulated losses, it shall reserve the compensation amount in advance. And according to the company's "Board of Directors Performance Evaluation Method", evaluate its participation in the company's operations and the value of its contribution (for example: interaction with the management team, understanding of the company's industry, etc.), with reference to domestic and foreign industry standards, To give reasonable remuneration, the relevant performance appraisal and the reasonableness of remuneration are reviewed by the remuneration committee and the board of directors, and the remuneration system is reviewed in due course depending on the actual operating conditions and relevant laws and regulations.</p> <p>The remuneration of the general manager and deputy general manager includes salary, bonus, employee remuneration, etc. The salary structure includes base salary, grade bonus, supervisor bonus, food allowance, professional bonus, etc. Responsibilities, and consider factors such as education, experience, skills, potential development, KPI performance assessment results, and whether there are risk events that cause a negative image of the company (such as: internal management failure, personnel malpractice, etc.) and other factors. The amount of employee remuneration is based on the total amount of annual EPS performance. After the resolution</p>	

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and reasons
	Yes	No	Summary description	
			<p>of the board of directors and the report to the shareholders' meeting, the remuneration that should be paid to individual employees is determined according to the employee's work performance, seniority, grade and special contribution. In addition, the company also takes into account changes in the global economy and industrial prosperity, estimates the company's future operating development, profit situation, and operating risks, and makes appropriate adjustments.</p> <p>(3) The company has won the ISO14001 (2015 edition) environmental management system certification of the Metal Industry Research and Development Center, the ISO45001 (2018 edition) occupational safety and health management system certification, and the LCIE-SNQ IECQ QC 080000: 2017 hazardous substance process management (HSPM) system certification. Therefore, in terms of the protection and management measures of the working environment and employees' personal safety and health, it has reached the legal level. In 2022, the company had a total of 1 employee occupational accident involving 1 person (accounting for about 0.2% of the company's employees, a decrease of 0.5% compared to 2021). Fire drills and industrial safety education and training are also held regularly every year, and new employees conduct occupational disaster and traffic safety publicity, and cultivate employees' ability to respond to emergencies and self-safety management</p> <p>The company is committed to promoting tobacco hazard prevention and health promotion, and establishing an excellent healthy working environment. In January 2022 the National Health Administration of the Ministry of Health and Welfare once again assessed compliance and issued the "Healthy Workplace Certification-Health Promotion Label". In addition, relevant personnel are designated to participate in safety and health lectures, and regular special operation health checks are carried out for special operation colleagues to improve the safety and health of the labor operating environment. The</p>	

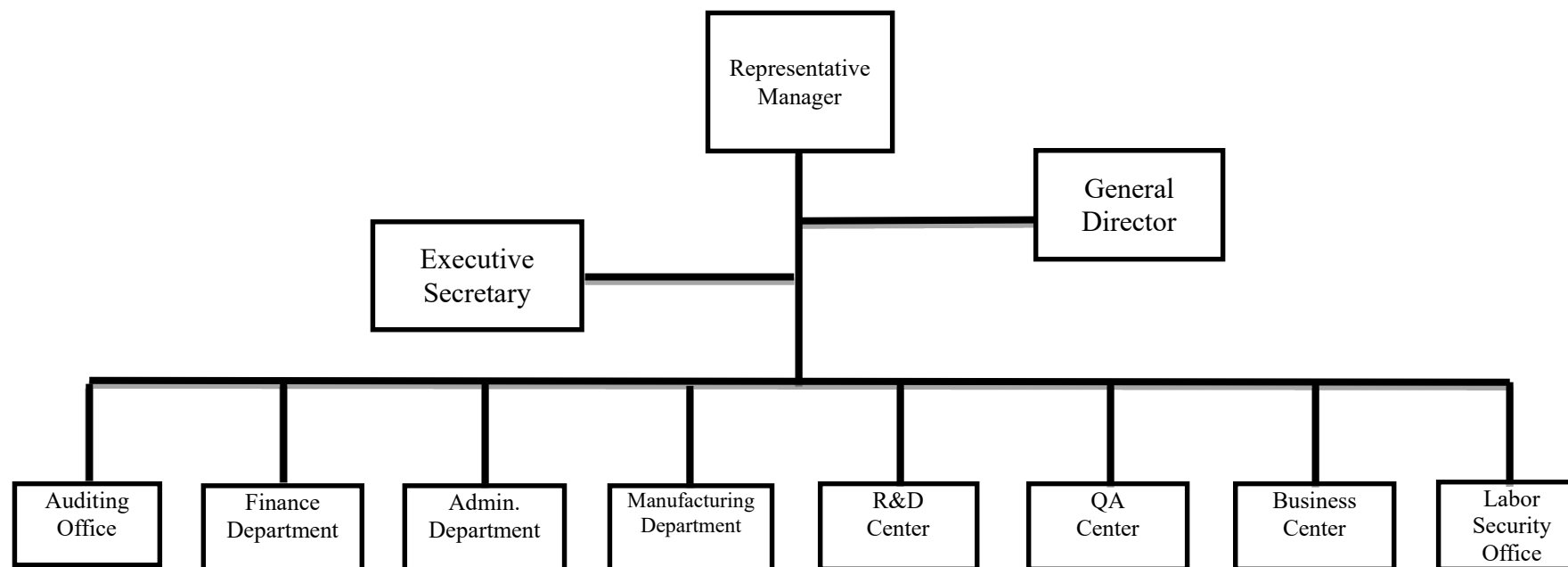
Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and reasons
	Yes	No	Summary description	
			<p>company also established various sports clubs in 2022, and held road running activities in May 2022 to improve the physical and mental health of employees.</p> <p>(4) The company focuses on product quality improvement and employees' R&D and innovation capabilities and encourages employees to participate in activities such as quality technician certification, domestic and foreign technical seminars., in addition to cultivating employees' professional functions, further expand employees' international vision and grasp industry market trends and market trends. technical skills. Educational training covers: new personnel training, professional function training, supervisor ability training and general training.</p> <p>(5) The company's products are regulated by environmental safety and health, HSF, RBA social responsibility regulations and industry standards and there are special personnel and e-mail mailboxes to deal with relevant issues related to consumer rights complaints to ensure that when customer complaints occur, they can be dealt with as soon as possible. We have established a customer complaint control program and through the cause analysis and improvement of customer complaints, we can prevent similar incidents from happening again.</p> <p>(6) The company has established "External Supply Process Management Procedures" and "External Supply Process Management Measures". When selecting new suppliers, they will be required to sign the "Environmental Quality Assurance Letter" and decide to conduct an on-site evaluation. Process quality (QPA) and Hazardous Substance Process Management (HSF) are evaluated. After the evaluation records are sorted out by the quality assurance unit, they are delivered to the evaluation team for judgment and sent to the relevant units and the supplier to know and continue to follow up for the evaluation. Identify missing items, respond to improvement evidence within a time limit and then conduct regular audits</p>	

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and reasons
	Yes	No	Summary description	
			on the classification of qualified suppliers to reduce environmental impact. Since 2019, the ISO 45001 occupational safety and health management system and the implementation of the CSR corporate social responsibility system have been implemented and the implementation of human trafficking prevention regulations has been increased, requiring all suppliers to sign and comply to ensure the basic rights and interests of laborers. In addition, the terms of the contract between the company and the supplier state that within the contract period, if either party is unable to perform the content and conditions of the contract for reason (including force majeure), it can notify the other party in writing and after both party's sign and agree, which terminates the contract.	
5. Does the company refer to the internationally accepted report preparation standards or guidelines to prepare reports such as sustainability reports that disclose non-financial information of the company? Has the previous disclosure report obtained the assurance or assurance opinion of the third-party verification unit?		✓	The company has not yet prepared a sustainability report.	There are no major differences yet. At present, although the company has not prepared a sustainability report, it has set up a "corporate social responsibility" on the company's website (http://www.jarlly.com) to disclose corporate social responsibility-related information for investors' reference.
6. If the company has its own sustainable development code in accordance with the "Code of Practice for the Sustainable Development of Listed OTC Companies", please describe the differences between its operation and the prescribed code: On January 20, 2017, the company passed the resolution of the board of directors to formulate the "Social Responsibility Management Manual". At present, there is no major difference between the implementation and operation of corporate social responsibility and the code stipulated.				
7. Other valuable information helpful to understand the implementation of the promotion of sustainable development: The company strives to promote diversity, inclusion and gender equality. We implement diversity in employment, fairness in remuneration and promotion opportunities, and ensure that employees will not be discriminated against because of race, gender, religious belief, age, political orientation or any other factors				

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and reasons												
	Yes	No	Summary description													
protected by applicable laws and regulations. discriminated against, harassed or treated unfairly. We attach great importance to the diversity of employees and give priority to employees with disabilities. The number of employees far exceeds 1.8 times the number stipulated in the "Law on the Protection of the Rights and Interests of the Disabled" (5 people should be hired by law, but 9 people are actually employed). The specific implementation status is as follows																
1. Clearly define the relevant human resources system of the company, announce the relevant policies and measures of anti-discrimination and anti-harassment in the work rules, recruitment management procedures, social responsibility management manual, promotion and salary adjustment system, and announce it on the company's internal website.																
2.In 2022 years, more than 50% of the company's female workers.																
3. Propaganda and complaint channels for workplace bullying and sexual harassment prevention and control every year.																
4. Hiring second-time employed women and new residents.																
5. Excessive employment of persons with disabilities.																
6. Organize gender equality education and training.																
7. Set up a breastfeeding (collection) room, which can be used safely by employees who need to breastfeed (collection).																
<table><tr><th>Multivariate indicator category</th><th>Proportion of employees</th></tr><tr><td>Women account for the total workforce</td><td>55%</td></tr><tr><td>handicapped</td><td>1.65%</td></tr><tr><td>less than 30 years old</td><td>21%</td></tr><tr><td>30-50 years old</td><td>64%</td></tr><tr><td>over 50 years old</td><td>15%</td></tr></table>					Multivariate indicator category	Proportion of employees	Women account for the total workforce	55%	handicapped	1.65%	less than 30 years old	21%	30-50 years old	64%	over 50 years old	15%
Multivariate indicator category	Proportion of employees															
Women account for the total workforce	55%															
handicapped	1.65%															
less than 30 years old	21%															
30-50 years old	64%															
over 50 years old	15%															
From 2016 to 2020, the company has won the top 5% companies in the OTC corporate governance evaluation for five consecutive years, providing equal employment opportunities and setting up a caring team to give back to the society on a regular basis every year and organize caring public welfare activities, such as: donating to various nurseries, assisting the hospital Tong, subscribed for the products of the Autistic Children Social Welfare Foundation and the Social Welfare Foundation, co-organized blood donation activities with the Taipei Blood Donation Center. and actively participated in the "clean production", "energy saving and energy saving" promoted by the New Taipei City Government. Carbon, Green Production", "No Tobacco Harm", "Labor Health" and other activities.																
In 2022 of love donation activities, a total of 155,000 yuan was raised, which was donated to the Christian Mustard Seed Association, a private love nursery in New Taipei City, and subscribed to the Xinlu Foundation-New Taipei City Ciyou Shelter Workshop, and the Social Welfare Fund for Autistic Children The meeting-attached Aiken Lohas factory products totaled 100,488 yuan. Co-organized blood donation activities with Taipei Blood Donation Center, and raised a total of 48,750ml in 2022.																



JARLLYTEC CO., Ltd.
ESG Implementation Committee



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

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best- Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Summary description	
<p>1. Formulate policies and plans for integrity management</p> <p>(1) Does the company formulate an honest management policy approved by the board of directors and express the policy and practice of honest management in its regulations and external documents, as well as the commitment of the board of directors and senior management to actively implement the management policy?</p> <p>(2) Whether the company has established an assessment mechanism for the risk of dishonest behavior, regularly analyzes and evaluates the business activities with elevated risk of dishonest behavior within the business scope and formulates a plan for preventing dishonest behavior based on it and at least covers "listing and listing on the OTC". What are the preventive measures for the behaviors in Article 7, Paragraph 2 of the "Company Integrity Management Code"?</p> <p>(3) Has the company clearly defined operating procedures, behavior guidelines and punishment and appeal systems for violations in the plan for preventing dishonest behavior and has implemented them and regularly reviews and revises the plan before disclosure?</p>	<p>✓</p> <p>✓</p> <p>✓</p>		<p>(1)On May 7, 2014, the company passed the "Integrity Management Code" by the resolution of the board of directors and cooperated with the company's actual operations and the revision and update of laws and regulations. The latest revision of the "Integrity Management Code" was approved by the resolution of the board of directors on March 12, 2019. And it will be submitted to the shareholders' meeting on June 18, 2019 and the board of directors will report on the implementation of the company's integrity management on November 05, 2021. In addition, in accordance with the company's actual operation and the revision and update of regulations, it is advisable to promote the group personnel from time to time to abide by the above regulations. In 2022, internal and external education and training related to the issue of integrity management (including courses related to integrity management, corporate governance, accounting system and internal control) will be held for 643 people and 691.5 hours.</p> <p>(2)The company has anti-corruption clauses, the "Code of Professional Ethics" (the latest version is August 30, 2022) and the "Code of Ethics" (the latest version is June 18, 2019). Precautionary measures for the behaviors of Article 7, Paragraph 2 of the "Company Integrity Management Code"; irregularly publicize that the business activities of group personnel in the business scope should be managed in strict accordance with the regulations.</p> <p>(3)The company has established the "Code of Professional Ethics", the latest version is June 6, 2019. There are relevant regulations for preventing dishonest behavior, as well as behavior guidelines, punishment and complaint systems for violations and internal and</p>	None

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

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best- Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Summary description	
			(4)The company has an internal audit plan and the internal audit unit conducts audits according to the audit plan. (5)The company has incorporated the relevant norms of integrity management into the content of the education and training materials for new recruits. In 2022, internal and external education and training related to integrity management issues (such as courses related to integrity management, corporate governance, accounting system and internal control.) will be held for 643 person-times and 691.5 hours.	
3. Operation of the company whistleblowing system (1) Has the company formulated a specific whistleblowing and reward system, established a convenient reporting channel and assigned appropriate personnel in charge of managing the whistleblower? (2) Has the company established standard operating procedures for the investigation of reported matters, the follow-up measures to be taken after the investigation is completed and the relevant confidentiality mechanism? (3) Has the company taken measures to protect the whistleblower from being mistreated due to the whistleblower?	✓ ✓ ✓		The company has established the "Complaint and Personal Rights Protection Operational Procedures" and has a complaint acceptance phone number and a complaint mailbox as a complaint channel. You can respond to complaints through the phone and mailbox or to the General Management Office, Audit Office or Finance Office. The company has established "Complaint and Personal Rights Protection Operational Procedures", which are anonymous complaints. When receiving a complaint case, the complaint acceptor will immediately take reasonable preventive and protective measures to ensure the quality of the investigation and prevent the complainant from suffering. Unfair retaliation or treatment. If customers, suppliers, contractors or other third parties with major external relations complain that our employees have committed corruption, accepted bribes, or offering bribes, they will file a case for investigation as soon as possible and it is forbidden to disclose the identity of the complainant to ensure their Personal safety is free from reprisals or threats.	None
4. Strengthen information disclosure Does the company disclose the content of its integrity management code and promote its effectiveness on its website and public information observatory?	✓		The company has disclosed the "Integrity Management Code" on the company's website and the public information observatory. In addition, the company's website has disclosed relevant corporate culture, business policies and other information.	None

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

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

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

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

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

Title	Name	Date for attending continuing education	Hosted By	Course Title	Hours
General Manager	Chang, Tai Yuan	03/09/2022	Taiwan Institute of Directors	Leadership Institute Forum Under the New Reality, Reboot - See Digital New Taiwan	3
		04/22/2022	Taiwan institute for Sustainable Energy	Taixin 30 Sustainable Net Zero Summit Forum - Net Zero Achieves Sustainability 2030	3
General Manager	Chang, Tai Yuan	10/24/2022 10/25/2022	Accounting Research And Development Foundation	Continuing training courses for accounting executives of issuers, securities firms and stock exchanges	12
Accounting officer & Corporate governance officer	Chen, Ying Hsuan	09/05/2022- 09/06/2022	Accounting Research And Development Foundation	Continuing training courses for accounting executives of issuers, securities firms and stock exchanges	12
		10/21/2022	Taiwan Corporate Governance Association	How do directors and supervisors supervise the company to do a good job in risk management and internal control	3
		12/16/2022	Taiwan Corporate Governance Association	Understanding related party transactions and unconventional transactions from practical cases	3
		12/30/2022	Accounting Research And Development Foundation	The latest ESG sustainability and financial report self-compilation related policy development and internal control management practices	6

(2) The company's personnel related to financial information transparency have obtained the relevant certificates and licenses designated by the competent authority as follows:

Basic competency test of enterprise internal control organized by the Securities and Foundation: 1 person from the audit department

(3) The company passed the resolution of the board of directors on August 25, 2009 to formulate the "operational procedures for internal material information processing and

prevention of insider trading" and in response to legal amendments and actual operational needs, the board of directors resolved on May 7, 2019 By revising the relevant provisions, the company announced the operating procedures to all employees, managers and directors to comply with the relevant procedures and placed them in the company's intranet announcement area for all colleagues to follow and review at any time to avoid violations or occurrences Insider trading.

- (4) The company passed the resolution of the board of directors on March 29, 2010 to formulate the "Risk Control and Management Operation Specifications" and in line with the company's organizational changes and actual operational needs, the board of directors approved the revision on May 7, 2014. Related provisions. The company has set up a risk management organization, with the general manager as the general convener to coordinate and direct the promotion and operation of the risk management plan. It has various power and responsibility units responsible for promoting various business risk management.

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

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

Information Department: maintain the normal operation of the system.

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

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

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

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

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

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

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

Statement on Internal Control

Date: March 13, 2023

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

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

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

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

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

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

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

This Statement has been passed by the Board of Directors in their meeting held on March 13, 2023, with 0 of the 7 attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

Jarllytec Co., Ltd.

CEO: Chang, Tai Yuan

Chairman: Chang, Tai Yuan

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

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

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

- (1) shareholders' meeting

Date	Meeting Note	Result	Implementation
06/21/2022	1. Acknowledgment of the 2021 Business Report and Annual Final Accounting ledgers and Statements.	The number of votes in favor accounted for 98.62% of the total voting rights of shareholders present, and this proposal was voted and passed as the original proposal.	Implemented in accordance with the resolution of this case.
	2. Acknowledged 2021 Earnings Distribution Proposal.	The number of votes in favor accounted for 98.84% of the total voting rights of shareholders present, and this proposal was voted and passed as the original proposal.	Set July 22, 2022 as the ex-dividend base date and August 19, 2022 as the release date. (A cash dividend of 2 per share is distributed.)
	3. Approved the amendments to the Company's partial Articles of Incorporation.	The number of votes in favor accounted for 97.43% of the total voting rights of shareholders present, and this proposal was voted and passed as the original proposal.	Approved on July 5, 2022.
	4. Approved the amendments to the Company's partial Regulations of Directors Election.	The number of votes in favor accounted for 97.44% of the total voting rights of shareholders present, and this proposal was voted and passed as the original proposal.	Follow the revised procedure.
	5. Approved the amendments to the Company's partial Procedures for Asset Acquisition & Disposal.	The number of votes in favor accounted for 97.44% of the total voting rights of shareholders present, and this proposal was voted and passed as the original proposal.	Follow the revised procedure.
	6. Approved the amendments to the Company's partial Rules of Procedure for Shareholders Meetings.	The number of votes in favor accounted for 97.44% of the total voting rights of shareholders present, and this proposal was voted and passed as the original proposal.	Follow the revised procedure.

(2) Board of Directors

Date	Proposal content and follow-up	SEC § 14-3	Resolutions
01/14/2022	1. Discuss the distribution of year-end bonuses for managers in 2021.		None
	Opinion of independent directors: None		
	Company's handling of the opinions of independent directors: None		
	Resolutions:in addition to the chairman, Chang, Tai Yuan , director Liu, Kuang Hua, Liu, Chih Chen Except that had to withdraw due to his own interests, the proposal was passed without objection from the directors present after consultation by the acting chairman		
	2. Discuss the company's 2021 annual board performance evaluation plan.		None
	3. Deliberation on the company's manager reward management plan.		None
	4. Discuss the company's internal business executive change case		None
	5. Assess the independence of the company's certified accountants.	V	None
	6. The consolidated comprehensive budget of the company and overseas factories in 2022.	V	None
	7. The company's capital loan and 100% reinvestment of Jarson Precision Technology Co., Ltd. NT\$ 20,000 thousand.	V	None
	8. The new capital loan of Jarly Technology(Chongqing) Co., Ltd., which was 100% transferred by the company, to Jarly Technology(Shanghai) Co., Ltd. of RMB 10 million.	V	None
	9. Jarly Technology(Shanghai) Co., Ltd. which is 100% invested by the company, intends to apply to ESUN Commercial Bank for a financing line of RMB 10 million (or equivalent in US dollars).	V	None
	Opinion of independent directors: None		
	Company's handling of the opinions of independent directors: None		
	Resolutions:All the directors who attended the meeting passed the proposal without objection after consultation by the chairman.		
03/02/2022	1. Discuss the company's 2021 director's remuneration and employee remuneration distribution plan.		None
	2. The company's 2021 individual financial statements and consolidated financial statements.	V	None
	3. It is planned to pass the company's 2021 "Internal Control System Statement".	V	None
	4. Approved the company's 2021 business report.	V	None
	5. The second extension of the capital loan of Fu-Qing Jarly Electronics Co., Ltd. and Kunshan Jarly Electronics Ltd. of RMB 10 million, which was 100% reinvested by the company.	V	None
	6. Jarly Technology(Chongqing) Co., Ltd. and Kunshan Jarly Electronics Ltd., which are 100% invested by the company, plan to apply to the bank for the renewal of the foreign debt line of US\$2 million, and the company will endorse them as a guarantee.	V	None
	7. The company intends to handle the 2022 cash capital increase issuance of ordinary shares and the first domestic unsecured conversion of corporate bonds.	V	None
	8. The company's 2021 shareholders' regular meeting will not handle the case of private placement of common stock cash capital increase, or private placement of domestic convertible corporate bonds.	V	None
	9. Amendments to some articles of the company's internal regulations.		None
	10. Held the company's 111th annual shareholders' meeting.		None
	11. The company applied for the renewal of the bank financing line.		None
	Opinion of independent directors: None		
	Company's handling of the opinions of independent directors: None		
	Resolutions:All the directors who attended the meeting passed the proposal without objection after consultation by the chairman.		
05/11/2022	1. The company's consolidated financial statements for the first quarter of 2022.	V	None
	2. Discuss the company's 2021 profit distribution plan.	V	None
	3. Ratification of the right-to-use asset case of Jarson Precision Technology Co., Ltd., which was 100% invested by the company.	V	None

Date	Proposal content and follow-up	SEC § 14-3	Resolutions
	4. Ratification of the right-to-use assets of Kunshan Jarlly Electronics Ltd., which was 100% invested by the company.	V	None
	5. The first extension case of RMB 7 million of capital loan of Jarlly Technology(Chongqing) Co., Ltd., which was 100% transferred by the company, and Kunshan Jarlly Electronics Ltd.	V	None
	6.Revised some texts of the company's "Procedures for Acquisition or Disposal of Assets".	V	None
	7. The company's greenhouse gas inventory schedule planning.		None
	8. Amendments to some articles of the company's internal regulations.		None
	9. The company's application for renewal of bank financing line.		None
	10. The cause for convening the meeting 2022 General Meeting of Shareholders is added.		None
	Opinion of independent directors: None		
	Company's handling of the opinions of independent directors: None		
	Resolutions:All the directors who attended the meeting passed the proposal without objection after consultation by the chairman.		
08/09/2022	1.Discuss the company's 2021 manager's employee compensation cash payment		None
	Opinion of independent directors: None		
	Company's handling of the opinions of independent directors: None		
	Resolutions:Director Chang, Tai Yuan also serves as the general manager, but because he did not receive employee remuneration in 2021, he has no interest and does not need to avoid interests. The case was approved by the chairman after consultation with all the directors present without objection.		
	2. The company's consolidated financial statements for the second quarter of 2021.	V	None
	3. Jarlly Technology(Shanghai) Co., Ltd., which is 100% invested by the company, intends to apply to the bank for the renewal of the foreign debt line of US\$8 million, and the company will endorse and guarantee it.	V	None
	4. Jarson Precision Technology Co., Ltd., which is 100% invested by the company, intends to handle the case of capital increase of NT\$35,200 thousand from surplus.	V	None
	5.Amended some provisions of the company's "Subsidiary Acquisition or Disposal of Assets Handling Procedures".	V	None
	6. The case of changing the audit supervisor of the company °	V	None
	7. Amended some provisions of the company's "Subsidiary Acquisition or Disposal of Assets Handling Procedures".		None
	8. Changed the period for the company to apply for the financing line from Yuanta Commercial Bank.		None
	Opinion of independent directors: None		
	Company's handling of the opinions of independent directors: None		
	Resolutions:All the directors who attended the meeting passed the proposal without objection after consultation by the chairman.		
11/04/2022	1. The company's consolidated financial statements for the third quarter of 2022.	V	None
	2.Passed the company's 2023 annual audit plan.	V	None
	3. Revise the company's 2022 consolidated comprehensive budget.	V	None
	4. The real estate use right asset case of Jarson Precision Technology Co., Ltd. 100% invested by the company.	V	None
	5. The 100% capital loan of Fu-Qing Jarlly Electronics Co., Ltd. and Kunshan Jarlly Electronics Ltd. for the second extension of RMB 5 million.	V	None
	6. The company monetary loans with Jarlytec (Vietnam) Co., Ltd.US\$ 4 million.	V	None
	7. The company provided a NT\$40 million loan endorsement guarantee to Jarson Precision Technology Co., Ltd., which was 100% reinvested.	V	None
	8. Jarlywin Investment Co., Ltd. plans to distribute NT\$6,301,690 in surplus.	V	None
	9. Fu-Qing Jarlly Electronics Co., Ltd. which is 100% invested by the company, plans to distribute the surplus of US\$5 million to Royal Jarlly Holding Ltd.	V	None

Date	Proposal content and follow-up	SEC § 14-3	Resolutions
	10. The company's bank financing line renewal case.		None
	11. Jarlly Technology(Shanghai) Co., Ltd. 100% of the company's investment, applied for a bank financing line.		None
	Opinion of independent directors: None		
	Company's handling of the opinions of independent directors: None		
	Resolutions:All the directors who attended the meeting passed the proposal without objection after consultation by the chairman.		
12/29/2022	1. Discuss the distribution of year-end bonuses for managers in 2022.		None
	Opinion of independent directors: None		
	Company's handling of the opinions of independent directors: None		
	Resolutions:In this case, in addition to the chairman, Chang, Tai Yuan , director Liu, Kuang Hua, Liu, Chih Chen Except that had to withdraw due to his own interests, the proposal was passed without objection from the directors present after consultation by the acting chairman.		
	2. Formulate the general principles of the company's pre-approval non-confirmation service policy.	V	None
	3.The company's 2023 consolidated comprehensive budget.	V	None
	4. Assess the independence of the company's certified accountants.	V	None
	5. The real estate use right asset case of Jarlly Technology(Shanghai) Co., Ltd. 100% invested by the company.	V	None
	6. The company monetary loans with Jarson Precision Technology Co., NT\$ 20 million.	V	None
	7. The new capital loan of Fu-Qing Jarlly Electronics Co., Ltd. Ltd. 100% reinvested by the company to Kunshan Jarlly Electronics Ltd. of RMB 10 million.	V	None
	8. In response to the capital needs of Jarson Precision Technology Co., Ltd. which is 100% reinvested by the company, the company intends to pay its payment in advance.	V	None
	9. The case of Smart Hinge Holdings Ltd., which is 100% invested by the company, plans to distribute the surplus of Smart Hinge Holdings Ltd. USD 10,000.	V	None
	10. Amended some provisions of the company's "internal material information processing and management procedures for preventing insider trading".		None
	Opinion of independent directors: None		
	Company's handling of the opinions of independent directors: None		
	Resolutions:All the directors who attended the meeting passed the proposal without objection after consultation by the chairman.		
02/03/2023	1. The company intends to reinvest in Zhejiang MIM factory through a third-place overseas company.	V	None
	Opinion of independent directors: None		
	Company's handling of the opinions of independent directors: None		
	Resolutions:All the directors who attended the meeting passed the proposal without objection after consultation by the chairman.		
03/13/2023	1. he company's 2022 annual board performance evaluation case.		None
	2. Discuss the company's 2022 director's remuneration and employee remuneration distribution plan.		None
	3. The company's 2022 individual financial statements and consolidated financial statements.	V	None
	4. Discuss the company's 2022 profit distribution plan.	V	None
	5. Assess the independence of the company's certified accountants.	V	None
	6. It is planned to approve the company's 2022 "Internal Control System Statement".	V	None
	7. Approved the company's 2022 annual business report.	V	None
	8. Jarlly Technology(Chongqing) Co., Ltd. and Kunshan Jarlly Electronics Ltd., which are 100% invested by the company, plan to apply to the bank for the renewal of the foreign debt line of US\$2 million, and the company will endorse them as a guarantee.	V	None
	9. Amend some provisions of the company's "Articles of Association".	V	None

Date	Proposal content and follow-up	SEC § 14-3	Resolutions
	10. Held the company's 112th annual shareholders' meeting.	V	None
	11. The company's greenhouse gas inventory schedule planning.	V	None
	12. The company's 100% reinvested Chian subsidiary will not distribute its undistributed earnings back to Taiwan for the time being.	V	None
	Opinion of independent directors: None		
	Company's handling of the opinions of independent directors: None		
	Resolutions: All the directors who attended the meeting passed the proposal without objection after consultation by the chairman.		
05/05/2023	1. The company's consolidated financial statements for the first quarter of 2023.	V	None
	2. It is proposed to revise the company's 100% reinvestment approved by the company's second audit committee and board of directors resolution on 112/3/13-112. Jarlly Technology(Chongqing) Co., Ltd. and Kunshan Jarlly Electronics Ltd. each applied for foreign debt from the bank The content of the contract renewal case with a quota of US\$ 2 million, and the company will endorse and guarantee it.	V	None
	3. The company intends to terminate the company in advance on the 4th audit committee and board of directors resolution on 2022/8/9/11. Jarlly Technology(Shanghai) Co., Ltd., which passed the company's 100% investment, plans to apply to the bank for an external debt of US\$8 million. Contract renewal case, and cancel the company's endorsement guarantee.	V	None
	4. Jarlly Technology(Shanghai) Co., Ltd., which is 100% invested by the company, intends to apply to the bank for the renewal of the foreign debt amount of USD 8 million (or equivalent foreign currency), and the company will endorse and guarantee it.	V	None
	5. The case of our company's capital increase of Jarwin Investment (Shares) Co., Ltd. to NT\$30,000,000.	V	None
	6. The company's 100% investment in Royal Jarlly Holding Ltd. intends to increase the capital of Jarlytec (Thailand) Co., Ltd. 44,992 thousand baht (or equivalent foreign currency).	V	None
	7. The company applied for the renewal of the bank financing line.		None
	8. Jarlly Technology(Shanghai) Co., Ltd., 100% of the company's investment, applied for a bank financing line °		None
	Opinion of independent directors: None		
	Company's handling of the opinions of independent directors: None		
	Resolutions: All the directors who attended the meeting passed the proposal without objection after consultation by the chairman.		

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

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

Title	Name	Appointment date	Date of Dismissal	Resigation or dismissal
Internal audit officer	Lin, HSIAO PING	08/24/2011	08/09/2022	Position adjustment

3.5 Information Regarding the Company's Audit Fee and Independence

Unit: NT\$ thousand

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

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

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

3.6 Accountant Replacement Information: None

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

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

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

Job title	Name	2022		April 15, 2023	
		Change in shares held	Change in pledged shares	Change in shares held	Change in pledged shares
Chairman and Major Shareholder (Note 2)	Dellson Investment Co., Ltd.	222,000	-	-	-
	Dellson Investment Co., Ltd. Representative: Chang, Tai Yuan	-	-	-	-
Vice Chairman and Major Shareholder (Note 2)	Sunrise Investment Co., Ltd.	-	-	-	-
Vice Chairman (Note 2)	Sunrise Investment Co., Ltd. Representative: Liu, Kuang Hua	-	-	-	-
Director (Note 3)	Hung, Tung Hsiung	-	-	-	-
Legal representative director (Note 3)	Young Win Assets Management CO., Ltd.	-	-	-	-
	Young Win Assets Management CO., Ltd. Representatives: Liu, Chih Chen	218,000	-	-	-
Independent director	Liu, Chun Ying	-	-	-	-
Independent director	Wu, Sou Shan	-	-	-	-
Independent director	Yang, Shang Hsien	-	-	-	-
Independent director	Lee, Chien Ming	-	-	-	-
General manager	Chang, Tai Yuan	-	-	-	-
Senior Deputy General Manager	Hsu, Yao Kun	(15,000)	-	-	-
Senior Deputy General Manager	Huang, Chin Ming	-	-	-	-
Deputy General Manager	Hung, Chin Fu	-	-	-	-
Deputy General Manager	Li, Yung Ta	-	-	-	-
Deputy General Manager	Huang, Shih Hui	-	-	-	-
Deputy General Manager	Chang, Yu Chung	3,000	-	-	-
CFO	Hsu, Pei Wen	1,000	-	-	-
Director	Hsu, Ching Chih	-	-	-	-
Accounting Director	Chen, Ying Hsuan	-	-	-	-

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

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

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

3.9 Relationship of the Top 10 Shareholders

April 15, 2023; Unit: Shares

Name (Note 1)	Holding shares		Spouse		Total Holding Shares		Relationships (Note 3)		Note
	Shares	Ratio (Note 2)	Shares	Ratio (Note 2)	Shares	Ratio (Note 2)	Name	Relation	
Sunrise Investment Co., Ltd.	6,100,000	10.15%	0	0	0	0	None	None	None
Sunrise Investment Co., Ltd. Representatives: Liu, Kuang Hua	1,316,000 (Note 4)	2.19%	906,000 (Note 5)	1.51%	1,550,000	2.58%	Wu, Yi Chuan	None	None
Dellson Investment Co., Ltd.	3,714,000	6.18%	0	0	0	0	None	None	None
Dellson Investment Co., Ltd. Representative: Chang, Tai Yuan	711,325	1.18%	470,467	0.78%	3,714,000	6.18%	None	None	None
Young Win Assets Management CO., Ltd.	1,550,000	2.58%	0	0	0	0	None	None	None
Young Win Assets Management CO., Ltd. Representatives: Wu, Yi Chuan	906,000 (Note 5)	1.51%	1,316,000 (Note 4)	2.19%	0	0	Liu, Kuang Hua	None	None
Li Hong Capital Co., Ltd.	1526,000	2.54%	0	0	0	0	None	None	None
Li Hong capital Co., Ltd. Representative: Qiu, Yi Cheng	20,000	0.03%	0	0	0	0	None	None	None
Lin, Jin Cai	1,276,000	2.12%	0	0	0	0	None	None	None
Ou, Rui Yun	1,170,000	1.95%	0	0	0	0	None	None	None
Tai shin International Commercial Bank is entrusted with Liu, Kuang Hua Trust Property Account	1,100,000	1.83%	0	0	0	0	None	None	None
Yong Lixing Investment Co., Ltd.	1,100,000	1.83%	0	0	0	0	None	None	None
Yong Lixing Investment Co., Ltd. Representative: Peng, Yi ling	187,116	0.31%	236,764	0.39%	1,100,000	1.83%	None	None	None
Lin, Ren He	1,070,000	1.78%	0	0	0	0	None	None	None
Chen Xiu zhu	772,000	1.28%	0	0	0	0	None	None	None

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

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

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

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

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

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

December 31, 2022; Unit: thousand shares

Title (Note 1)	Holding		Investment of Directors, Supervisors		Comprehensive Investment	
	Shares	Ratio	Shares	Ratio	Shares	Ratio
Great Hinge Trading Ltd.	10	100%	-	-	10	100%
Smart Hinge Holdings Ltd.	23,434	100%	-	-	23,434	100%
Jarson Precision Technology Co., Ltd.	15,000	100%	-	-	15,000	100%
Jarlllytec USA, LLC	-	0	-	-	-	0
Jarwin Investment Co., Ltd.	5,000	100%	-	-	5,000	100%
Jarlllytec (Singapore) Pte. Ltd. (Note 2)	-	100%	-	-	-	100%
Jarlllytec (Vietnam) Co., Ltd. (Note 2)	-	100%	-	-	-	100%
Royal Jarlly Holding Ltd.	23,434	100%	-	-	23,434	100%
Shanghai Jarlly (Note 2)	-	100%	-	-	-	100%
Fu-Qing Jarlly (Note 2)	-	100%	-	-	-	100%
Dong Guan Jarlly (Note 2)	-	100%	-	-	-	100%
Kunshan Jarlly (Note 2)	-	100%	-	-	-	100%
Jarlly Electronic Shanghai (Note 2)	-	100%	-	-	-	100%
Xiamen Jarlly (Note 2)	-	100%	-	-	-	100%
Chongqing Jarlly (Note 2)	-	100%	-	-	-	100%
Jarlllytec (Thailand) Co., Ltd.	2,000	100%			2,000	100%

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

Note 2: Jarlllytec USA was liquidated in 2022.

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

4. Capital Overview

4.1 Capital and Shares

4.1.1 Source of Capital

April 15, 2023

Type of stock	Authorized Capital			Remark
	Outstanding Shares	Unissued Shares	Total	
Common Stock	60,121,398 shares	39,878,602 shares	100,000,000 shares	OTC stock

(1) The formation of share capital

Unit: NT\$ thousand; thousand shares

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

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

Note 2: The change registration was approved by the letter of Shuzhong Zi No. 09431567730 on January 18, 2005
Note 3: The change registration was approved by the letter of Shuzhong Zi No. 09433238720 on November 28, 2005
Note 4: The change registration was approved by the letter of Shuzhong Zi No. 09532692440 on 2006.08.17
Note 5: The change registration was approved by the letter of Shuzhong Zi No. 09532800370 on 2006.09.06
Note 6: The change registration was approved by the letter of Shuzhong Zi No. 09632685250 on August 29, 2007
Note 7: The change registration was approved by the letter of Shuzhong Zi No. 09732059320 on April 14, 2008
Note 8: The change registration was approved by the letter of Shuzhong Zi No. 09733188570 on 2008.10.02
Note 9: The change registration was approved by the letter of Shuzhong Zi No. 09831746290 on February 20, 2009
Note 10: The change registration was approved by the letter of Shuzhong Zi No. 09832095670 on April 20, 2009
Note 11: The change registration was approved by the letter of 2009.8.26 by Shuzhong Zi No. 09832920600
Note 12: The change registration was approved by the letter of Shuzhong Zi No. 09801247630 issued on October 29, 2009
Note 13: The change registration was approved by the letter of 2010.4.20 by Shuzhong Zi No. 09901076760
Note 14: The change registration was approved by the letter of Shuzhong Zi No. 09901160480 on July 19, 2010
Note 15: The change registration was approved by the letter of Shuzhong Zi No. 09901236520 on 2010.10.21
Note 16: The change registration was approved by the letter of Shuzhong Zi No. 10001012680 on January 19, 2021
Note 17: The change registration was approved by the letter of Shuzhong Zi No. 10001075820 on April 18, 2021
Note 18: The change registration was approved by the letter of Shuzhong Zi No. 10501257490 on 2016.11.03
Note 19: The change registration was approved by the letter of Shuzhong Zi No. 10701133080 on October 31, 2018

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

4.1.2 Shareholder structure

April 15, 2023; Unit: thousand shares

Shareholder composition Quantity	Government agencies	Financial institutions	Other legal entities	Individuals	Foreign institutions & foreign individuals	Total
Number of Shareholders	0	6	204	18,455	86	18,751
Shareholding (shares)	0	480	16,906	38,359	4,376	60,121
Percentage	0	0.80%	28.12%	63.80%	7.28%	100.00%

4.1.3 Equity dispersion situation

(1) Dispersion of common shares

April 15, 2023; \$10 per share

Classification	Number of Shareholders	Shareholding (Shares)	Percentage
1 to 999	13,479	144,995	71.88%
1,000 to 5,000	4,232	8,113,484	22.57%
5,001 to 10,000	467	3,731,983	2.49%
10,001 to 15,000	157	2,020,789	0.84%
15,001 to 20,000	116	2,131,074	0.62%
20,001 to 30,000	98	2,496,543	0.52%
30,001 to 40,000	51	1,831,654	0.27%
40,001 to 50,000	32	1,492,655	0.17%
50,001 to 100,000	47	3,385,720	0.25%
100,001 to 200,000	34	4,728,333	0.18%
200,001 to 400,000	18	5,135,433	0.10%
400,001 to 600,000	7	3,493,415	0.04%
600,001 to 800,000	4	2,809,320	0.02%
800,001 to 1,000,000	0	0	0%
1,000,001 or more	9	18,606,000	0.05%
Total	18,751	60,121,398	100.00%

(2)Dispersion of preferred shares: None.

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

April 15, 2023; Unit: Shares

Shareholder's Name	Shares	Percentage
Sunrise Investment Co., Ltd.	6,100,000	10.15%
Dellson Investment Co., Ltd.	3,714,000	6.18%
Young Win Assets Management Co., Ltd.	1,550,000	2.58%
Li Hong Capital Co., Ltd.	1,526,000	2.54%
Lin, Jin Cai	1,276,000	2.12%
Ou, Rui Yun	1,170,000	1.95%
Tai shin International Commercial Bank is entrusted with Liu, Kuang Hua Trust Property Account	1,100,000	1.83%
Yong Lixing Investment Co., Ltd.	1,100,000	1.83%
Lin, He Ren	1,070,000	1.78%
Chen Xiu zhu	772,000	1.28%

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

Unit: New Taiwan dollar; thousand shares

			2021	2022	As of March 31, 2023
Market price per share ^{*1}	Highest		92.10	81.70	72.20
	Lowest		50.00	49.80	59.50
	Average		75.06	70.47	66.75
Net worth per share ^{*2}	Before Distribution		68.69	76.16	73.47
	After Distribution		66.69	73.16	-
Earnings per share	Weighted Average Shares (thousand shares)		60,121	60,121	60,121
	EPS ^{*3}	Diluted Earnings Per Share	4.12	7.88	0.06
		Adjusted Diluted Earnings Per Share	4.12	7.88	-
Dividends per share	Cash dividend		2	3	-
	Stock dividends	Dividends from retained earnings	0	0	-
		Dividends from capital reserve	0	0	-
	Accumulated undistributed dividends ^{*4}		0	0	-
Return on investment analysis	Price/earnings ratio ^{*5}		18.22	8.94	-
	Price/dividend ratio ^{*6}		37.53	23.49	-
	Cash dividend yield ^{*7}		2.66%	4.26%	-

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

- Note 1: List the highest and lowest market prices of ordinary shares in each year and calculate the average market price of each year based on the transaction value and transaction volume in each year.
- Note 2: The number of shares issued at the end of the year shall prevail and it shall be filled in according to the situation of distribution through the resolution of the shareholders' meeting of the following year.
- Note 3: If retrospective adjustment is required due to free allotment., the earnings per share before and after adjustment shall be listed.
- Note 4: If the conditions for the issuance of equity securities stipulate that the undistributed dividends in the current year shall be accumulated until earnings are distributed in the year, the accumulated and unpaid dividends up to the current year shall be disclosed separately.
- Note 5: $P/E \text{ ratio} = \text{average closing price per share for the year} / \text{earnings per share}$.
- Note 6: $\text{Cost-to-earnings ratio} = \text{average closing price per share for the year} / \text{cash dividend per share}$.
- Note 7: $\text{Cash dividend yield} = \text{cash dividend per share} / \text{average closing price per share for the year}$.
- Note 8: The net value per share and earnings per share shall be filled with the information checked (reviewed) by the accountants in the most recent quarter up to the printing date of the annual report; other fields shall be filled with the information of the current year up to the printing date of the annual report.
- Note 9: The Company's 2021 earnings distribution proposal has been approved by the board of directors but has not yet been resolved by the shareholders' meeting.

4.1.6 Company Dividend Policy and Implementation Status

(1) Company Dividend Policy

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

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

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

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

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

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

The company's 2022 earnings distribution plan was approved by the board of directors on March 13, 2023, and submitted to the shareholders' meeting for resolution. The proposed distribution of dividends was as follows

Unit: NT\$

Item	Amount	
	Subtotal	Sum
Beginning of period undistributed earnings		1,668,733,955
Add : Add:2022 Net profit after tax	473,967,591	
Add : 2022 Measure on defined benefit plans	15,121,000	
Minus : Designated legal reserve	(48,908,859)	
Add : Designated special reserve	29,305,420	
Distributable earnings		2,138,219,107
Distributed items :		
Stock dividend to shareholders		0
Cash dividend to shareholders (per share NT\$ 3.0)	(180,364,194)	
Accumulated undistributed earnings		1,957,854,913

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

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

4.1.8 Remuneration of employees, directors and supervisors

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

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

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

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

For the years ended December 31, 2022 and 2021, the Company accrued and recognized its employee remuneration amounting to \$50,996 thousand and \$15,538 thousand, respectively. These amounts were calculated by using the Company's pre tax net profit for the period before deducting the amounts of the remuneration to employees and directors, multiplied by the distribution of ratio of the remuneration to employees and directors based on the Company's articles of incorporation, and expensed under operating costs or expenses. Related information would be available at the Market Observation Post System website. The amounts, as stated in the financial statements are identical to those of the actual distributions for 2022 and 2021. If there is a change after

the release of the financial report in the next year, it will be treated as a change in accounting estimate, and the impact of the change will be recognized as profit or loss for the next year

(3) Remuneration distribution approved by the board of directors

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

March 13, 2023, the board of directors resolved to approve the amount of employee remuneration and directors' remuneration to be distributed:

Unit: NT \$

Proposed Allotment Amount	
Employee Compensation (Cash)	50,995,710
Director's Remuneration	12,748,927

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

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

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

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

	2021		
	Income Statement Recognition Number	The actual number of allotments as resolved by the shareholders' meeting	Difference
Employee cash bonus	15,537,548	15,537,548	None
Employee Stock Bonus	0 元	0 元	None
Director's Remuneration*1	3,884,386	3,884,386	None

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

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

4.2 Handling of corporate bonds

The company issued 4,000,000 shares on April 28, 2021, with an interest rate of 0% in NTD denominated three-year convertible corporate bonds, and the principal amount is NT\$400,000,000.

Type of corporate bonds	1st domestic unsecured convertible corporate bonds
Issue (transaction) date	04/28/2022
Face value	NT\$100,000
Place of issue and trading	N/A
Issue price	Issued at 109.57% of par value
Issue amount	NT\$438,284,930
Coupon rate	The coupon rate is 0%
Term	3 Years Expiration Date: 2025/4/28
Guarantor	N/A
Trustee	Bank Sinpac Co., Ltd.
Underwriter	SinoPac Securities Co., Ltd.
Attesting lawyer	Attorney Yawen Qiu, Far East Law Offices
Attesting CPA	None
Redemption method	Unless the bondholders are converted into ordinary shares of the Company in accordance with Article 10 of the Issuance and Conversion Regulations, or the Company may redeem them in advance in accordance with Article 18 of the Issuance and Conversion Regulations, or the Company may buy back and cancel them from the business office of a securities firm, When the convertible corporate bonds mature, the company will repay in cash in one lump sum according to the bond face value. Payments will be made within five business days (including the fifth business day) after the due date.
Unredeemed balance	NT\$400,000,000
Conditions for redemption or early redemption	Refer to Issuance and Conversion Methods
Restrictive covenants	Refer to Issuance and Conversion Methods
Name of rating agency, date and result of rating: N/A	
Other rights	The monetary amount of common shares, global depositary receipts, or other securities already converted, exchanged, or subscribed up to the annual report publication date: None
	The issuance and conversion, exchange, or subscription rules: Refer to Issuance and Conversion Methods
The possible dilution of shareholding and influence on shareholder equity caused by the issuance and conversion, exchange, or subscription rules and the terms of issuance.	The company issued the first domestic convertible corporate bonds of \$400,000,000. As of April 30, 2023, the outstanding balance was \$400,000,000 and the latest conversion price was \$69.7. It is assumed that the convertible corporate bond creditors will all convert the conversion price to \$69.7 in the future. In the case of ordinary shares, it will be convertible into 5,738,000 ordinary shares of the company. Based on the company's 60,121,000 shares

Type of corporate bonds	1st domestic unsecured convertible corporate bonds
	of the company's outstanding shares on April 30, 2023, the estimated number of convertible shares will be added. The maximum dilution to the original shareholder's shareholding ratio is 8.71%. Interests are not yet materially affected.
Name of the custodian institution of the exchangeable underlyings	N/A

Information of convert corporate bonds

Types of corporate bonds		The conversion of corporate bonds	
Year		2022	As of March 31, 2023
Market price of convertible corporate bonds	Maximum	111.30	114.00
	Minimum	101.60	104.10
	Average	108.69	110.94
Conversion price		NT\$69.7 per share	NT\$69.7 per share
Issuance (transaction) date and conversion price at issuance		Issued on 2022/4/28 NT\$72 per share	
Method for performance of conversion obligations		Perform conversion obligations by issuing new shares	

4.3 **Status of Preferred stock: None**

4.4 **Global Depository Receipts: None**

4.5 **Employee Stock Options: None**

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

4.7 **Financing Plans and Implementation: None**

4.8 **Execution of the capital utilization plan: N/A**

5. Operational Highlights

5.1 Business Activities

5.1.1 Business Scope

(1) The business of the company is as follows

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

(2) Proportion of business

Unit: NT\$ thousand

Product	2021		2022	
	Amount	%	Amount	%
Hinge	7,133,101	95.79	6,742,953	96.05
Optical fiber connector	313,565	4.21	277,655	3.95
Total	7,446,666	100.00	7,020,608	100.00

(3) The company's current products and services

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

(4) New products and services planned to be developed

Innovative portable notebook hinge technology development plan, innovative flexible screen notebook hinge technology development plan, Technology development plan for a new generation of adjustable load screen lifting device, evolutionary flexible screen inner folding water drop hinge technology development plan, innovative flexible screen inner folding horseshoe hinge technology development plan, innovative multi-directional screen camera hinge technology development.

5.1.2 Industry overview

(1) Industry status and development:

The company is engaged in the research and development, production and sales of various hinge components, accounting for about 96% of the company's revenue. Among them, liquid crystal displays (LCD Monitor and AIO) have the highest application proportion, followed by notebook. Therefore, the company's industry development is inseparable from the liquid crystal display and notebook computer industries; in addition, the connectors produced by the company are used in optical signal transmission, which belong to optical fiber connectors, and are classified as optical passive components in the optoelectronic industry. We make the following analysis on the industry status of LCD monitors, notebook computers, foldable smartphones, and optical fiber connectors:

A. Hinge

i. Liquid crystal display (LCD Monitor and AIO)

According to the research report of the Industrial Economics Database of the Taiwan Institute of Economics and Economics, looking forward to 2022, although the world is still under the threat of the new crown epidemic, given the high coverage of the vaccine and the weakening of the virus's pathogenicity, the number of hospitalizations and deaths has not increased significantly. Control measures will be gradually lifted in the first half of 2022, and border controls in Asian countries will also be lifted in the second half of the year. Except for mainland China, the impact of the epidemic on economic activities has been significantly weakened. However, the military conflict broke out between Russia and Ukraine in late February, which led to a resurgence in international crude oil prices, which also drove commodity prices to remain high, pushing up global inflationary pressures and causing central banks to embark on an unprecedented tightening cycle. Rising interest rates curb private consumption and business spending, causing global economic demand to cool down significantly in the second half of the year. This weak trend will continue until 2023.

In addition, manufacturers continue to focus on high-end technologies and products in response to special applications in the professional market. For example, Jingda focuses on the development of high-brightness LCD panel modules, displays and special application system platforms. In 2022, it will continue to develop different sizes, multi-touch and the multifunctional LCD monitor focuses on the development of four major application project markets including gaming, smart transportation, digital signage, and smart medical care, and provides more diversified professional application display solutions to enhance new sports performance.

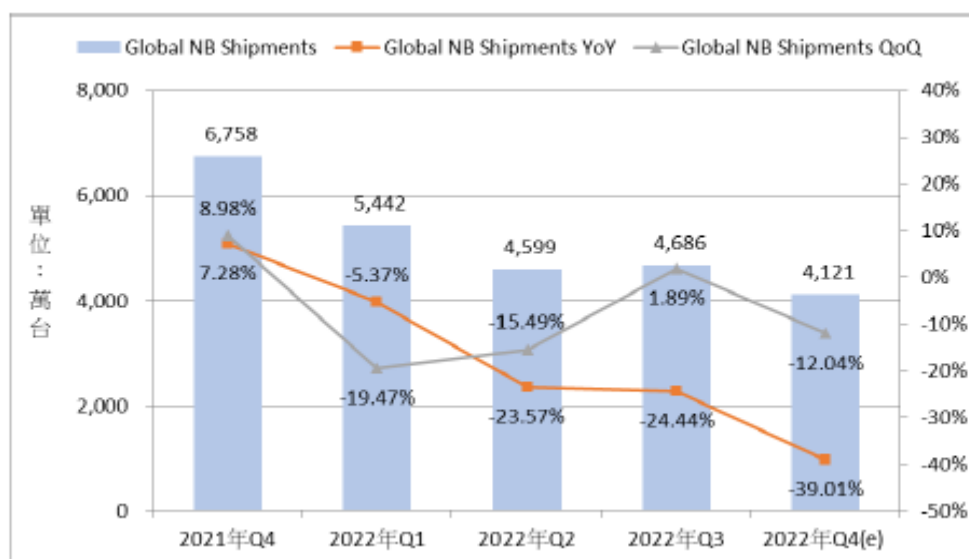
In terms of upstream LCD panels, the supply of components is gradually improving. However, since panel prices in the base period are still relatively low, it is estimated that the panel prices in the first quarter of 2022 will be higher than the performance in the same period in 2021. Manufacturers in this industry continue to face LCD panel prices. Display panel procurement cost pressure.

ii. Laptop

According to the research report of the Industrial Economics Database of the Taiwan Institute of Economics and Economics, observe the changes in global notebook computer shipments as shown in the figure below. After the new crown pneumonia (COVID-19) epidemic in 2020-2021, the remote application business opportunities will drive the global After notebook computer shipments have shown double-digit high growth, market demand has weakened since 2022 as the dividends of the epidemic have subsided. In addition, negative factors such as the Russian-Ukrainian war, high inflation, and interest rate hikes have reduced the growth momentum of the global economy. As a result, consumers have reduced their spending on non-essentials, and corporate IT purchases have also tended to be conservative. In addition, the Chinese government has adopted a "dynamic clearing" epidemic prevention policy, closing down cities and banning work, which not only affects the stability of supply chains and transportation logistics,

but also impacts China's consumer market, and brand manufacturers have adjusted and lowered their shipment targets due to the obvious rise in inventory levels, causing global notebook computer shipments to decrease by 5.37%, 23.57%, and 24.44% year-on-year from the first quarter to the third quarter of 2022. %, the rate of decrease increased quarter by quarter.

In the fourth quarter of 2022, as the world continues to experience inflation, interest rate hikes, epidemics, and the Russian-Ukrainian war, the global economic downturn risks will deepen, and the demand for notebook computers will remain weak. Brand manufacturers and distributors will take inventory as their primary goal. Therefore, it is estimated that In the fourth quarter of 2022, global notebook computer shipments will be 41.21 million units, an annual decrease of 39.01%, presenting a declining trend for four consecutive quarters.



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

Looking forward to the first half of 2023, although the global COVID-19 epidemic is still fluctuating, most countries have adopted the lifestyle of co-existing with the virus and have returned to the lifestyle before the epidemic. Even China no longer insists on zero-clearing measures. However, global inflationary pressure Still at a high point, the monetary policies of central banks of various countries continue to tighten, coupled with unfavorable factors such as the stalemate in the war between Russia and Ukraine, and the expansion of technological disputes between the United States and China continue to interfere with the global economy. Possibly even a recession prompts low consumer confidence and businesses cut back on IT spending.

In addition, although Intel is expected to release a new generation of laptop processor Raptor Lake in early 2023 and Apple will also launch 14-inch and 16-inch MacBook Pros equipped with M2 chips, ASUS, Acer, and Brands such as Shuo, Quanta, Inventec, and foundries generally expect inventory to be reduced until at least the second quarter of 2023, indicating that the notebook market is still difficult to improve. It is estimated that the output value of my country's notebook computer manufacturing industry in the first half of 2023 will continue to be higher than that in 2022. Recession in the same period of the same period, the industrial prosperity continued to show a downward trend.

iii. 3C Electronic Product (Folding Smartphone)

Folding mobile phones have undergone years of transformation and optimization, and the related technologies have gradually matured, bringing consumers an innovative appearance, and at the same time solving the contradiction between screen size and portability. The key to opening the market in recent years is that the technical obstacles have been overcome. The key to the completion of the design is undoubtedly the flexible panel and the hinge. At present, most brand manufacturers choose to develop the design hinge by themselves and hand it over to the supplier for OEM. The differentiated competitive advantages of its own products, such as Samsung's horizontal hinge design, Huawei's teardrop hinge design, etc., have also led to a rapid increase in the number of hinge patent applications under healthy competition, which is conducive to the maturity of hinge design technology.

While the folding screen is closed seamlessly, the bending angle must also be reduced to reduce the bending marks and increase the durability of the folding screen. Therefore, no matter whether it is folded up or down or folded inside and outside, it needs to be closely matched, and the product precision requires High, which also makes the average sales price of folding mobile phones as high as 1,500 US dollars, which has a high market value and gradually becomes the representative of new flagship models of various brands, although its penetration rate is very small (the estimated global mobile phone sales are 1.165 billion units, and the folding machine Accounting for about 1.45%), but the big manufacturers dare not ignore it. On the one hand, it can reflect the technical capabilities of brand factories, and on the other hand, it is another entry point to enter the high-end market. Many experts put the take-off point of foldable smartphones in 114 years, because the market will be hot when Apple launches the foldable iPhone, and it will be the golden age of foldable phones.

B. Optical fiber connector

The upsurge of global information and communication infrastructure and the popularity of the Internet have driven services such as cable TV, distance learning, telemedicine and video conferencing and other high-speed broadband networks. The trend of 3C integration and multimedia applications has highlighted the importance, urgency and inevitability of optical fiberization, optical communication has become a major mainstream in the field of communication. From long-distance telecommunication transmission to Internet and multimedia communication, optical fiber communication methods with high bandwidth, low loss and no electromagnetic interference during transmission have gradually attracted attention. Therefore, the rapid growth of optical fiber communication has replaced the traditional communication methods transmitted by copper wires.

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

(2) Upstream, Mid-stream and Downstream

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

(3) Product development trends and competition

A. Hinge

i. Liquid crystal display (LCD Monitor and AIO)

According to TrendForce research, LCD monitor shipments are expected to reach 135 million units in 2022, an annual decrease of 7%. Although the overall shipment performance in the first half of 2022 is quite stable, in the second half of the year, due to the reduction of corporate budgets, business demand has slowed down significantly, and the consumer market has also continued to expand under the effects of inflation and interest rate hikes, resulting in a sharp reduction in demand for consumer electronics products. Considering the withdrawal of the demand dividend driven by the epidemic and the uncertainty of the global political and economic situation, it is estimated that the LCD monitor shipments will be about 127 million units in 2023, with an annual decrease of about 5.8%, returning to the pre-epidemic level.

Observing the shipment targets set by the top ten LCD monitor brands in 2023, the total shipments will increase by about 1% annually. As the demand for new business orders in Europe and the United States will shrink significantly in 2023, the shipment targets of Dell and HP will decrease by 11.4% and 3.1% respectively in 2023. The shipment target of Chinese business brand Lenovo is expected to be almost the same as that in 2022.

In contrast to consumer brands, since most of the industry's shipment performance in 2022 is not good, the shipment target is generally set to increase significantly compared to 2022. However, it may be difficult to grow shipments in 2023 when the market size may continue to shrink. TrendForce believes that under the expectation of continued economic headwinds, it may be more important to upgrade specifications to maintain profitability than to pursue expansion of shipments. The brand is actively planning to upgrade the existing 60Hz or 75Hz products to 100Hz, which is a way to improve product specifications to maintain profits

ii. Laptop

According to TrendForce statistics, global notebook shipments in 2022 will only be about 186 million units, a decrease of 24.5% from the previous year. In 2023, the global political and economic situation is still unclear, and the annual decline is estimated to be about 7.8%, with shipments of only 171 million tower.

The friction between China and the United States remains, which in turn has heated up geopolitics, prompting major manufacturers to consider re-arrangement of supply chain strategies in recent years. Among them, American brands are the most active. In addition to the political and economic background pressure, they have the right to speak to suppliers due to their large scale. TrendForce observes that based on the strategic considerations of the follow-up situation, the future production layout of notebooks outside China may diverge into two modes.

Vietnam has geographical advantages, which facilitate the transportation of materials from China to the local area. Its young and relatively cheap labor force is the biggest driving force for attracting brands and OEMs. In order to meet the needs of American customers, Compal, Wistron, and Hon Hai Foxconn have all begun to actively promote the production plan of the Vietnam plant. Among them, the brands that are strong in business models are expected to increase the proportion of shipments in Vietnam to 20% in 2023. %, after 2027, only 20-30% of the shipments may remain in Chinese factories; American brands that have successfully recreated brand influence with their own SoCs have already chosen to settle in Vietnam, building a complete brand from earphones, mobile phones to laptops. It is estimated that the proportion of its notebook shipments in Vietnam will reach 10% of the brand in 2023.

Another American-based brand mainly appeals to the nearby consumer market, and is close to a consumer economy with a considerable scale. In 2022, in addition to increasing the production capacity of the Mexican factory and directly serving the North American market, it is also actively looking for local partners in India. Through the local production and sales model, it can enjoy preferential treatment of tax reduction and exemption, which will greatly increase the pricing advantage of its products. According to the statistics of the United Nations, India's population will surpass that of China in 2023 and become the country with the highest population in the world.

iii. 3C Electronic Product (Folding Smartphones)

According to DIGITIMES, an industry think tank, the shipments of foldable screen mobile phones doubled last year. At present, foldable screen mobile phones are mainly folded from left to right. They are characterized by large screen sizes, suitable for multi-window operations, and high immersion. They are also loved by gamers, except for Samsung. Chinese companies such as Vivo, Xiaomi and Honor will also launch left and right folding screen phones in the second half of 2022. Mobile phones with foldable screens are characterized by portability. Only Samsung, Motorola and Huawei will launch new models in 2022.

DIGITIMES, an industry think tank, added that the left and right foldable screen phones are larger in size and have higher requirements for memory and battery capacity. Among the models launched in 2021, the memory capacity is up to 1TB, and the battery capacity is up to 5000mAh. In terms of rear cameras, Except for Vivo X Fold+ which has 4 lenses, all other manufacturers are equipped with 3 lenses.

In addition, the upper and lower folding screen mobile phones are characterized by thin and light bodies. Although the specification level is not as good as that of the left and right foldable phones, they are easy to carry. The target market is different

from the left and right foldable phones. It is estimated that after the launch of Apple's first foldable screen mobile phone in the future, market growth and industry competition will become more intense

B. Optical fiber connector

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

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

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

5.1.3 Technology and R&D Overview

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

Unit: NT\$ thousand

	2018	2019	2020	2021	2022	As of March 31, 2023
Research and Development Fees	190,437	197,469	230,672	279,822	220,943	44,884
Operating income	5,775,584	5,763,574	5,546,230	7,446,666	7,020,608	1,319,114
R&D expenses to revenue ratio	3.30%	3.43%	4.16%	3.76%	3.15%	3.40%

- (2) Developed technologies or products

- A. One-line pivot structure
- B. Shrapnel hinge structure
- C. Wrapped hinge structure
- D. Double- hinge 360-degree rotating structure
- E. Automatic drop structure
- F. Automatic pop-up structure
- G. Switch light and switch heavy structure
- H. Four-stage torsion shaft
- I. The notebook computer hinge of the automatic drop type with light switch and heavy switch
- J. Ultra-thin laptop hinge
- K. Four-link structure
- L. Lifting structure
- M. Photo frame structure
- N. Double hard screen seamless folding hinge structure
- O. Flexible screen horseshoe-shaped inner folding hinge structure
- P. Flexible screen drop-shaped inner folding hinge structure
- Q. External folding hinge structure of flexible screen
- R. Webcam hub structure
- S. Wireless bluetooth earphone box hub structure
- T. VR hub structure

5.1.4 Long- and short-term business development plans

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

- (1) Short-term plans

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

B. Short-term business strategy

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

C. Short-term R&D strategy

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

(2) Long-term plans

A. Long-term market strategy

- i. Develop OEM upstream customer communication channels and grasp business opportunities.
- ii. Actively contact new customers, increase cross-category products and integrate customer needs. Accelerate and enhance customer satisfaction through the operation of the organization.

B. Long-term business strategy

- i. Seek strategic alliance partners.
- ii. Increase the added value of existing products.
- iii. Create the best interests of employees and shareholders to introduce automated production equipment to improve production efficiency and product quality stability.

C. Long-term R&D strategy

- i. Purchase precision processing machines to increase the processing capacity of precision parts.
- ii. Cooperate with brand customers to form R&D partners to fully grasp the R&D orientation of new models and effectively invest R&D resources.
- iii. Recruit outstanding R&D talents, strengthen the education and training of R&D personnel and strengthen the ability of the R&D team.
- iv. According to market trends, develop new structural hinges and apply for patent rights to protect intellectual property rights.
- v. Organize an automation R&D team to match the development schedule of new models, so that products can be imported into automatic production at an early stage and increase the competitiveness of products.

5.2 Market and Sales Overview

5.2.1 Market Analysis

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

Unit: NT\$ thousand

	2021		2022	
	Amount	%	Amount	%
Taiwan	120,928	1.62	127,694	1.82
China	6,876,753	92.35	6,570,719	93.59
USA	285,523	3.83	280,873	4.00
Thailand	3,339	0.04	1,627	0.02
Others	160,123	2.16	39,695	0.57
Total	7,446,666	100.00	7,020,608	100.00

- (2) Market share

According to the statistics of the "Investigation Report on Manufacturing Investment and Operation in the First Three Quarters of 2022" published by the Ministry of Economic Affairs, the overall industrial turnover of my country's electronic components industry in 2022 will be \$8,190.4 billion. According to the consolidated revenue of \$7.021 billion in the financial statements reviewed by accountants in 2022, the market share of the company and its subsidiaries in my country's electronic components industry is 0.1%, which shows that the company and its subsidiaries have a strong market share in my country's electronic components industry. The company has a certain competitive position in the industry and the market. In the future, it will uphold the spirit of excellence and cooperate with the world's major system manufacturers to continuously develop new products that conform to market trends and continue to enhance its market position.

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

Research institutions predict that in 2023, global PC shipments will drop by about 7.6%, and shipments are expected to be less than 98.5 million units; global notebook computer shipments are expected to decline by about 7.8% annually, with shipments of only 171 million units. Foldable mobile phones are in a stage of rapid growth. It is estimated that the sales volume of foldable mobile phones will reach 17 million in 2023. The high inflation and the recent turmoil in financial institutions have had a serious impact on the future economic outlook. The global economic growth rate will be revised down from 3.4% in 2022 to 2.8% in 112 years. Weakening macroeconomic conditions Next, it is possible to revise down the expected shipment.

(4) Competing for a niche

A. Stay focus

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

B. Actively develop products with new types of structures

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

C. Excellent R&D and design capabilities

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

D. Financially sound

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

E. Patent threshold

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

F. CAE software

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

G. Perfect supply base

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

H. Professional management team and corporate reputation

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

I. Invest in automated production equipment

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

(5) Advantages, disadvantages and countermeasures of development prospects

A. Favorable factors

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

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

ii. Strong R&D and design capabilities

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

B. Unfavorable factors

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

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

Our Countermeasures

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

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

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

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

Our Countermeasures

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

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

5.2.2 Important uses and manufacturing processes of main products

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

5.2.3 Availability of main raw materials

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

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

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

From 2021 to 2022 and as of the first quarter of 2023, the company has no suppliers that account for more than 10% of the total purchases.

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

Unit: NT\$ thousand

2020				2021				2022 up to the first quarter			
Name	Amount	Ratio to net sales for the year (%)	Relationship with the issuer	Name	Amount	Ratio to net sales for the year (%)	Relationship with the issuer	Name	Amount	First quarter (%)	Relationship with the issuer
Customer A	1,416,903	19.63	None	Customer C	2,081,313	29.65	None	Customer C	324,223	24.58	None
Customer C	1,154,852	15.51	None	Customer A	1,232,919	17.56	None	Customer A	160,370	12.16	None
Customer D	808,032	10.85	None	-	-	-	-	Customer D	133,558	10.12	None
other	4,021,879	54.01	-	other	3,706,376	52.79	-	other	700,963	53.14	-
net sales	7,446,666	100.00	-	net sales	7,020,608	100.00	-	net sales	1,319,114	100.00	-

Explanation of changes: The ranking of the company's sales customers varies with the ratio of each end customer to the system manufacturers and models, resulting in a change in the company's sales and proportion of the hinges supplied to each customer. The increase in net sales in 2021 is due to the strong demand in the industry and the company's active development of a hinge for multiple application fields, so new customers will be added. In the future, in addition to consolidating existing customers, it will continue to expand the potential customer base to increase market share.

5.2.5 Production Value Table for the Last Two Years

Unit: K PCS; NT\$ thousand

	2021			2022		
	Capacity	Yield	Output	Capacity	Yield	Output
Hinge	84,000	75,528	7,846,412	68,000	61,243	5,295,433
Optical Fiber Connector	28,000	25,070	351,192	19,000	16,905	218,050
Total	112,000	100,598	8,197,604	87,000	78,148	5,513,483

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

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

5.2.6 Sales Value Table for the Last Two Years

Unit: K PCS; NT\$ thousand

	2020				2021			
	Domestic Sales		Export		Domestic Sales		Export	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Hinge	3,062	119,119	65,600	7,013,982	2,281	126,001	54,956	6,616,952
Optical Fiber Connector	454	1,809	21,930	311,756	510	1,693	15,289	275,962
Total	3,516	120,928	87,530	7,325,738	2,791	127,694	70,245	6,892,914

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

Fiscal year		2021	2022	As of March 31, 2023
Number of employees	Labor	1,376	1,168	1,241
	Employees	929	934	917
	Total	2,296	2,102	2,158
Average age		35.15	39.71	38.63
Average years of service		4.21	3.83	3.58
Education distribution percentage (%)	Ph.D.	0.13	0.14	0.14
	Master's degree	2.79	2.66	2.27
	College	23.82	26.13	25.72
	Senior high school	22.04	25.21	24.33
	Below senior high school	51.22	45.86	47.54

5.4 Environmental Protection Expenditure

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

5.5 Labor Relations

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

(1) Employee Welfare Measures

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

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

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

5.5.2 2022 Employee Education and Training Achievements

Unit: person/hour/NT\$

Title	Trainees	Training hours	Expenditures
New personnel training	1,093	4,543.3	0
Professional functional training	17,106	16,477.5	344,096
Supervisors can train	113	161.0	11,428
General knowledge training	18,308	14,473.7	0
Total	36,620	35,655.5	355,524

- (1) The actual number of employees who participated in the training in 2022 was 36,620, including free training courses held at their own expense and by various competent authorities, accounting firms, industries and the company. The actual training expenses of the company for the year were NT\$355,524.
- (2) The company's employees conduct pre-employment training courses and functional on-the-job training for new recruits after registration. In addition, according to the annual training demand survey, the annual training plan is formulated and implemented and the performance evaluation is made according to the training results to strengthen the functions of employees, enhance the business performance and competitiveness of enterprises.
- (3) To cooperate with the company's long-term development and improve the quality of employees, the company plans professional functional training and general training and invites employees to do professional skills sharing courses internally. Through talent training, each employee can achieve the greatest potential.

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

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

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

5.5.3 Retirement System

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

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

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

5.5.4 Employee Code of Conduct or Ethics

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

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

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

5.5.5 Protection Measures for Working Environment and Personal Safety of Employees

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

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

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

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

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

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

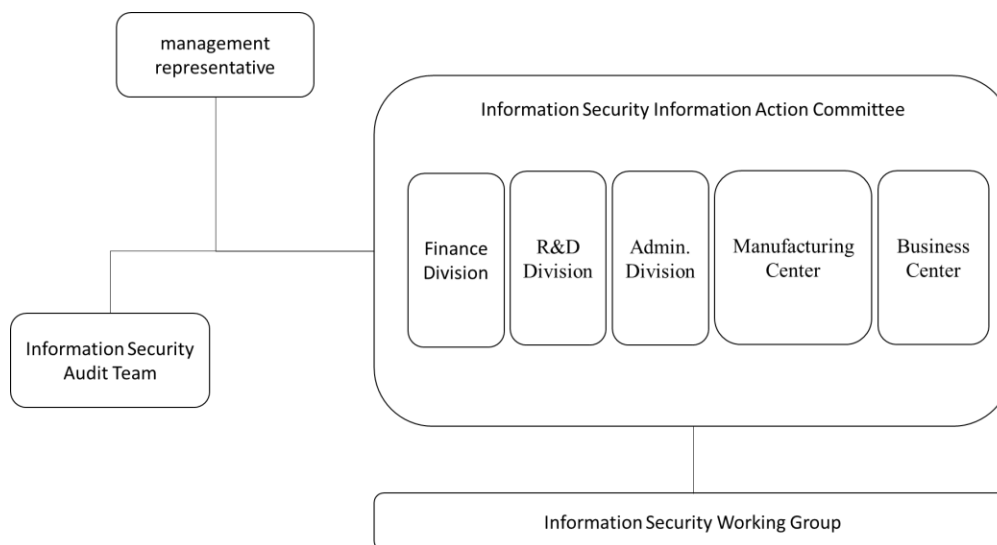
5.6 Information Security Management

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

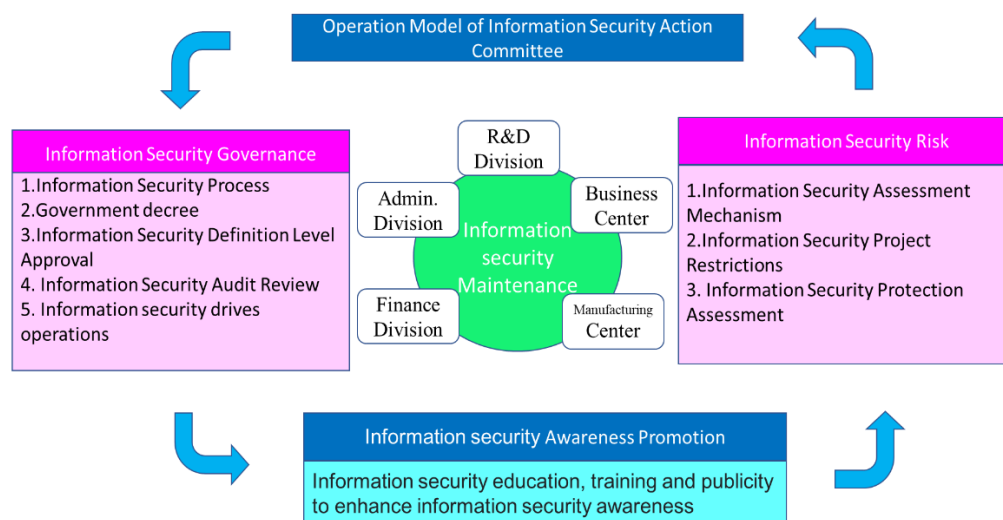
1. Information and communication security management strategy and structure

With the advancement of network technology and the increase in information security risks, enterprises are facing increasingly higher information security risks. In order to enhance the company's overall information security protection capabilities, ensure the correctness of information processing in each unit and computer software and hardware and the reliability of the network system, the company established an information security information project promotion organization on April 22, 2019, with 1 management representative, 7 information security information project committees (including 1 convener and executive secretary) 1 person), 2 people in the information security audit team, 8 people in the information security working group, the organization chart and operation mode are shown in the following diagram:

Information Security Information Project Promotion Organization Chart



Operational Mode of Information Security Information Action Committee



The head of the information unit regularly reports the situation of information security management to the board of directors every year, and the most recent report to the board of directors was on December 29, 2022.

2. Information Security Policy

Information unit revised the "Information Security Management Procedures" on April 25, 2019 and formulated the information security policy as "Information Security is Everyone's Responsibility" to strengthen information security management and ensure data, system, equipment and network security. The term "information security" as mentioned in this policy refers to ensuring the correctness of the company's information processing, the reliability of the computer software, hardware, peripheral and network systems used by operators and ensuring that the above-mentioned resources are protected from interference, damage and intrusion act or attempt. The goal of information security is to ensure the legal access to the company's information and to provide a complete and uninterrupted information system operation. After

making prompt and necessary contingency measures, normal operation can be resumed in the shortest possible time to reduce the possibility of the accident. damage to come. Information security covers the following areas:

- (1) Information Security Responsibilities and Business Responsibilities
- (2) Personnel safety management and information security education and training
- (3) Computer system security management
- (4) Network security
- (5) Access control
- (6) System development and maintenance
- (7) Information asset management
- (8) Physical and environmental safety management
- (9) Operational continuity plan management
- (10) Other information security management matters

The company's information security management policy is to formulate a complete plan with reference to the ISO/IEC 27001 standard, establish a high-level continuous management of operations and carry out a complete system disaster recovery plan (ERP, HRM, electronic sign-off), and configure information security with dedicated personnel. Personnel assist the company's operations. The personnel of the information unit regularly go to external professional institutions for training every year. They continue to pay attention to the changing trend of the information environment, conduct regular security inspections, conduct regular information security education and training for colleagues, and strengthen the company's employees' information security crisis awareness and information security handling. Response capacity of personnel, and formulate information security risk management and continuous improvement framework in March 2023.

3. Specific management plan

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

- (1) Improve information security defense capabilities: In 2011, the company strengthened investment in information security, scanned servers for weaknesses, revised ISO-related documents to establish a network security incident contingency plan, conducted impact and loss assessments based on the severity of incidents, and took corresponding notification and recovery actions, the company has system backup, and regularly arranges backup and recovery plan drills for important information systems such as: ERP & electronic sign-off system to ensure that the company's disaster can be completed in the company's customized RTO and RPO to meet the specifications.
- (2) Improve network, endpoint, and application security: The company regularly invests funds related to information security every year to establish a basic protection structure to ensure that corporate operations are all within a safe range. Therefore, information security risks have not had a significant impact on the company's financial business. At present, the company has invested in 6 sets of software and hardware protection measures, including the new fourth-generation firewall (with WAF, IPS module), enterprise file encryption system, vulnerability scanning software, asset management software, anti-virus software, spam The filtering system does not need to be insured for investment security after internal evaluation at this stage. At present, all newly purchased computers are equipped

with anti-virus software, and the deployment rate has reached more than 99%. In 2021 years, the information security software MDR was purchased to monitor whether there is a virus on the server 7X24 hours, delete it immediately and notify the MIS by mail; the machine equipment is connected to the server. Set different network segments, scan through the intermediary server before uploading.

- (3) Education and training: In 2022, a social education drill project will be carried out to strengthen the implementation of information security concepts in various departments, so that the operation of information security will be supported by senior managers and various departments, and every employee will understand that information security is everyone's responsibility.
- (4) Compliance with laws and regulations and introduction of international information security certification standards: The Group Zhaowang Technology (Shanghai) Co., Ltd. was awarded the SGS ISO/IEC 27001:2013 information security management system certification. In 2022, the company's Taiwan headquarters will join the TWCERTCC Taiwan Computer Network Crisis Management and Coordination Center member, and it is expected that the evaluation arrangement will be introduced in the new version of ISO27001 in 2023.

4. Specific management plan

- (1) Strengthen information security education and training: new recruits will use computers to arrange information security education and training for everyone when they arrive at work. Quarterly and weekly meetings to promote the concept of information security, for example: import and implement password strength.
- (2) From 2022/08/31 to 2022/09/02, a social engineering drill was conducted for Zhaoli Technology. This drill sent 3 emails to 600 users each, and a total of 1,800 drill emails were sent. 10% of the colleagues were unqualified and educated The training and the second social education exercise will be reduced to less than 5%. It is expected that the arrangement will continue in 2023. On March 1, 2023, Chinese and English warnings have been added to external letters: Reminder: This is an external email, please confirm that the source of the letter is safe before opening the link or attachment.
- (3) A server vulnerability scan will be performed in October 2021, and a server vulnerability scan will be performed in June 2022. And gradually improved Exchange server, BPM electronic signature server, HRM personnel information server Upgrade OS, SQL database version to avoid loopholes.
- (4) In 2022, two information personnel will be arranged for information security training, and they have obtained the national information security engineer certification
- (5) Purchase Forti Token in 2021 to strengthen the secure two-factor authentication mechanism used by SSL VPN. During the epidemic, when colleagues work at home and use VPN to connect to the company's host, they must use two-factor authentication to connect to the company.

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

5.7 Important Contracts

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

Contract type	Contracting party	Term of agreement	Main contents	Restrictive Clauses
Short-term loan	Hua Nan Bank	12/03/2021~3/3/2022	Operating Turnover	secured loan
Short-term loan	Hua Nan Bank	12/06/2021~3/4/2022	Operating Turnover	secured loan
Short-term loan	Hua Nan Bank	1/14/2022~1/14/2023	Operating Turnover	secured loan
Short-term loan	Hua Nan Bank	2/24/2023~2/24/2024	Operating Turnover	secured loan
Short-term loan	CTBC Bank	12/30/2021~3/30/2022	Operating Turnover	unsecured loan
Short-term loan	CTBC Bank	11/1/2022~9/30/2023	Operating Turnover	unsecured loan
Short-term loan	E.SUN BANK	11/18/2021~2/18/2022	Operating Turnover	unsecured loan
Short-term loan	E.SUN BANK	6/1/2022~6/1/2023	Operating Turnover	unsecured loan
Short-term loan	Chang Hwa Bank	6/25/2021~5/31/2022	Operating Turnover	unsecured loan
Short-term loan	Chang Hwa Bank	10/13/2022~5/31/2023	Operating Turnover	unsecured loan
Short-term loan	KGI Bank	2/24/2021~2/24/2022	Operating Turnover	unsecured loan
Short-term loan	Yuanta Bank	5/24/2021~5/23/2022	Operating Turnover	unsecured loan
Short-term loan	Yuanta Bank	6/14/2022~6/14/2023	Operating Turnover	unsecured loan
Medium and long-term loans	Hua Nan Bank	12/30/2019~12/30/2024	Operating Turnover	unsecured loan
Medium and long-term loans	Taiwan Bussiness Bank	11/6/2020~11/6/2023	Operating Turnover	secured loan
Long term loan	Chang Hwa Bank	12/11/2019~11/15/2029	Operating Turnover	secured loan
Medium and long-term loans	Chang Hwa Bank	07/10/2019~07/10/2024	Operating Turnover	secured loan
Long term loan	E.SUN BANK	12/18/2019~12/15/2024	Operating Turnover	unsecured loan
Medium and long-term loans	Yuanta Bank	5/18/2020~5/18/2022	Operating Turnover	unsecured loan
Medium and long-term loans	KGI Bank	12/2/2021~12/2/2023	Operating Turnover	unsecured loan

6. Financial Information

6.1 Disclosure of Important Financial Information

6.1.1 Five-Year Financial Information Summary

(1) Condensed Balance Sheet (Consolidated)

Unit: NT\$ thousand

Year Item		Financial information for the last five years					As of March 31, 2023
		2018	2019	2020	2021	2022	
Current assets		4,719,796	4,174,543	5,161,731	6,087,142	6,077,844	5,491,929
Property, plant and equipment (Note 2)		1,312,409	1,939,992	2,226,593	2,412,499	2,454,189	2,488,234
Intangible assets		15,963	18,218	16,671	21,821	21,715	22,565
Other assets (Note 2)		303,287	483,306	503,142	527,019	499,084	499,975
Total assets		6,351,455	6,616,059	7,908,137	9,048,481	9,052,832	8,502,703
Current liabilities	Before assignment	2,380,003	2,135,292	3,149,254	4,258,075	3,540,061	3,214,362
	After assignment	2,650,549	2,285,595	3,299,557	4,378,317	3,720,425	3,394,726
Non-current liabilities		171,617	573,323	647,403	660,918	934,220	871,512
Total liabilities	Before assignment	2,551,620	2,708,615	3,796,657	4,918,993	4,474,281	4,085,874
	After assignment	2,822,166	2,858,918	3,946,960	5,039,235	4,654,645	4,266,238
Equity attributable to owners of parent company		3,799,835	3,907,444	4,111,480	4,129,488	4,578,551	4,416,829
Share capital		601,214	601,214	601,214	601,214	601,214	601,214
Capital reserve		1,334,534	1,334,534	1,334,534	1,334,534	1,385,445	1,385,445
Reserve Surplus	Before assignment	1,836,456	2,021,932	2,177,024	2,270,225	2,639,071	2,462,198
	After assignment (Note 3)	1,565,910	1,871,629	2,026,721	2,149,983	2,458,707	2,281,834
Other rights		27,631	(50,236)	(1,292)	(76,485)	(47,179)	(32,028)
Treasury stock		0	0	0	0	0	0
Non-controlling interests		0	0	0	0	0	0
Total equity	Before distribution	3,799,835	3,907,444	4,111,480	4,129,488	4,578,551	4,416,829
	After distribution	3,529,289	3,757,141	3,961,177	4,009,246	4,398,187	4,236,465

Note 1: The 2018~2020 financial information was verified and approved by KPMG, Accountants Hsu, Ming Fang and Accountants Wang Qing song.

The 2021~2022 financial information was verified and approved by KPMG, Accountants Hsu, Ming Fang and Accountants Chuang, Chun Wei.

The financial information for the first quarter of 2023 has been reviewed by Accountants K PMG, Hsu, Ming Fang, and Accountants Chuang, Chun Wei.

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

Note 3: The company's 2022 and March 31, 2023 distributed amounts are calculated based on the surplus distribution approved by the board of directors and not yet reported to the shareholders' meeting.

(2) Condensed Individual Balance Sheet

Unit: NT\$ thousand

Item \ Year		Financial information for the last five years				
		2018	2019	2020	2021	2022
Current assets		1,658,183	1,178,893	1,849,999	2,489,026	2,578,916
Property, plant and equipment (Note 2)		885,092	1,510,180	1,609,766	1,533,493	1,499,573
Intangible assets		7,597	8,827	8,842	10,746	9,913
Other assets (Note 2)		2,171,761	2,515,667	2,833,365	2,894,973	3,230,279
Total assets		4,722,633	5,213,567	6,301,972	6,928,238	7,318,681
Current liabilities	Before assignment	755,012	829,054	1,600,687	2,164,391	1,885,365
	After assignment	1,025,558	979,357	1,750,990	2,284,633	2,065,729
Non-current liabilities		167,786	477,069	589,805	634,359	854,765
Total liabilities	Before assignment	922,798	1,306,123	2,190,492	2,798,750	2,740,130
	After assignment (Note 3)	1,193,344	1,456,426	2,340,795	2,918,992	2,920,494
Equity attributable to owners of parent company		-	-	-	-	-
Share capital		601,214	601,214	601,214	601,214	601,214
Capital reserve		1,334,534	1,334,534	1,334,534	1,334,534	1,385,445
Reserve Surplus	Before assignment	1,836,456	2,021,932	2,177,024	2,270,225	2,639,071
	After assignment (Note 3)	1,565,910	1,871,629	2,026,721	2,149,983	2,458,707
Other rights		27,631	(50,236)	(1,292)	(76,485)	(47,179)
Treasury stock		0	0	0	0	0
Non-controlling interests		-	-	-	-	-
Total equity	Before distribution	3,799,835	3,907,444	4,111,480	4,129,488	4,578,551
	After distribution	3,529,289	3,757,141	3,961,177	4,009,246	4,398,187

Note 1: The 2018~2020 financial information was verified and approved by KPMG, Accountants Hsu, Ming Fang and Accountants Wang Qing song.

The 2021~2022 financial information was verified and approved by KPMG, Accountants Hsu, Ming Fang and Accountants Chuang, Chun Wei.

The financial information for the first quarter of 2023 has been reviewed by Accountants K PMG, Hsu, Ming Fang, and Accountants Chuang, Chun Wei.

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

Note 3: The company's 2022 distributed amounts are calculated based on the surplus distribution approved by the board of directors and not yet reported to the shareholders' meeting.

(3) Condensed Consolidated Income Statemen

Unit: NT\$ thousand

Item \ Year	Financial information for the last five years					As of March 31, 2023
	2018	2019	2020	2021	2022	
Operating revenue	5,775,584	5,763,574	5,546,230	7,446,666	7,020,608	1,319,114
Gross profit	1,117,145	1,293,327	1,127,270	1,228,725	1,403,982	169,045
Operations Income	434,580	516,313	309,010	229,951	452,700	1,597
Non-operating income and expenses	193,215	100,906	59,207	59,071	271,798	13,533
Profit Before Income Tax	627,795	617,219	368,217	289,022	724,498	15,130
Net income for the period from continuing operations	449,249	464,690	302,684	247,795	473,968	3,491
Loss from discontinued operations	0	0	0	0	0	0
Net income (loss) for the period	449,249	464,690	302,684	247,795	473,968	3,491
Other comprehensive income (loss) for the period (net of Income Tax)	(33,067)	(86,535)	51,655	(79,484)	44,427	15,151
Total comprehensive income for the period	416,182	378,155	354,339	168,311	518,395	18,642
Net income attributable to owners of parent	447,413	464,690	302,684	247,795	473,968	3,491
Net income (loss) attributable to non-controlling interests	1,836	0	0	0	0	0
Total comprehensive income attributable to owners of parent	414,346	378,155	354,339	168,311	518,395	18,642
Total comprehensive income, attributable to non-controlling interests	1,836	0	0	0	0	0
Earnings per share	7.44	7.73	5.03	4.12	7.88	0.06

Note 1: The 2018~2020 financial information was verified and approved by KPMG, Accountants Hsu, Ming Fang and Accountants Wang Qing song.

The 2021~2022 financial information was verified and approved by KPMG, Accountants Hsu, Ming Fang and Accountants Chuang, Chun Wei.

The financial information for the first quarter of 2023 has been reviewed by Accountants K PMG, Hsu, Ming Fang, and Accountants Chuang, Chun Wei.

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

(4) Condensed Individual Comprehensive Income Statement

Unit: NT\$ thousand

Item \ Year	Financial information for the last five years				
	2018	2019	2020	2021	2022
Operating revenue	1,614,897	1,299,796	1,920,084	3,551,941	3,376,042
Gross profit	469,004	317,445	259,444	556,125	506,585
Operations Income	180,018	(38,268)	(137,017)	26,108	(10,146)
Non-operating income and expenses	384,698	547,312	413,369	213,429	583,848
Profit Before Income Tax	564,716	509,044	276,352	239,537	573,702
Net income for the period from continuing operations	447,413	464,690	302,684	247,795	473,968
Loss from discontinued operations	0	0	0	0	0
Net income (loss) for the period	447,413	464,690	302,684	247,795	473,968
Other comprehensive income (loss) for the period (net of Income Tax)	(33,067)	(86,535)	51,655	(79,484)	44,427
Total comprehensive income for the period	414,346	378,155	354,339	168,311	518,395
Net income attributable to owners of parent	-	-	-	-	-
Net income (loss) attributable to non-controlling interests	-	-	-	-	-
Total comprehensive income attributable to owners of parent	-	-	-	-	-
Total comprehensive income, attributable to non-controlling interests	-	-	-	-	-
Earnings per share	7.44	7.73	5.03	4.12	7.88

Note 1: The 2018~2020 financial information was verified and approved by KPMG, Accountants Hsu, Ming Fang and Accountants Wang Qing song.

The 2021~2022 financial information was verified and approved by KPMG, Accountants Hsu, Ming Fang and Accountants Chuang, Chun Wei.

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

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

	Firm	Name	Remark
2018	KPMG	Hsu, Ming Fang, Wang Qingsong	None
2019	KPMG	Hsu, Ming Fang, Wang Qingsong	None
2020	KPMG	Hsu, Ming Fang, Wang Qingsong	None
2021	KPMG	Hsu, Ming Fang, Chuang, Chun Wei	None
2022	KPMG	Hsu, Ming Fang, Chuang, Chun Wei	None

6.2 Five-Year Financial Analysis

6.2.1 Consolidated Financial Analysis

Item (Note 3)		Year	Financial analysis for the last five years					As of March
			2018	2019	2020	2021	2022	31, 2023
Financial structure (%)	Debt to assets ratio		40.17	40.94	48.01	54.36	49.42	48.05
	Ratio of long-term capital to property, plant and equipment		302.61	230.97	213.73	198.57	224.62	212.53
Solvency %	Current ratio		198.31	195.50	163.90	142.96	171.68	170.85
	Quick ratio		171.07	163.75	140.62	121.30	150.28	144.20
	Times interest earned		248.65	78.03	36.52	25.41	36.36	3.16
Operating performance	Accounts receivable turnover (times)		2.80	2.70	2.56	2.70	2.51	2.38
	Average collection days		130.36	135.19	142.58	135.19	145.41	152.72
	Inventory turnover (times)		9.47	8.38	7.74	8.84	7.57	6.28
	Accounts payable turnover (times)		3.29	3.12	2.95	3.15	2.93	3.02
	Average days in sales		38.54	43.56	47.16	41.29	48.21	58.12
	Property, plant and equipment turnover (times)		4.56	3.54	2.66	3.21	2.88	2.13
	Total asset turnover (times)		0.94	0.89	0.76	0.88	0.77	0.60
Profitability	Return on total assets (%)		7.35	7.27	4.28	3.03	5.41	0.41
	Return on equity (%)		12.16	12.06	7.55	6.01	10.88	0.31
	Ratio of income before tax to paid-in capital (%) (Note 7)		104.42	102.66	61.25	48.07	120.50	10.06
	Net profit margin (%)		7.78	8.06	5.46	3.33	6.75	0.26
	Earnings per share (NT\$)		7.44	7.73	5.03	4.12	7.88	0.06
Cash flow	Cash flow ratio (%)		10.99	34.60	18.62	9.08	32.45	-0.14
	Cash flow adequacy ratio (%)		92.21	108.16	106.96	79.27	100.17	92.15
	Cash reinvestment ratio (%)		1.73	9.30	7.95	4.16	15.71	-2.90
Leverage	Operating leverage		1.61	1.48	1.82	2.24	1.76	54.67
	Financial leverage ^c		1.01	1.02	1.03	1.05	1.04	-0.29

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

1. The increase in current ratio and quick ratio was mainly due to the decrease in current liabilities.
2. The increase in interest coverage ratio is mainly due to the increase in net profit before tax in 2022.
3. The increase in return on assets, increase in return on equity, increase in the ratio of pre-tax net profit to paid-in capital, increase in net profit rate, and increase in earnings per share are mainly due to the increase in net profit before tax and net profit after tax in 2022.
4. The increase in cash flow ratio, cash flow allowance ratio, and cash reinvestment ratio is mainly due to the increase in net cash inflow from operating activities in 2022 compared with 2021.
5. The decrease in operating leverage is mainly due to the decrease in operating income in 2022 compared to 2021.

Note 1: The 2018~2020 financial information was verified and approved by KPMG, Accountants Hsu, Ming Fang and Accountants Wang Qing song.

The 2021~2022 financial information was verified and approved by KPMG, Accountants Hsu, Ming Fang and Accountants Chuang, Chun Wei.

The financial information for the first quarter of 2023 has been reviewed by Accountants K PMG, Hsu, Ming Fang, and Accountants Chuang, Chun Wei.

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

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

1. Financial structure

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

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

2. Solvency

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

- (2) Quick ratio = (current assets - inventory - prepaid expenses) / current liabilities.
 (3) Times interest earned = earnings before tax and interest expenses / current interest expenses.

3. Operating performance

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

4. Profitability

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

5. Cash flow

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

6. Leverage:

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

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

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

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

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

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

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

6.2.2 Individual Financial Analysis

Item (Note2)		Financial analysis for the last five years				
		2018	2019	2020	2021	2022
Financial structure (%)	Debt to assets ratio	19.54	25.05	34.76	40.40	37.44
	Ratio of long-term capital to property, plant and equipment	448.27	290.33	292.05	310.65	362.32
Solvency%	Current ratio	219.62	142.20	115.58	115	136.78
	Quick ratio	198.89	109.11	105.36	102.99	119.22
	Times interest earned	1,609.88	299.21	56.00	42.87	62.60
Operating performance	Accounts receivable turnover (times)	3.02	2.93	2.90	2.98	2.78
	Average collection days	120.86	124.57	125.86	122.48	131.29
	Inventory turnover (times)	6.43	5.54	9.95	16.47	10.66
	Accounts payable turnover (times)	3.13	2.76	2.97	3.08	2.79
	Average days in sales	56.77	65.88	36.68	22.16	34.24
	Property, plant and equipment turnover (times)	1.96	1.09	1.23	2.26	2.22
	Total asset turnover (times)	0.35	0.26	0.33	0.54	0.47
Profitability	Return on total assets (%)	9.60	9.38	5.33	3.82	6.75
	Return on equity (%)	12.12	12.06	7.55	6.01	10.88
	Ratio of income before tax to paid-in capital (%) (Note 6)	93.93	84.67	45.97	39.84	95.42
	Net profit margin (%)	27.71	35.75	15.76	6.98	14.03
	Earnings per share (NT\$)	7.44	7.73	5.03	4.12	7.88
Cash flow	Cash flow ratio (%)	27.41	19.25	2.74	13.84	27.78
	Cash flow adequacy ratio (%)	67.89	58.30	45.20	32.28	52.95
	Cash reinvestment ratio (%)	0.58	— (註 2)	— (註 2)	2.75	6.49
Leverage	Operating leverage	1.506	— (註 3)	0.030	5.93	— (註 3)
	Financial leverage	1.00	0.96	0.96	1.28	0.52

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

1. The increase in interest coverage ratio is mainly due to the increase in net profit before tax in 2022.
2. The decrease in inventory turnover rate and the increase in average sales days are mainly due to the increase in inventory at the end of 2022.
3. Return on assets, return on equity, ratio of pre-tax net profit to paid-in capital, net profit ratio, and earnings per share increased, mainly due to the increase in pre-tax and after-tax net profit in 2022.
4. The increase in cash flow ratio, net cash flow allowable ratio and cash reinvestment ratio is mainly due to the increase in net cash inflow from operating activities in 2022 compared with last year.
5. The decrease in operating leverage and financial leverage is mainly due to the decrease in operating net profit in 2022.

Note 1: The 2018~2020 financial information was verified and approved by KPMG, Accountants Hsu, Ming Fang and Accountants Wang Qing song.

The 2021~2022 financial information was verified and approved by KPMG, Accountants Hsu, Ming Fang and Accountants Chuang, Chun Wei.

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

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

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

1. Financial structure

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

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

2. Solvency

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

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

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

3. Operating performance

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

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

(3) Inventory turnover = cost of goods sold / average inventory.

- (4) Accounts payable (including accounts payable and notes payable arising from business activities) turnover = cost of goods sold / average accounts payable balance (including accounts payable and notes payable arising from business activities).
- (5) Average days in sales = 365 / inventory turnover.
- (6) Property, plant and equipment turnover = net sales / average net property, plant and equipment.
- (7) Total asset turnover = net sales / average total assets.
4. Profitability
- (1) Return on total assets = (net income + interest expenses * (1 - effective tax rate)) / average total assets.
- (2) Return on equity = net income after tax / average total equity.
- (3) Net profit margin = net income after tax / net sales.
- (4) Earnings per share = (income attributable to owners of parent - preferred stock dividends) / weighted average number of shares outstanding. (Note 5)
5. Cash flow
- (1) Cash flow ratio = net cash flows from operating activities / current liabilities.
- (2) Net cash flow adequacy ratio = 5-year sum of net cash flow from operating activities / 5-year sum of (capital expenditures + increases in inventory + cash dividends).
- (3) Cash reinvestment ratio = (cash from operating activities - cash dividends) / (gross property, plant and equipment + long-term investments + other non-current assets + working capital). (Note6)
6. Leverage:
- (1) Operating leverage = (net operating revenue – variable operating costs and expenses) / operating income. (Note 7)
- (2) Financial leverage = operating income / (operating income – interest expenses).
- Note 5: Special attention should be paid to the following when calculating earnings per share by the above equation:
1. The weighted average quantity of outstanding common shares shall be taken as the standard, not the quantity of outstanding shares at the end of the year.
 2. If there is any cash capital increase or treasury stock transaction, take the circulation periods into account when calculating the weighted average quantity of outstanding shares.
 3. If there is any capitalization of retained earnings or capital surplus, the annual and semi-annual earnings per share of past years shall be retrospectively adjusted pro rata to the size of the capital increase, without considering the issuance period of the capital increase.
 4. If the preferred shares are non-convertible cumulative preferred shares, the dividend for the fiscal year (whether it has been distributed or not) shall be deducted from the net income after tax or added to the net loss after tax. If the preferred shares are non-cumulative, the dividend shall be deducted from the net income after tax if there is net income after tax and no adjustment is required in case there is loss.
- Note 6: Special attention shall be paid to the following when making the calculations for cash flow analysis:
1. Net cash flow from operating activities refers to the net cash inflow from operating activities in the cash flow statement.
 2. Capital expenditures refers to the annual cash outflow used in capital investment.
 3. Increase in inventory is counted only when the balance at the end of the period is greater than the balance at the beginning of the period. If the inventory has decreased at the end of the year, it is counted as zero.
 4. Cash dividends include the cash dividends of common stock and preferred stock.
 5. Gross property, plant and equipment refers to the total property, plant and equipment without deduction of accumulated depreciation.
- Note 7: The issuer shall categorize the operating costs and operating expenses into fixed ones and variable ones in accordance with their properties. If the categorization is subject to estimation or subjective judgment, attention shall be paid to ensure that it is done rationally and consistently.
- Note 8: If the Company's shares have no par value or the par value per share is not NT\$10, the paid-in capital involved in the calculation of the above ratio shall be replaced by the equity attributable to owners of the parent company on the balance sheet.

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

JARLLYTEC CO., Ltd.

Audit Committee Audit Report

March 13, 2023

The board of directors sends the company 2022 Annual consolidated financial statements (including individual financial statements), business reports and profit distribution proposals. Among them, the consolidated financial statements (including individual financial statements) have been verified by KPMG and an audit report has been issued. The above-mentioned consolidated financial statements (including individual financial statements), business reports and profit distribution proposals have been reviewed by the Audit Committee and found that there is no inconsistency. In accordance with the provisions of Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, a report shall be prepared and submitted for review.

Sincerely,

The Company's 2023 Annual General Meeting of Shareholders

JARLLYTEC CO., Ltd.

Convener of the audit committee: Yang, Shang-Hsien

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

Please refer to page 143~217

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

Please refer to page 218~284

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

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

7.1 Analysis of Financial Status

Unit: NT\$ thousand

	2021	2022	Difference	
			Amount	%
Current assets	6,087,142	6,077,844	-9,298	-0.15
Property, Plant and Equipment	2,412,499	2,454,189	41,690	1.73
Intangible assets	21,821	21,715	-106	-0.49
Other assets	527,019	499,084	-27,935	-5.30
Total assets	9,048,481	9,052,832	4,351	0.05
Current liabilities	4,258,075	3,540,061	-718,014	-16.86
Non-current liabilities	660,918	934,220	273,302	41.35
Total liabilities	4,918,993	4,474,281	-444,712	-9.04
Share capital	601,214	601,214	0	0
Capital reserve	1,334,534	1,385,445	50,911	3.81
Retained surplus	2,270,225	2,639,071	368,846	16.25
Other rights	(76,485)	(47,179)	29,306	-38.32
Equity attributable to owners of parent company	4,129,488	4,578,551	449,063	10.87
Non-controlling interests	0	0	0	0
Total equity	4,129,488	4,578,551	449,063	10.87

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

(1) Increase in non-current liabilities:

In 2022, there is an increase of 273,302 thousand yuan compared with 2021, mainly due to the issuance of corporate bonds payable in 2022.

(2) Increase in other equity:

The increase of 29,306 thousand yuan in 2022 compared with 2021 is mainly due to the increase in the exchange difference in the translation of financial statements of foreign operating institutions in 2022 compared with 2021.

7.2 Financial Performance

7.2.1 Analysis of financial performance

Unit: NT\$ thousand

	2020	2021	Difference	
			Amount	Ratio (%)
Operating income	7,446,666	7,020,608	-426,058	-5.72
Operating cost	(6,217,941)	(5,616,626)	-601,315	-9.67
Operating profit	1,228,725	1,403,982	175,257	14.26
Operating expenses	(998,774)	(951,282)	-47,492	-4.76
Net operating profit	229,951	452,700	222,749	96.87
Non-operating income and expenses	59,071	271,798	212,727	360.12
Net profit before tax	289,022	724,498	435,476	150.67
Income tax expense	(41,227)	(250,530)	209,303	507.68
Net profit for the current period	247,795	473,968	226,173	91.27
Other comprehensive gains and losses	(79,484)	44,427	123,911	-155.89
Total comprehensive profit and loss for the current period	168,311	518,395	350,084	208

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

- (1) Decrease in operating income: It is mainly due to the gradual decline of global notebooks in the second half of the year and the decline in market demand.
- (2) Decrease in operating costs: Due to the increase in product yield.
- (3) Decrease in operating expenses: Due to the decrease in sales-product testing expenses, management-retirement expenses, research and development-miscellaneous acquisition expenses.
- (4) Increase in net operating profit: Due to the increase in gross profit in 2022.
- (5) Increase in net profit before tax and net profit for the current period: Increase in gross profit margin and increase in foreign currency exchange benefits in 2022

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

In the first quarter of 2023, the global political and economic situation continued to be turbulent. The Russian-Ukrainian war, the closure of Shanghai and inflation all added a variable to the future economic prospects., conservatively look at sales in 2023; since the company has no public financial forecast, it does not explain the expected sales volume and its basis.

7.3 Analysis of Cash Flow

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

Unit: NT\$ thousand

Item	Cash Flow		Change	
	2021	2022	Amount	%
Business Activities	386,691	1,148,762	762,071	197%
Investment Activity	(556,988)	(199,359)	357,629	-64%
Fund Raising	80,494	(119,009)	-199,503	-248%
Analysis of the change in the increase or decrease ratio: 1. The increase in net cash inflow from operating activities was due to the increase in net profit before tax and the decrease in accounts receivable and inventories. 2. The decrease in net cash outflow from investing activities was It was due to the decrease in real estate, plant and equipment acquired in the current period. 3. The decrease in net cash inflow from financing activities was due to the decrease in borrowings in the current period.				

7.3.2 Improvement plan for insufficient liquidity: N/A

7.3.3 Analysis of cash flow in the coming year

Unit: NT\$ thousand

Beginning cash Balance	Year-round from business activities Net cash flow	Net cash flow from other activities for the full year	Cash surplus (insufficient) amount	Remedies for insufficient cash	
				Investment plan	Fundraising plan
2,841,048	7,695,195	(7,267,714)	3,268,529	-	-
1. Analysis of cash flow situation in the next year (1) Operating activities: Due to the net cash inflow from the industry's profits. (2) Investing activities: It is caused by the net cash outflow for the purchase of machinery and equipment and financial products. (3) Financing activities: Due to the net cash outflow of cash dividends. 2. Remedial measures and liquidity analysis for the expected cash shortfall: None.					

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

7.4.1 Application of major capital expenditures and sources of funds

Unit: NT\$ thousand

Plan project	Actual or expected Sources of funds	Actual or Expected Completion Date	Required capital	Scheduled Case
				2023
Purchase machinery and equipment	own funds and Bank loan	December 2023	455,365	455,365

7.4.2 Expected to generate benefits

We invest a total of NT\$ 455,365 thousand to purchase machinery and equipment, for the expansion of production capacity to cope with future market expansion.

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

7.5.1 Reinvestment policy

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

7.5.2 Profits or losses from reinvestment December 31, 2021

Unit: NT\$ thousand

Reinvestment business	Invest amount	Main reason for profit or loss			Remark
		This period profit and loss	Listed in this issue investment profit and loss	Description	
Great Hinge Trading Ltd.	318	(12,088)	(12,088)	Holding company for reinvestment of Vietnamese subsidiary.	N/ A
Smart Hinge Holdings Ltd.	750,588	402,195	401,611	The main reason is that the profit of the mainland subsidiary has resulted in the recognition of interests in its holding investment.	N/ A
Jarson Precision Technology Co., Ltd.	134,076	(9,292)	(9,149)	Loss due to reduced revenue.	Actively strive for orders
Jarwin Investment Co., Ltd.	50,000	(6,757)	(6,757)	It is a general investment company, due to the difference between the purchase cost of securities held at the end of the period and the market price evaluation.	N/ A
Jarlllytec (Singapore) PTE.Ltd.	423	69	69	This company does not manufacture and sell but serves customer needs.	N/ A
Jarlllytec (Vietnam) Co., Ltd.	166,723	(7,445)	(7,445)	The main reason is that it is currently in the initial stage of preparation and has no revenue, resulting in losses.	N/ A
Royal Jarlly Holding Ltd.	750,588	405,769	405,769	Due to the profit of the mainland subsidiary, which led to the recognition of interests in its holding investment.	N/ A
Jarlllytec (Thailand) Co., Ltd.	149,229	(4,078)	(4,078)	The company is currently in the initial stages of preparation.	N/ A
Jarllly Technology(Shanghai) Co., Ltd.	261,462	141,497	141,497	Stable operation and continuous profit.	N/ A
Fu-Qing Jarllly Electronics Co., Ltd.	240,658	159,886	159,886	Stable operation and continuous profit.	N/ A
Dong Guan Jarllly Electronics Co., Ltd.	81,466	4,889	4,889	Stable operation and continuous profit.	N/ A
Kunshan Jarllly Electronics Ltd.	71,906	66,555	66,555	Stable operation and continuous profit.	N/ A
Jarllly Electronics Technology (Shanghai) Co., Ltd.	473,450	5,780	5,780	Stable operation and continuous profit.	N/ A
Xiamen Jarllly Electronics Co., Ltd.	43,801	18,123	18,123	Stable operation and continuous profit.	N/ A
Jarllly Technology(Chongqing) Co., Ltd.	61,722	29,607	29,607	Stable operation and continuous profit.	N/ A

7.5.3 Investment plan for the next year: None

7.6 Analysis of Risk Management

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

(1) Interest rate changes and interest expenses

Unit: NT\$ thousand

	2022	As of March 31, 2023
Interest Income	24,073	15,700
Interest Expense	20,487	7,000
Operating Income	7,020,608	1,319,114
Net profit before tax	724,498	15,130
(Interest Expense - Interest income)/operating income	-0.05%	-0.66%
(Interest Expense - Interest income)/net profit before tax	-0.49%	-57.50%

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

Policies and Responses:

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

(2) Foreign exchange gains and losses

Unit: NT\$ thousand

	2022	As of March 31, 2023
Net foreign exchange gains (losses)	190,014	-16,092
Operating income	7,020,608	1,319,114
Net profit before tax	724,498	15,130
Net foreign exchange gains (losses)/operating income	2.71%	-1.22%
Net foreign exchange (loss)/net profit before tax	26.23%	-106.36%

The Group's operating income is mainly denominated in US dollars from overseas sales, and changes in exchange rates mainly affect sales revenue and gross profit. At present, the Group adopts natural risk-avoidance measures and has reached an agreement with several major raw material suppliers. The payment for goods is mainly in US dollars, so as to reduce the impact of exchange rate changes on the company. At the end of 2022, the balance of financial assets after offsetting financial assets and financial liabilities of the group was NT\$1,625,607 thousand (US\$52,934 thousand). If the NT dollar depreciates or appreciates by 5% against the US dollar, the group's net profit before tax will increase or decrease by about NT\$81,280 thousand.

Policies and Responses:

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

The purchase amount of the Group in 2022 is NT\$ 3,837,991 thousand. If the inflation rate increases by 1%, the purchase cost of the Company will increase by NT\$ 38,379 thousand.

Policies and Responses:

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

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

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

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

(2) Fund loan to others

2022 and as of the date of publication of the annual report, the Group has funds loaned to others. The parent company has, with the approval of the board of directors, lent funds to manufacturers and subsidiaries that need short-term financing; and engage in capital lending due to the necessity of financing.

(3) Endorsement guarantees for others

In 2022 and as of the date of publication of the annual report, the Group has endorsed guarantees for others. As of the date of publication of the annual reports in 2022 and 2023, the parent company has endorsed and guaranteed the investee companies evaluated by the equity method as approved by the board of directors.

(4) Engaging in Derivative Commodities Transactions

The Group has not engaged in derivatives trading in 2022, In 2023, as of the publication date of the annual report, derivatives transactions will be carried out in accordance with the regulations stipulated by the company.

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

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

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

For a variety of supporting new products, the prototype, verification and patent application layout of the design side have been completed and the market promotion has been conducted, which has been affirmed by customers. Therefore, the recent R&D plan is for further joint system design and verification with customers, including the testing and verification of mold parts, fixtures required for automated production processes and products, in preparation for smooth mass production. It is estimated that about NT\$148,000 thousand will be invested in research and development related to manpower, time and equipment in 2023.

Recent annual R&D plan	Current progress	Estimated amount of R&D expenses	Estimated time to complete mass production	The main factors affecting the success of R&D in the future
Electric hub development plan with rotating and collapsible flexible screen	Mold opening verification	24,000 thousand	December 2023	Mechanism design, process technology
Innovative tablet computer can automatically close the cross-hinge hinge technology development plan	Mold opening verification	28,000 thousand	December 2023	Mechanism design, process technology
The key technology development plan for ultra-thin AR glasses	Open mold trial production	22,000 thousand	December 2023	Mechanism design, process technology
Ultra-thin flexible screen drop-shaped folding mobile phone hinge development plan	Design verification in progress	29,000 thousand	December 2023	Mechanism design, process technology

Recent annual R&D plan	Current progress	Estimated amount of R&D expenses	Estimated time to complete mass production	The main factors affecting the success of R&D in the future
Development of laptop hub technology for folding flexible screen devices	Design verification in progress	27,000 thousand	December 2023	Mechanism design, process technology
Lightweight and high-efficiency hub structure and high-tech manufacturing research project	Open mold trial production	18,000 thousand	December 2023	Mechanism design, process technology

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

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

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

The company regularly invests funds related to data communication security every year to ensure that the company's operations are built under a protective framework; it also actively encourages innovation and research, applies for patents on new products and technologies and establishes a comprehensive patent intelligence protection network. In the future, it will also cooperate with market trends and Research and development according to customer needs. Therefore, technological changes and industrial changes have not had a significant impact on the financial business of the Company. For the information security risk management and countermeasures, please refer to this annual report No. 5, Operation Overview No. 6: Information Security Management, page 109.

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

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

7.6.7 Expected benefits, risks and countermeasures of M&A

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

7.6.8 Expected benefits, risks and countermeasures of plant expansion

As of the date of publication of the annual report, the Company has no plans to expand its factories.

7.6.9 Risks faced by purchase or concentration of sales and countermeasures

(1) Purchase concentration risk assessment and countermeasures

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

(2) Sales concentration risk assessment and countermeasures

The company's main sales customers are domestic and foreign well-known system factories and has established a good reputation among customers and the market share has also maintained a certain level. In recent years, the company has made major breakthroughs in the technology of folding mobile phone hinges, which has also contributed significantly to revenue. In the future, the company will continue to develop new products and actively expand different customer groups to reduce the risk of sales concentration. Customers who accounted for more than 10% of net sales in the last two years, please refer to this annual report No. 5, Operation Overview II: Market, Production and Sales Overview, page 104.

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

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

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

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

7.6.12 The company and its directors, supervisors, general managers, substantive persons in charge, major shareholders holding more than 10% of the shares and

subordinate companies have decided or are still in the process of major litigation, non- litigation or administrative disputes If the outcome of a lawsuit may have a significant impact on shareholders' rights and interests or securities prices, the facts at issue, the amount of the subject matter, the start date of the lawsuit, the main parties involved and the handling as of the date of publication of the annual report: None.

7.6.13 Other important risks and countermeasures

For the information security risk management and countermeasures, please refer to this annual report No. 5, Operation Overview No. 6: Information Security Management, page 109.

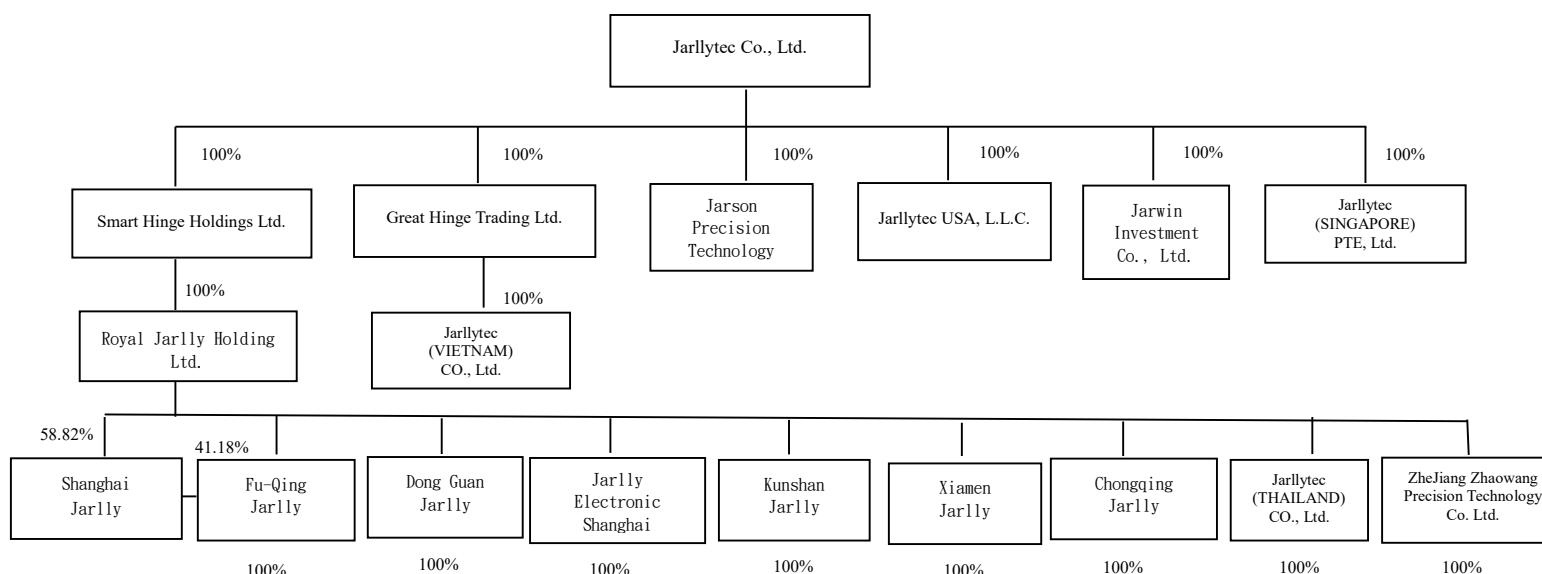
7.7 Other Important Matters: None

8. Special Disclosure

8.1 Summary of Affiliated Companies

8.1.1 The consolidated report of the affiliated companies

(1) Affiliated companies' organization chart



(2) Basic information of affiliated companies

Unit: thousand March 31, 2023

Name	Date	Location	Paid-in capital	Business
Jarllytec Co., Ltd.	07/07/2004	No. 13, Wugong 5th Road, Xinzhuang District, New Taipei City	NT\$601,214	Developing, designing, production, assembly, inspection, manufacturing and sell stamping parts, hinges and MIM, which are widely applied in NB, LCD monitor, LCD TV, 3C-related products.
Smart Hinge Holdings Ltd.	11/01/2004	British Virgin Islands	US\$23,434	Investment holding company
Great Hinge Trading Ltd.	12/09/2004	British Virgin Islands	US\$10	Investment holding company
Royal Jarlly Holding Ltd.	12/03/2007	Hongkong	US\$23,434	Investment holding company
Jarlly Technology(Shanghai) Co., Ltd.	12/28/2001	Shanghai, China	US\$8,500	Production and sales of special materials for components and equipment
Fu-Qing Jarlly Electronics Co., Ltd.	02/27/2004	Fuqing City, Fujian Province, China	US\$8,034	Production and sales of precision shafts
Dong Guan Jarlly Electronics Co., Ltd.	01/11/2006	City, Guangdong Province, China	US\$2,600	Production and sales of precision shafts

Name	Date	Location	Paid-in capital	Business
Jarllly Electronics Technology (Shanghai) Co.,	02/10/2006	Shanghai, China	US\$15,000	Production and sales of precision shafts
Kunshan Jarllly Electronics Ltd.	09/30/2006	Kunshan City, Jiangsu Province, China	US\$2,200	Production and sales of precision shafts
Xiamen Jarllly Electronics Co., Ltd.	08/16/2010	Xiamen, China	USD\$1,500	Production and sales of precision shafts
Jarllly Technology(Chongqing) Co., Ltd.	09/21/2021	Chongqing, China	USD\$2,100	Production and sales of precision shafts
Jarson Precision Technology Co., Ltd.	10/14/2014	No. 59, Wuquan 7th Road, Wugu District, New Taipei City	NT\$150,000	Manufacturing and trading of metal powder injection molding products
Jarlllytec USA, LLC	08/21/2017	Houston, USA	USD\$100	Computer Design and Service
Jarlllytec (Thailand) CO., Ltd.	12/20/2019	Chachoengsao, Thailand	USD\$5,000	Production and sales of precision shafts
Jarwin Investment Co., Ltd.	04/15/2020	No. 13, Wugong 5th Road, Xinzhuang District, New Taipei City (5th Floor)	NTD50,000	General investment industry
Jarlllytec (Singapore) PTE. Ltd.	04/22/2021	Singapore	USD\$20	Computer Design and Service
Jarlllytec (Vietnam) CO., Ltd.	04/28/2021	Henan Province, Vietnam	USD\$6,000	Production and sales of precision shafts
ZheJiang Zhaowang Precision Technology Co. Ltd.	03/16/2023	Jiaxing City, Zhejiang Province, China	USD2,500	Manufacturing and trading of metal powder injection molding products

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

Unit: Share; April 15, 2023

Company Name	Job title	Name or representative	Holding shares	
			Shares	Ratio
Jarlytec Co., Ltd.	Chairman	Dellson Investment Co., Ltd.	3,714,000	6.18%
		Representative: Chang, Tai Yuan	711,325	1.18%
	Vice Chairman	Sunrise Investment Co., Ltd.	6,100,000	10.15%
		Representatives: Liu, Kuang Hua	1,316,000 (Note 1)	2.19%
	Director	Young Win Assets Management CO., Ltd.	1,550,000	2.85%
		Liu, Chih Chen	500,000	0.83%
	Independent Director	Wu, Sou Shan	0	0%
	Independent Director	Liu, Chun Ying	0	0%
	Independent Director	Yang, Shang Hsien	0	0%
	Independent Director	Lee, Chien Ming	0	0%
	General Manager	Chang, Tai Yuan	711,325	1.18%
Smart Hinge Holdings Ltd.	Director	JARLLYTEC CO., Ltd. Representative: Chang, Tai Yuan	25,934,000	100%
Great Hinge Trading Ltd.	Director	JARLLYTEC CO., Ltd. Representative: Chang, Tai Yuan	10,000	100%
Royal Jarly Holding Ltd.	Director	Smart Hinge Holdings Ltd. Representative: Chang, Tai Yuan	25,934,000	100%
Jarlytec (Vietnam) Co., Ltd.	Chairman	Great Hinge Trading Ltd. Representative: Chang, Tai Yuan	-	-
Jarly Technology(Shanghai) Co., Ltd.	Chairman	Royal Jarly Holding Ltd.: Chang, Tai Yuan	-	-
	Director	Royal Jarly Holding Ltd.: Liu, Kuang Hua	-	-
	Director	Royal Jarly Holding Ltd.: Huang, Chin Ming	-	-
	Supervisor	Royal Jarly Holding Ltd.: Hsu, Pei Wen	-	-
	General Manager	Huang, Chin Ming	-	-
Fu-Qing Jarly Electronics Co., Ltd.	Chairman	Royal Jarly Holding Ltd.: Chang, Tai Yuan	-	-
	Director	Royal Jarly Holding Ltd.: Liu, Kuang Hua	-	-
	Director	Royal Jarly Holding Ltd.: Hsu, Yao Kun	-	-
	Supervisor	Royal Jarly Holding Ltd.: Hsu, Pei Wen	-	-
	General Manager	Hsu, Yao Kun	-	-
Dong Guan Jarly Electronics Co., Ltd.	Chairman	Royal Jarly Holding Ltd.: Chang, Tai Yuan	-	-

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

Company Name	Job title	Name or representative	Holding shares	
			Shares	Ratio
Jarlllytec (Thailand) Co., Ltd.	Director	Royal Jarlly Holding Ltd.: Hsu, Yao Kun	2,000,000	100%
Jarson Precision Technology Co., Ltd.	Chairman	JARLLYTEC CO., Ltd. Representative: Chang, Tai Yuan	15,000,000	100%
	Director	JARLLYTEC CO., Ltd. Representatives: Liu, Kuang Hua	15,000,000	100%
	Director	JARLLYTEC CO., Ltd. Representatives: Li, Xin liang	15,000,000	100%
	Supervisor	JARLLYTEC CO., Ltd. Representatives: Chen, Ying Hsuan	15,000,000	100%
	General manager	Li, Xin liang	-	-
Jarlllytec (Singapore) Pte. Ltd.	Director	JARLLYTEC CO., Ltd. Representative: Li, Yung Ta	-	-
	Director	SEET LYE HUAT ALLAN	-	-
Jarlllytec USA, LLC	Member	JARLLYTEC CO., Ltd. Representatives: Liu, Kuang Hua	1	100%
Jarwin Investment Co., Ltd.	Chairman	JARLLYTEC CO., Ltd. Representatives: Liu, Kuang Hua	5,000,000	100%
	Supervisor	JARLLYTEC CO., Ltd. Representative: Chang, Tai Yuan	5,000,000	100%

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

(6) Operational overview of each affiliated company

Unit: thousand March 31, 2023

Company Name	Paid-up capital	Total assets	Total liabilities	Net Equity	Operating income	Business interest	Net income (After taxes)	Earnings per share (After tax)
Jarlllytec Co., Ltd.	601,214	7,318,681	2,740,130	4,578,551	3,376,042	(10,146)	473,968	7.88
Great Hinge Trading Ltd.	318	131,868	114,533	17,335	0	(12,497)	(12,088)	-
Smart Hinge Holding Ltd.	750,588	5,099,556	2,282,323	2,817,233	5,255,642	401,527	401,611	-
Jarlllytec (Thailand) Co., LTD.	149,229	133,501	1,513	131,988	1,441	(5,097)	(4,078)	-
JARLLYTEC SINGAPORE PTE. LTD.	423	889	778	111	-	(2,764)	69	-
JARLLYTEC (VIETNAM) CO., LTD.	166,723	131,328	2,566	128,762	-	(7,771)	(7,445)	-
Royal Jarlly Holding Ltd.	750,588	2,834,283	68,542	2,765,741	(1,002)	(2,841)	405,769	-
Jarlly Technology(Shanghai) Co., Ltd.	261,462	1,959,905	1,261,384	698,521	2,383,417	327,144	244,010	-
Fu-Qing Jarlly Electronics Co., Ltd.	240,658	1,172,314	233,086	939,228	848,939	34,216	159,886	-
Dong Guan Jarlly Electronics Co., Ltd.	81,466	159,333	43,555	115,778	302,117	(10,182)	4,889	-
Kunshan Jarlly Electronics Ltd.	71,906	727,543	612,112	115,431	1,006,947	32,238	66,555	-
Jarlly Electronics Technology (Shanghai) Co., Ltd.	473,450	463,097	1,703	461,394	-	(11,180)	5,780	-
Xiamen Jarlly Electronics Co., Ltd.	43,801	162,129	62,159	99,970	159,966	16,354	18,123	-
Jarlly Technology(Chongqing) Co., Ltd.	61,722	518,995	195,384	323,611	645,732	(883)	29,607	-
Jarson Precision Technology Co., Ltd.	114,800	338,599	84,347	254,252	246,123	(9,030)	(9,292)	-
Jarwin Investment Co., Ltd.	50,000	43,994	50	43,944	7,715	(176)	(6,757)	-

8.1.2 Consolidated financial statements of related enterprises

Representation Letter

The entities that are required to be included in the combined consolidated financial statements of Jarllytec Co., Ltd. as of and for the year ended December 31, 2022 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 by the Financial Supervisory Commission, "Consolidated Financial Statements." In addition, the information required to be disclosed in the consolidated financial statements is included in the consolidated financial statements. Consequently, Jarllytec Co., Ltd. and Subsidiaries do not prepare a separate set of consolidated financial statements.

Company name: Jarllytec Co., Ltd.

Chairman: Chang, Tai-Yuan

Date: March 13, 2023

8.1.3 Relationship report: None

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

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

8.4 **Other Important Notes:**

8.4.1 Unfinished OTC commitments: None

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

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

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

Representation Letter

The entities that are required to be included in the combined consolidated financial statements of Jarllytec Co., Ltd. as of and for the year ended December 31, 2022 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 by the Financial Supervisory Commission, "Consolidated Financial Statements." In addition, the information required to be disclosed in the consolidated financial statements is included in the consolidated financial statements. Consequently, Jarllytec Co., Ltd. and Subsidiaries do not prepare a separate set of consolidated financial statements.

Company name: Jarllytec Co., Ltd.

Chairman: Chang, Tai-Yuan

Date: March 13, 2023

Independent Auditors' Report

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

Opinion

We have audited the consolidated financial statements of Jarllytec Co., Ltd. and its subsidiaries ("the Group"), which comprise the consolidated balance sheets as of December 31, 2022 and 2021 the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), Interpretations developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

1. Revenue recognition

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

Description of key audit matter:

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

How the matter was addressed in our audit:

Our principal audit procedures included:

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

2. Impairment evaluation of accounts receivable

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

Description of key audit matter:

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

How the matter was addressed in our audit:

Our principal audit procedures included:

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

3. Inventory valuation

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

Description of key audit matter:

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

How the matter was addressed in our audit:

Our principal audit procedures included:

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

Other Matter

Jarlllytec Co., Ltd. has prepared its parent-company-only financial statements as of and for the years ended December 31, 2022 and 2021, on which we have issued an unmodified opinion.

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

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

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

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

Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

KPMG

Taipei, Taiwan (Republic of China)

March 13, 2023

Notes to Readers

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

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

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
JARLLYTEC CO., LTD. AND SUBSIDIARIES
Consolidated Balance Sheets
December 31, 2022 and 2021
(Expressed in Thousands of New Taiwan Dollars)

Assets		December 31, 2022		December 31, 2021		Liabilities and Equity		December 31, 2022		December 31, 2021			
		Amount	%	Amount	%			Amount	%	Amount	%		
Current assets:						Current liabilities:							
1100	Cash and cash equivalents (Note 6(a))	\$	2,841,048	31	1,887,924	21	2100	Short-term borrowings (Note 6(j))	\$	515,833	6	652,614	7
1110	Current financial assets at fair value through profit or loss (Note 6(b))		29,155	-	38,133	-	2170	Notes and accounts payables		1,573,815	18	2,255,730	25
1170	Notes and accounts receivables, net (Note 6(c)(s))		2,395,310	26	3,182,375	35	2200	Other payables		1,113,971	12	1,058,947	12
1200	Other receivables, net (Note 6(d))		46,109	1	53,009	1	2230	Current tax liabilities		63,163	1	28,096	-
1220	Current tax assets		8,413	-	3,569	-	2280	Current lease liabilities (Note 6(m))		31,911	-	14,912	-
130X	Inventories (Note 6(e))		679,004	8	804,772	10	2322	Long-term borrowings, current portion (Note 6(k) and 8)		217,361	3	209,043	2
1410	Prepayments other current assets (Note 6(f) and 8)		78,805	1	117,360	1	2399	Other current liabilities		24,007	-	38,733	-
Total current assets			6,077,844	67	6,087,142	68	Total current liabilities			3,540,061	40	4,258,075	46
Non-current assets:						Non-Current liabilities:							
1510	Non-current financial assets at fair value through profit or loss (Note 6(b))		657	-	1,564	-	2530	Bonds payable (Note 6(l))		386,421	4	-	-
1517	Non-current financial assets at fair value through other comprehensive income (Note 6(b))		83,032	1	90,631	1	2540	Long-term borrowings (Note 6(k) and 8)		254,921	3	438,350	5
1600	Property, plant and equipment (Note 6(g) and 8)		2,454,189	27	2,412,499	27	2570	Deferred income tax liabilities (Note 6(p))		181,549	2	148,354	2
1755	Right-of-use assets (Note 6(h))		254,101	3	210,043	2	2580	Non-current lease liabilities (Note 6(m))		77,142	1	25,065	-
1780	Intangible assets (Note 6(i))		21,715	-	21,821	-	2640	Net defined benefit liability, non-current (Note 6(o))		31,272	-	46,794	1
1840	Deferred income tax assets (Note 6(p))		29,790	-	39,629	-	2670	Other non-current liabilities, others		2,915	-	2,355	-
1915	Prepayments for business facilities		71,313	1	117,357	1	Total non-current liabilities			934,220	10	660,918	8
1990	Other non-current assets, others (Note 6(f) and 8)		60,191	1	67,795	1	Total liabilities			4,474,281	50	4,918,993	54
Total non-current assets			2,974,988	33	2,961,339	32	Equity (Note 6(q)):						
Total assets							3110	Ordinary share		601,214	7	601,214	7
							3200	Capital surplus		1,385,445	15	1,334,534	15
								Retained earnings:					
							3310	Legal reserve		404,763	4	380,412	4
							3320	Special reserve		76,485	1	1,292	-
							3350	Unappropriated retained earnings		2,157,823	24	1,888,521	21
								Total retained earnings		2,639,071	29	2,270,225	25
								Other equity:					
							3410	Exchange differences on translation of foreign financial statements		(58,328)	(1)	(95,607)	(1)
							3420	Unrealized gain or loss on financial assets at fair value through other comprehensive income		11,149	-	19,122	-
							Other equity		(47,179)	(1)	(76,485)	(1)	
							Total equity		4,578,551	50	4,129,488	46	
							Total liabilities and equity		\$	9,052,832	100	9,048,481	100

See accompanying notes to financial statements

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

JARLLYTEC CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2022 and 2021

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

		2022		2021	
		Amount	%	Amount	%
4000	Operating revenue (Note 6(s))	\$ 7,020,608	100	7,446,666	100
5000	Operating costs (Note 6(e)(o))	5,616,626	80	6,217,941	83
	Net gross profit	1,403,982	20	1,228,725	17
	Operating expenses (Note 6(c)(m)(o)(t)):				
6100	Selling expenses	348,007	5	414,314	6
6200	Administrative expenses	372,376	5	310,598	4
6300	Research and development expenses	220,943	3	279,822	4
6450	Expected credit loss (gain)	9,956	-	(5,960)	-
	Total operating expenses	951,282	13	998,774	14
	Net operating income	452,700	7	229,951	3
	Non-operating income and expenses (Note 6(l)(m)(u)):				
7010	Other income	157,698	2	148,066	2
7020	Other gains and losses, net	110,514	2	(83,998)	(1)
7050	Finance cost	(20,487)	-	(11,838)	-
7100	Interest income	24,073	-	6,84	-
	Total non-operating income and expenses	271,798	4	59,071	1
	Profit from continuing operations before tax	724,498	11	289,022	4
7950	Less: Income tax expenses (Note 6(p))	250,530	4	41,227	1
	Profit	473,968	7	247,795	3
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(o))	15,121	-	(4,291)	-
8316	Unrealized gains from investments in equity instruments measured at fair value through other comprehensive income	(7,973)	-	(6,559)	-
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	7,148	-	(10,850)	-
8360	Components of other comprehensive income (loss) that will be reclassified to profit or loss				
8361	Exchange differences on translation of foreign financial statements	37,279	1	(68,634)	(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	37,279	1	(68,634)	(1)
8300	Other comprehensive income, net of tax	44,427	1	(79,484)	(1)
8500	Total comprehensive income	<u>\$ 518,395</u>	<u>8</u>	<u>168,311</u>	<u>2</u>
	Profit attributable to:				
8610	Shareholders of parent	<u>\$ 473,968</u>	<u>7</u>	<u>247,79</u>	<u>3</u>
	Other comprehensive income attributable to:				
8710	Shareholders of parent	<u>\$ 518,395</u>	<u>8</u>	<u>168,31</u>	<u>2</u>
	Earnings per share (NT dollars) (Note 6(r))				
9750	Basic earnings per share	<u>\$ 7.88</u>		<u>4.12</u>	
9850	Diluted earnings per share	<u>\$ 7.35</u>		<u>4.10</u>	

See accompanying notes to financial statements

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

JARLLYTEC CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent							
	Retained earnings					Other equity		
						Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Total equity
Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings				
Balance at January 1, 2021	\$ 601,214	1,334,534	349,873	50,236	1,776,915	(26,973)	25,681	4,111,480
Profit	-	-	-	-	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 on ordinary shares	-	-	-	-	(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
Profit	-	-	-	-	473,968	-	-	473,968
Other comprehensive income	-	-	-	-	15,121	37,279	(7,973)	44,427
Total comprehensive income	-	-	-	-	489,089	37,279	(7,973)	518,395
Appropriation and distribution of retained earnings:								
Legal reserve	-	-	24,351	-	(24,351)	-	-	-
Special reserve	-	-	-	75,193	(75,193)	-	-	-
Cash dividends of ordinary share	-	-	-	-	(120,243)	-	-	(120,243)
Changes on other capital reserve:								
Equity component recognized as share option due to issuance of convertible bonds	-	50,911	-	-	-	-	-	50,911
Balance at December 31, 2022	\$ 601,214	1,385,445	404,763	76,485	2,157,823	(58,328)	11,149	4,578,551

See accompanying notes to financial statements

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

JARLLYTEC CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	2022	2021
Cash flows from operating activities:		
Profit before tax	\$ 724,498	289,022
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	299,164	254,396
Amortization expense	24,124	23,629
Expected credit loss (gain)	9,956	(5,960)
Net loss on financial assets at fair value through profit or loss	9,229	(207)
Interest expense	20,487	11,838
Interest revenue	(24,073)	(6,841)
Dividend revenue	(16,374)	(13,382)
Loss from disposal of property, plant and equipment	11,507	1,158
Gain on disposal of intangible assets	(1)	-
Gain on disposal of investments	(14,651)	-
Other	8,095	-
Total adjustments to reconcile profit (loss)	327,463	264,631
Changes in operating assets and liabilities:		
Current financial assets at fair value through profit or loss	(29,351)	21,595
Notes receivables	606	(1,090)
Accounts receivables	776,503	(843,447)
Other receivables	10,116	(22,755)
Inventories	125,768	(202,990)
Prepayments	21,861	(11,837)
Other current assets	8,673	18,732
Notes payables	(16,733)	12,183
Accounts payables	(665,182)	552,690
Other payables	54,864	311,768
Other current liabilities	(14,726)	16,571
Net defined benefit liability	(400)	18,067
Total changes in operating assets and liabilities	271,999	(130,513)
Total adjustments	599,462	134,118
Cash inflow generated from operations	1,323,960	423,140
Interest received	20,857	8,085
Dividends received	-	935
Interest paid	(18,782)	(9,494)
Income taxes paid	(177,273)	(35,975)
Net cash flows from operating activities	1,148,762	386,691
Cash flows used in investing activities:		
Acquisition of financial assets at fair value through profit or loss	(1,540,155)	(1,386,127)
Proceeds from disposal of financial assets at fair value through profit or loss	1,585,662	1,355,719
Acquisition of financial assets at fair value through other comprehensive income	-	(4,127)
Acquisition of property, plant and equipment	(92,200)	(424,916)
Proceeds from disposal of property, plant and equipment	10,401	11,131
Acquisition of intangible assets	(8,462)	(12,555)
Disposal of intangible assets	231	-
Acquisition of right-of-use assets	-	(72,139)
Increase in prepayments for equipment	(163,129)	(14,174)
Increase in other non-current-assets	(8,081)	(22,247)
Dividends received	16,374	12,447
Net cash flows used in investing activities	(199,359)	(556,988)
Cash flows from financing activities:		
Increase in short-term borrowings	-	268,376
Decrease in short-term borrowings	(208,844)	-
Issuance of bonds	436,932	-
Proceeds from long-term borrowings	62,945	473,412
Repayments of long-term borrowings	(238,056)	(470,832)
Payment of lease liabilities	(52,302)	(37,932)
Increase (decrease) in other non-current liabilities	559	(2,227)
Cash dividends paid	(120,243)	(150,303)
Net cash flows from (used in) financing activities	(119,009)	80,494
Effect of exchange rate changes on cash and cash equivalents	122,730	(36,446)
Net increase (decrease) in cash and cash equivalents	953,124	(126,249)
Cash and cash equivalents at beginning of period	1,887,924	2,014,173
Cash and cash equivalents at end of period	\$ 2,841,048	1,887,924

See accompanying notes to financial statements

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

JARLLYTEC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

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

(1) Company history

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

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

These consolidated financial statements were authorized for issue by the Board of Directors on March 13, 2023.

(3) New standards, amendments and interpretations adopted:

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

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

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

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

The group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2023, would not have a significant impact on its parent company only financial statements:

- Amendments to IAS 1 “Disclosure of Accounting Policies.”
- Amendments to IAS 8 “Definition of Accounting Estimates.”
- Amendments to IAS 12 “Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction”

JARLLYTEC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.	January 1, 2024
Amendments to IAS 1 “Non-current liabilities with contractual terms.”	Following the reconsideration of certain aspects of the amendments to IAS 1 in 2020, the new revised text clarifies that only contractual terms in effect at the reporting date or before will affect the classification of a liability as current or non-current. Contractual terms that an entity will be required to follow (i.e. future terms) after the reporting date do not affect the classification of the liability on that date. However, when non-current liabilities are restricted by future contractual terms, an entity is required to disclose information to help financial statement users understand the risk of repayment within twelve months after the reporting date.	January 1, 2024

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 16 “Regulations on sales and leaseback transactions.”

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

(4) Summary of significant accounting policies:

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

(a) Statement of compliance

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

(b) Basis of preparation

(i) Basis of measurement

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

- 1) Financial instruments at fair value through profit or loss are measured at fair value;
- 2) Financial assets at fair value through other comprehensive income are measured at fair value; and
- 3) The defined benefit liabilities (assets) are measured at fair value of the plan assets less the present value of the defined benefit obligation, limited as explained in note 4(o).

(ii) Functional and presentation currency

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

(c) Basis of consolidation

(i) Principles of preparation of the consolidated financial statements

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

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

JARLLYTEC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

(ii) List of subsidiaries in the consolidated financial statements

The consolidated entities were as follows:

Name of Investor	Name of Subsidiary	Main Activities and Location	Percentage of Ownership (%)		Note
			December 31, 2022	December 31, 2021	
The company	Great Hinge Trading Ltd. (Great Hinge)	Investments	100%	100%	Note 1
The company	Smart Hinge Holdings Ltd. (Smart Hinge)	Investments	100%	100%	-
The company	Jarson Precision Technology Co., Ltd. (Jarson Precision)	Powder metallurgy and other metal products manufacturing and trading business	100%	100%	Note 1
The Company	Jarlllytec USA L.L.C. (Jarlllytec USA)	Computer design and service	100%	100%	Note 1
The Company	Jarwin Investment Co., Ltd. (Jarwin Investment)	Investments	100%	100%	Note 1 、 Note 3
The Company	Jarlllytec Singapore Pte. Ltd. (Jarlllytec Singapore)	Computer design and service	100%	-	Note 1 、 Note 4
Great Hinge	Main Source Logistic Ltd. (Main Source)	Electronic professional equipment, sale business of tools and molds	-%	100%	Note 1 、 Note 6
Great Hinge	Jarlllytec (Vietnam) Co., Ltd. (Jarlllytec Vietnam)	Production and sale business of precision hinges	100%	-	Note 1 、 Note 5
Smart Hinge	Royal Jarlly Holding Ltd. (Royal Jarlly)	Investments	100%	100%	-
Royal Jarlly	Jarlly Technology (Shanghai) Co., Ltd. (Shanghai Jarlly)	Production and sale business of specific material for component equipment	100%	100%	-
Royal Jarlly	Fu-Qing Jarlly Electronics Co., Ltd. (Fu-Qing Jarlly)	Production and sale business of precision hinges	100%	100%	-
Royal Jarlly	Dong Guan Jarlly Electronics Co., Ltd. (Dong Guan Jarlly)	Production and sale business of precision hinges	100%	100%	Note 1
Royal Jarlly	Kunshan Jarlly Electronics Ltd. (Kunshan Jarlly)	Production and sale business of precision hinges	100%	100%	Note 1

JARLLYTEC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Name of Investor	Name of Subsidiary	Main Activities and Location	Percentage of Ownership (%)		Note
			December 31, 2022	December 31, 2021	
Royal Jarlly	Jarlly Electronics Technology (Shanghai) Co., Ltd. (Jarlly Electronic Shanghai))	Production and sale business of precision hinges	100%	100%	-
Royal Jarlly	Xiamen Jarlly Electronics Co., Ltd. (Xiamen Jarlly)	Production and sale business of precision hinges	100%	100%	Note 1
Royal Jarlly	Jarlly Technology (Chongqing) Co., Ltd. (Chongqing Jarlly)	Production and sale business of precision hinges	100%	100%	-
Royal Jarlly	Jarllytec (Thailand) Co., Ltd. (Jarllytec Thailand)	Production and sale business of precision hinges	100%	100%	Note 1 、 Note 2

Note 1: Insignificant subsidiary.

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

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

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

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

Note 6: Jarllytec USA was liquidated in 2022.

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

(d) Foreign currencies

(i) Foreign currency transactions

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

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

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

JARLLYTEC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(ii) Foreign operations

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

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

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

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

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

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

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

An entity shall classify a liability as current when:

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

JARLLYTEC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(f) Cash and cash equivalents

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

(g) Financial instruments

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

(i) Financial assets

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

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

1) Financial assets measured at amortized cost

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

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

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

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

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2) Fair value through other comprehensive income (FVOCI)

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

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

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

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

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

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

3) Fair value through profit or loss (FVTPL)

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

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

4) Business model assessment

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

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5) Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

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

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

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

6) Derecognition of financial assets

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

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

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(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

2) Equity instrument

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

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

3) Treasury shares

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

4) Financial liabilities

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

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

5) Derecognition of financial liabilities

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

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

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6) Offsetting of financial assets and liabilities

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

(iii) Derivative financial instruments

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

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

(h) Inventories

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

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

(i) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Subsequent cost

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

(iii) Depreciation

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

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Land is not depreciated.

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

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

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

(j) Leases

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

(i) As a lease

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(ii) As a lessor

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

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

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

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

(k) Intangible assets

(i) Recognition and measurement

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

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

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

(ii) Subsequent expenditure

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

(iii) Amortization

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

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

(l) Impairment of non-derivative financial assets

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

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

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

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

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

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

(m) Revenue recognition

(i) Revenue from contracts with customers

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

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

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

(n) Government grants and government assistance

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

(o) Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

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

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

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

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

(iii) Short-term employee benefits

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

(p) Income taxes

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

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

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

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

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

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

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

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

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

- (q) Earnings per share

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

- (r) Operating segments

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

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

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

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

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

(a) Impairment of accounts receivable

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

(b) Valuation of inventories

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

(c) Measurement of defined benefit obligations

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

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

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

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

(6) Explanation of significant accounts:

- (a) Cash and cash equivalents

	December 31, 2022	December 31, 2021
Cash on hand	\$ 965	598
Demand deposits	1,916,954	1,734,126
Time deposits	923,129	153,200
	<u>\$ 2,841,048</u>	<u>1,887,924</u>

- (b) Financial instrument

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

	December 31, 2022	December 31, 2021
Current mandatorily measured at fair value through profit or loss:		
Domestic stocks	\$ 19,116	7,725
Open-ended funds	10,039	-
Financial products	-	30,408
	<u>\$ 29,155</u>	<u>38,133</u>
Non-current mandatorily measured at fair value through profit or loss:		
Private offered funds	\$ 457	1,564
Convertible bonds redemption right	200	-
	<u>\$ 657</u>	<u>1,564</u>

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

	December 31, 2022	December 31, 2021
Equity investments at fair value through other comprehensive income-non-current		
Stocks unlisted on domestic market-Taiwan	\$ 57,289	65,262
Stocks unlisted on domestic market-China	25,743	25,369
Total	<u>\$ 83,032</u>	<u>90,631</u>

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

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

(c) Notes and accounts receivables

	December 31, 2022	December 31, 2021
Notes receivable	\$ 1,144	1,750
Accounts receivables	2,407,484	3,183,259
Less: loss allowance	(13,318)	(2,634)
	<u>\$ 2,395,310</u>	<u>3,182,375</u>

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

The loss allowance provisions were determined as follows:

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

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

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

	For the years ended December 31,	
	2022	2021
Balance at January 1	\$ 2,634	8,592
Impairment losses	9,956	-
Impairment losses reversed	-	(5,960)
Foreign exchange loss	728	2
Balance at December 31	<u>\$ 13,318</u>	<u>2,634</u>

As of December 31, 2022 and 2021, the notes and account receivable of the Group were not pledged as collaterals.

(d) Other receivables

	December 31, 2022	December 31, 2021
Overpaid business tax returned	\$ 12,498	33,705
Interest receivable	3,250	34
Others	30,361	19,270
	<u>\$ 46,109</u>	<u>53,009</u>

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

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(e) Inventories

	December 31, 2022	December 31, 2021
Raw materials and supplies	\$ 161,186	251,232
Work in process	192,668	194,967
Finished goods	325,150	358,573
	<u>\$ 679,004</u>	<u>804,772</u>

(i) For the years ended December 31, 2022 and 2021, the Group recognized cost of sales and operating expense amounted to \$5,540,396 thousand and \$6,067,696 thousand, respectively.

(ii) For the year ended December 31, 2022, the amounts of the loss on valuation of inventories was \$42,207 thousand, wherein such loss was included in cost of sales.

(iii) For the year ended December 31, 2021, the gain of \$10,043 thousand was recognized from the reversal of provision arising from scrapping, wherein such gains were included in gain from price recovery of inventory.

(iv) As of December 31, 2022 and 2021, the inventories were not pledged.

(f) Prepayments, other current assets and others

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

	December 31, 2022	December 31, 2021
Prepayment for mold	\$ 27,944	32,668
Other prepayments	28,080	24,690
Prepayments to suppliers	-	7,253
Input tax	-	8
Tax overpaid	18,036	45,849
Other financial assets	-	174
Others	4,745	6,718
Total prepayments and other current assets	<u>\$ 78,805</u>	<u>117,360</u>
Other deferred expenses	\$ 48,657	56,433
Refundable deposits	8,945	8,636
Other financial assets	1,228	1,107
Others	1,361	1,619
Total other noncurrent assets	<u>\$ 60,191</u>	<u>67,795</u>

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

JARLLYTEC CO., LTD. AND SUBSIDIARIES

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(g) Property, plant and equipment

The cost and accumulated depreciation and impairments of the property, plant and equipment of the Group as of and for the years ended December 31, 2022 and 2021 were as follows:

	Land	Buildings and construction	Machine and equipment	Mold equipment	Rental equipment	Other facilities	Construction in progress and testing equip	Total
Cost:								
Balance at January 1, 2022	\$ 1,051,950	668,253	1,467,274	3,353	86,227	181,947	60,655	3,519,659
Additions	-	7,995	237,910	-	-	26,764	29,411	302,080
Reclassifications	-	62,057	-	-	10,799	17,051	(89,907)	-
Disposals	-	-	(87,401)	(350)	-	(12,411)	-	(100,162)
Effect of movements in exchange	2,520	7,543	7,386	9	1,270	1,050	(7)	19,771
Balance at December 31, 2022	<u>\$ 1,054,470</u>	<u>745,848</u>	<u>1,625,169</u>	<u>3,012</u>	<u>98,296</u>	<u>214,401</u>	<u>152</u>	<u>3,741,348</u>
Balance at January 1, 2021	\$ 1,057,119	519,597	1,171,787	3,618	183,708	152,272	61,304	3,149,405
Additions	-	11,141	319,135	-	-	37,784	57,050	425,110
Reclassifications	-	147,352	-	-	(96,096)	-	(51,256)	-
Disposals	-	(8,336)	(21,476)	(260)	-	(7,616)	-	(37,688)
Effect of movements in exchange	(5,169)	(1,501)	(2,172)	(5)	(1,385)	(493)	(6,443)	(17,168)
Balance at December 31, 2021	<u>\$ 1,051,950</u>	<u>668,253</u>	<u>1,467,274</u>	<u>3,353</u>	<u>86,227</u>	<u>181,947</u>	<u>60,655</u>	<u>3,519,659</u>
Accumulated depreciation:								
Balance at January 1, 2022	\$ -	209,854	753,694	3,292	31,287	109,033	-	1,107,160
Depreciation	-	35,878	194,485	-	2,734	19,816	-	252,913
Reclassifications	-	(4,497)	-	-	4,497	-	-	-
Disposals	-	-	(67,266)	(350)	-	(10,870)	-	(78,486)
Effect of movements in exchange	-	1,857	2,619	8	438	650	-	5,572
Balance at December 31, 2022	<u>\$ -</u>	<u>243,092</u>	<u>883,532</u>	<u>2,950</u>	<u>38,956</u>	<u>118,629</u>	<u>-</u>	<u>1,287,159</u>
Balance at January 1, 2021	\$ -	147,836	613,755	3,556	61,321	96,344	-	922,812
Depreciation	-	31,995	158,335	-	2,603	18,947	-	211,880
Reclassifications	-	32,176	-	-	(32,176)	-	-	-
Disposals	-	(1,637)	(17,554)	(260)	-	(5,948)	-	(25,399)
Effect of movements in exchange	-	(516)	(842)	(4)	(461)	(310)	-	(2,133)
Balance at December 31, 2021	<u>\$ -</u>	<u>209,854</u>	<u>753,694</u>	<u>3,292</u>	<u>31,287</u>	<u>109,033</u>	<u>-</u>	<u>1,107,160</u>
Carrying amount:								
Balance at December 31, 2022	<u>\$ 1,054,470</u>	<u>502,756</u>	<u>741,637</u>	<u>62</u>	<u>59,340</u>	<u>95,772</u>	<u>152</u>	<u>2,454,189</u>
Balance at January 1, 2021	<u>\$ 1,057,119</u>	<u>371,761</u>	<u>558,032</u>	<u>62</u>	<u>122,387</u>	<u>55,928</u>	<u>61,304</u>	<u>2,226,593</u>
Balance at December 31, 2021	<u>\$ 1,051,950</u>	<u>458,399</u>	<u>713,580</u>	<u>61</u>	<u>54,940</u>	<u>72,914</u>	<u>60,655</u>	<u>2,412,499</u>

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

(h) Right-of-use assets

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

	<u>Land</u>	<u>Buildings and construction</u>	<u>Other equipment</u>	<u>Total</u>
Cost:				
Balance at January 1, 2022	\$ 160,312	169,935	1,264	331,511
Additions	-	102,156	-	102,156
Disposal	-	(32,715)	(487)	(33,202)
Other	(10,697)	(15,465)	-	(26,162)
Effect of movement in exchange	1,564	2,588	-	4,152
Balance at December 31, 2022	<u>\$ 151,179</u>	<u>226,499</u>	<u>777</u>	<u>378,455</u>
Balance at January 1, 2021	\$ 107,112	167,823	487	275,422
Additions	64,539	6,823	777	72,139
Effect of movement in exchange	(11,339)	(4,711)	-	(16,050)
Balance at December 31, 2021	<u>\$ 160,312</u>	<u>169,935</u>	<u>1,264</u>	<u>331,511</u>
Accumulated depreciation:				
Balance at January 1, 2022	\$ 8,549	112,389	530	121,468
Depreciation for the year	4,279	41,713	259	46,251
Disposal	-	(32,715)	(487)	(33,202)
Other	-	(11,824)	-	(11,824)
Effect of movement in exchange	117	1,544	-	1,661
Balance at December 31, 2022	<u>\$ 12,945</u>	<u>111,107</u>	<u>302</u>	<u>124,354</u>
Balance at January 1, 2021	\$ 5,637	74,749	377	80,763
Depreciation for the year	2,971	39,586	153	42,710
Other	-	184	-	184
Effect of movement in exchange	(59)	(2,130)	-	(2,189)
Balance at December 31, 2021	<u>\$ 8,549</u>	<u>112,389</u>	<u>530</u>	<u>121,468</u>
Carrying amount:				
Balance at December 31, 2022	<u>\$ 138,234</u>	<u>115,392</u>	<u>475</u>	<u>254,101</u>
Balance at January 1, 2021	<u>\$ 101,475</u>	<u>93,074</u>	<u>110</u>	<u>194,659</u>
Balance at December 31, 2021	<u>\$ 151,763</u>	<u>57,546</u>	<u>734</u>	<u>210,043</u>

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Notes to the Consolidated Financial Statements

(i) Intangible assets

	<u>Software</u>
Costs:	
Balance at January 1, 2022	\$ 113,017
Additions	8,462
Disposal	(843)
Effect of movement in exchange	421
Balance at December 31, 2022	<u><u>\$ 121,057</u></u>
Balance at January 1, 2021	\$ 100,675
Additions	12,555
Effect of movement in exchange	(213)
Balance at December 31, 2021	<u><u>\$ 113,017</u></u>
Accumulated amortization and impairment losses:	
Balance at January 1, 2022	\$ 91,196
Amortization for the year	8,439
Disposal	(613)
Effect of movement in exchange	320
Balance at December 31, 2022	<u><u>\$ 99,342</u></u>
Balance at January 1, 2021	\$ 84,004
Amortization for the year	7,363
Effect of movement in exchange	(171)
Balance at December 31, 2021	<u><u>\$ 91,196</u></u>
Carrying amount:	
Balance at December 31, 2022	<u><u>\$ 21,715</u></u>
Balance at January 1, 2021	<u><u>\$ 16,671</u></u>
Balance at December 31, 2021	<u><u>\$ 21,821</u></u>

As of December 31, 2022 and 2021, none of the intangible assets had been pledged as collateral.

(j) Short-term borrowings

The short-term borrowings were summarized as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Unsecured bank loans	<u><u>\$ 515,833</u></u>	<u><u>652,614</u></u>
Unused short-term credit lines	<u><u>\$ 950,215</u></u>	<u><u>937,123</u></u>
Range of interest rates	<u><u>1.45%~5.15%</u></u>	<u><u>0.88%~2.05%</u></u>

JARLLYTEC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(k) Long-term borrowings

The details were as follows:

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

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

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

(l) Bonds payable

The details were as follows:

	December 31, 2022
Total amount of convertible bonds	\$ 400,000
Unamortized balance of discount on bonds payable	(13,579)
Accumulated redemption amount	-
Accumulated convertible amount	-
Bonds payable, ending balance	<u>\$ 386,421</u>
Embedded derivative-redemption rights (classified as non-current financial assets at fair value through profit or loss)	<u>\$ 200</u>
Equity component-conversion rights (classified as capital reserve)	<u>\$ 50,911</u>

JARLLYTEC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	2022	2021
Loss on remeasurements of embedded derivative at fair value	\$ (200)	-

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

Item	The first issuance of domestic unsecured convertible bonds
Aggregate amount	\$400,000 thousand
Issue date	April 28, 2022
Issue period	April 28, 2022 ~ April 28, 2025
Coupon rate	0%
Name of trustee	SinoPac Financial Holdings Company Limited
Terms of repayment	Except for bondholders who convert into common shares of the Company in accordance with Article 10 of these Regulations, or redeemed by the Company in advance in accordance with Article 18 of these Regulations, or the Company buys back at the business place of a securities firm and cancels it, the Company will repay the convertible bonds in cash in one lump sum according to the face value of bonds upon maturity. Payment will be made within five business days (inclusive) from the maturity date.
Terms of redemption prior to maturity	(1) From the next day after the issuance of convertible bonds three months later (July 29, 2022) to 40 days prior to maturity of the issuance period (March 19, 2025), when the closing price of the Company's common share exceeds the current conversion price by 30% (inclusive) for 30 consecutive business days, the Company may, within the next 30 business days, send a 30-day-expired "Bond Redemption Notice" to bondholders by registered mail. The Company will redeem all bonds in cash, the bonds face value as the redemption price, and notify Taipei Exchange by letter to make a public announcement. Upon exercising the redemption request, the Company shall redeem the convertible bonds in cash within five business days after the bond redemption base date. (A 30-day-expired "Bond Redemption Notice" under the preceding paragraph shall begin from the Company's mail date and the date of the period expiry shall be taken as the bond redemption base date, and the aforesaid period shall not be the period of suspended conversion period prescribed under Article 9.) (Bondholders under the preceding paragraph refers to those on the bondholders roster on the fifth business day before the "Bond Redemption Notice" is sent; for bondholders who acquire the convertible bonds later due to trading or other reasons, the announcement shall prevail.)

JARLLYTEC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Item	The first issuance of domestic unsecured convertible bonds
Terms of redemption prior to maturity	<p>(2) From the next day after the issuance of convertible bonds three months later (July 29, 2022) to 40 days prior to maturity of the issuance period (March 19, 2025), when the outstanding balance of converted bonds is 10% lower than the original issuance amount, the Company may, at any time thereafter, send a 30-day-expired “Bond Redemption Notice” to bondholders by registered mail. The Company will redeem all bonds in cash, the bonds face value as the redemption price, and notify Taipei Exchange by letter to make a public announcement. Upon exercising the redemption request, the Company shall redeem the convertible bonds in cash within five business days after the bond redemption base date. (A 30-day-expired “Bond Redemption Notice” under the preceding paragraph shall begin from the Company’s mail date and the date of the period expiry shall be taken as the bond redemption base date, and the aforesaid period shall not be the period of suspended conversion period prescribed under Article 9.) (Bondholders under the preceding paragraph refers to those on the bondholders roster on the fifth business day before the “Bond Redemption Notice” is sent; for bondholders who acquire the convertible bonds later due to trading or other reasons, the announcement shall prevail.)</p> <p>(3) If the bondholder fails to reply in written to the Company's shareholder service agent before the base date prescribed on the “Bond Redemption Notice” (the effectiveness at delivery, and the postmark date will prevail for post mails), the Company shall redeem the convertible bonds at face value in cash within five business days after the bond redemption base date.</p> <p>(4) If the Company exercises the redemption request, the deadline for bondholders to request conversion is the second business day after the day when the over-the-counter trading of the converted bonds is terminated.</p>
Conversion period	<p>From the next day after the issuance of convertible bonds three months later (July 29, 2022) to the maturity date (April 28, 2025), the bondholder may at any time, through the original trading brokerage, notify Taiwan Depository & Clearing Corporation (“TDCC”) to request the Company’s shareholders service agent for conversion into common shares in accordance with Article 10, Article 11, Article 13 and Article 15 of these Regulations, except: (1) during the period in which transfer of common shares is suspended by laws; (2) from the 15th business day before share transfer is suspended for issuance of shares as stock dividends, cash dividends or cash capital increase, to the distribution base date; (3) from the capital reduction base date to the day before the beginning transaction date of reissuing; (4) from the starting date of the suspension of conversion (subscription) for face value alteration to the day before the beginning transaction date of reissuing.</p> <p>The starting date of the suspension of conversion (subscription) for face value alteration referred to in the preceding paragraph shall mean one business day before amendment registration to the Ministry of Economic Affairs. The Company shall announce the period of suspension of conversion four business days before the starting date.</p>
Conversion price	NT\$69.7

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

(m) Lease liabilities

	December 31, 2022	December 31, 2021
Current	<u>\$ 31,911</u>	<u>14,912</u>
Non-current	<u>\$ 77,142</u>	<u>25,065</u>

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

The amount recognized in profit or loss were as follows:

	For the years ended December 31	
	2022	2021
Interest on lease liabilities	<u>\$ 1,545</u>	<u>2,114</u>
Expenses relating to short-term leases	<u>\$ 13,344</u>	<u>13,904</u>

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

	For the years ended December 31	
	2022	2021
Total cash outflow for leases	<u>\$ 67,191</u>	<u>53,950</u>

(i) Real estate leases

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

(ii) Other leases

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

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Notes to the Consolidated Financial Statements

(n) 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, 2022	December 31, 2021
Less than one year	\$ 17,327	18,467
One to two years	13,397	13,699
Two to three years	10,213	10,125
Three to four years	-	6,923
	<u>\$ 40,937</u>	<u>49,214</u>

(o) Employee benefits

(i) Defined benefit plans

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

	December 31, 2022	December 31, 2021
Present value of the defined benefit obligations	\$ 51,619	65,284
Fair value of plan assets	(20,347)	(18,490)
Net defined benefit liabilities	<u>\$ 31,272</u>	<u>46,794</u>

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

JARLLYTEC CO., LTD. AND SUBSIDIARIES

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1) Composition of plan assets

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

The Group's Bank of Taiwan labor pension reserve account balance amounted to \$20,209 thousand as of December 31, 2022. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of the defined benefit obligations

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

	For the years ended December 31	
	2022	2021
Defined benefit obligations at January 1	\$ 65,284	43,485
Current service costs and interest cost	653	570
Remeasurements loss of the net defined benefit obligations		
— Actuarial loss arising from financial assumptions	(2,981)	2,536
— Actuarial loss arising from experience adjustments	(10,621)	1,992
Benefits paid	(716)	16,701
Defined benefit obligations at December 31	<u><u>\$ 51,619</u></u>	<u><u>65,284</u></u>

JARLLYTEC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

3) Movements in fair value of plan assets

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

	For the years ended December 31	
	2022	2021
Fair value of plan assets at January 1	\$ 18,490	19,049
Interest income	94	97
Remeasurements gain of the net defined benefit liabilities		
— Return on plan assets excluding interest income	1,519	237
Contributions paid by the employer	960	960
Benefits paid	(716)	(1,853)
Fair value of plan assets at December 31	\$ 20,347	18,490

4) Expenses recognized in profit or loss

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

	For the years ended December 31	
	2022	2021
Current service costs	\$ 377	357
Net interest of net liabilities for defined benefit obligations	182	116
Past service cost and settlement	-	18,554
	\$ 559	19,027
	2022	2021
Administration expenses	\$ 559	19,027

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

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

	For the years ended December 31	
	2022	2021
Accumulated amount at January 1	\$ (21,853)	(17,562)
Recognized during the period	15,121	(4,291)
Accumulated amount at December 31	\$ (6,732)	(21,853)

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Notes to the Consolidated Financial Statements

6) Actuarial assumptions

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

	December 31, 2022	December 31, 2021
Discount rate	1.500%	0.500%
Future salary increase rate	2.00%	2.00%

The expected allocation payment to be made by the Group to the defined benefit plans for the one-year period after the reporting date was \$356 thousand.

The weighted average lifetime of the defined benefits plans was 9.76 years as of December 31, 2022.

7) Sensitivity analysis

As of December 31, 2022 and 2021, 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, 2022		
Discount rate	(681)	713
Future salary increasing rate	688	(661)
December 31, 2021		
Discount rate	(898)	912
Future salary increasing rate	876	(858)

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

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

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(ii) Defined contribution plans

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

The pension costs incurred from the contributions to the Bureau of the Labor Insurance amounted to \$64,147 thousand and \$53,145 thousand for the years ended December 31, 2022 and 2021, respectively.

(p) Income taxes

(i) Income tax expense

The components of the income tax in the years 2022 and 2021 were as follows:

	For the years ended December 31	
	2022	2021
Current tax expense		
Current period	\$ 189,140	43,688
Adjustment for prior periods	18,356	11,124
Deferred tax expense		
Origination and reversal of temporary differences	43,034	(13,585)
	\$ 250,530	41,227

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

	For the years ended December 31	
	2022	2021
Profit before income tax	\$ 724,498	289,022
Income tax using the Company's domestic tax rate	\$ 144,900	57,804
Tax effect of different tax rates applicable in foreign jurisdiction	35,118	7,330
Recognition of prior unrecognized tax losses	4,595	58
Tax incentive	(15,042)	(2,845)
Undistributed earnings additional tax	-	5,242
Adjustment for prior periods	18,356	11,124
Others	62,603	(37,486)
Total	\$ 250,530	41,227

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Notes to the Consolidated Financial Statements

(ii) Deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for the years ended December 31, 2022 and 2021 were as follows:

	Allowance for obsolete inventories	Others	Total
Deferred tax assets:			
Balance at January 1, 2022	\$ 16,588	23,041	39,629
Recognized in profit or loss	629	(10,468)	(9,839)
Balance at December 31, 2022	<u>\$ 17,217</u>	<u>12,573</u>	<u>29,790</u>
Balance at January 1, 2021	\$ 21,129	26,255	47,384
Recognized in profit or loss	(4,541)	(3,214)	(7,755)
Balance at December 31, 2021	<u>\$ 16,588</u>	<u>23,041</u>	<u>39,629</u>

	Profit or loss of subsidiary in equity
Deferred tax liabilities:	
Balance at January 1, 2022	\$ 148,354
Recognized in profit or loss	33,195
Balance at December 31, 2022	<u>\$ 181,549</u>
Balance at January 1, 2021	\$ 169,694
Recognized in profit or loss	(21,340)
Balance at December 31, 2021	<u>\$ 148,354</u>

(iii) Assessment of tax

The Company tax returns for the years through 2020 were assessed by the National Taiwan Bureau.

(q) Capital and other equity

(i) Ordinary shares

As of December 31, 2022 and 2021, 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.

JARLLYTEC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(ii) Capital surplus

The balances of capital surplus were as follows:

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

(iii) Retained earnings

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

When the Company allocates special reserve in accordance with law, it shall be allocated from the cumulative net amount of other deductions from equity in the preceding period and the cumulative net amount of increase in investment property fair value in the preceding period. If it is insufficient to make the allocation mentioned above, before earnings distribution, the Company shall allocate an amount of special reserve equal to the amount allocated to undistributed earnings for the preceding period. If there remains any insufficiency, allocate it from the amount of the after-tax net profit for the period, plus items other than after-tax net profit for the period, that are included in the undistributed earnings of the period.

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

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

JARLLYTEC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

1) Legal reserve

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

2) Special reserve

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

3) Earnings distribution

The amounts of cash dividends on the appropriations of earnings for 2021 and 2020 had been approved during the board meetings on May 11, 2022 and May 6, 2021, respectively.

The relevant dividend distributions to shareholders were as follows:

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

The amounts of cash dividends on the appropriations of earnings for 2022 had been approved during the board meetings on March 13, 2023.

	2022	
	Amount per share	Total amount
Dividends distributed to ordinary shareholders		
Cash	\$ 3.00	<u>180,364</u>

JARLLYTEC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(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, 2022	\$ (95,607)	19,122	(76,485)
Exchange differences on foreign operations	37,279	-	37,279
Unrealized gains (losses) from financial assets measures at fair value through other comprehensive income	-	(7,973)	(7,973)
Balance at December 31, 2022	<u><u>\$ (58,328)</u></u>	<u><u>11,149</u></u>	<u><u>(47,179)</u></u>

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

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

(r) Earnings per share

	For the years ended December 31	
	2022	2021
Basic earnings per share		
Profit attributable to ordinary shareholders of the Company	\$ 473,968	247,795
Weighted average number of ordinary shares at December 31 (in thousands)	60,121	60,121
Basic earnings per share (in dollars)	\$ 7.88	4.12
Diluted earnings per share		
Profit attributable to ordinary shareholders of the Company (basic)	\$ 473,968	247,795
After-tax effects of convertible bonds	3,094	-
Profit attributable to ordinary shareholders of the Company (diluted)	477,062	247,795
Weighted average number of ordinary shares (diluted) at December 31 (in thousands)	60,121	60,121
Effect of employee share bonus (in thousands)	873	291
Effect of convertible bonds conversion (in thousands)	3,915	-
Weighted average number of ordinary shares (diluted) at December 31 (in thousands)	64,909	60,412
Diluted earnings per share (in dollars)	\$ 7.35	4.10

JARLLYTEC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(s) Revenue from contracts with customers

(i) Details of revenue

For the year ended December 31, 2022			
	Hinge department	Fiber optic department	Total
Primary geographical markets:			
China	\$ 6,484,645	86,074	6,570,719
America	97,327	183,546	280,873
Thailand	1,627	-	1,627
Taiwan	126,001	1,693	127,694
Other country	33,353	6,342	39,695
	<u>\$ 6,742,953</u>	<u>277,655</u>	<u>7,020,608</u>
Main product/service line:			
Electronic component manufacturing and sales	<u>\$ 6,742,953</u>	<u>277,655</u>	<u>7,020,608</u>
For the year ended December 31, 2021			
	Hinge department	Fiber optic department	Total
Primary geographical markets:			
China	\$ 6,760,618	116,135	6,876,753
America	99,029	186,494	285,523
Thailand	3,339	-	3,339
Taiwan	119,119	1,809	120,928
Other country	150,996	9,127	160,123
Total	<u>\$ 7,133,101</u>	<u>313,565</u>	<u>7,446,666</u>
Main product/service line:			
Electronic component manufacturing and sales	<u>\$ 7,133,101</u>	<u>313,565</u>	<u>7,446,666</u>

JARLLYTEC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(ii) Contract balances

	December 31, 2022	December 31, 2021	January 1, 2021
Notes receivable	\$ 1,144	1,750	660
Accounts receivable	2,407,484	3,183,259	2,339,810
Less: loss allowance	(13,318)	(2,634)	(8,592)
Total	<u>\$ 2,395,310</u>	<u>3,182,375</u>	<u>2,331,878</u>

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

(t) Remuneration to employees, and directors

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

For the years ended December 31, 2022 and 2021, the Group accrued and recognized its employee remuneration amounting to \$50,996 thousand and \$15,538 thousand, respectively; as well as its remuneration to directors amounting to \$12,749 thousand and \$3,884 thousand, respectively. These amounts were calculated by using the Company's pre-tax net profit for the period before deducting the amounts of the remuneration to employees and directors, multiplied by the distribution of ratio of the remuneration to employees and directors based on the Company's articles of incorporation, and expensed under operating costs or expenses. Related information would be available at the Market Observation Post System website. The amounts, as stated in the financial statements are identical to those of the actual distributions for 2022 and 2021.

JARLLYTEC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(u) Non-operating income and expenses

(i) Interest income

The details of interest income were as follows:

	For the years ended December 31	
	2022	2021
Interest income from bank deposits	\$ 23,880	6,486
Other interest income	193	355
	\$ 24,073	6,841

(ii) Other income

	For the years ended December 31	
	2022	2021
Rent income	\$ 30,085	33,272
Dividend income	16,374	13,382
Sample income	11,560	13,459
Mold income	9,804	8,749
Others	89,875	79,204
	\$ 157,698	148,066

(iii) Other gains and losses

	For the years ended December 31	
	2022	2021
Losses on disposal of property, plant and equipment	\$ (11,507)	(1,158)
Lease modification losses	(8,095)	-
Gains (Losses) on financial assets at fair value through profit or loss	(8,939)	7,331
Sample expenses	(14,649)	(19,201)
Mold expenses	(5,977)	(9,413)
Foreign exchange gains (losses)	190,014	(45,637)
Others	(30,333)	(15,920)
	\$ 110,514	(83,998)

JARLLYTEC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(iv) Finance costs

	For the years ended December 31	
	2022	2021
Interest on bank loans	\$ 15,075	9,721
Interest on lease liabilities	1,545	2,114
Amortization of convertible corporate bond discount	3,867	-
Other	-	3
	<u>\$ 20,487</u>	<u>11,838</u>

(v) Financial instruments

(i) Credit risk

1) Credit risk exposure

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

2) Concentration of credit risk

The major customers of the Group are centralized in the high tech computer industry. As of December 31, 2022 and 2021, 33% and 77%, respectively, of accounts receivable were concentrated on 4 and 7 major customers, respectively. To minimize credit risk, the Group periodically evaluates the Group's financial positions and the possibility of collecting accounts receivables.

JARLLYTEC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

3) Receivables and debt securities

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

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

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

(ii) Liquidity risk

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

	<u>Carrying amount</u>	<u>Contractu al cash flow</u>	<u>within six months</u>	<u>6-12 months</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>over 5 years</u>
December 31, 2022							
Non derivative financial liabilities							
Short-term borrowings	\$ 515,833	522,908	482,113	40,795	-	-	-
Notes and accounts payable	1,573,815	1,573,815	1,573,815	-	-	-	-
Other payables	1,113,971	1,113,971	1,113,971	-	-	-	-
Bonds payable	386,421	400,000	-	-	-	400,000	-
Lease liabilities	109,053	119,727	20,859	20,491	34,353	44,024	-
Long-term borrowings (current portion included)	<u>472,282</u>	<u>480,731</u>	<u>110,988</u>	<u>110,397</u>	<u>187,793</u>	<u>44,301</u>	<u>27,252</u>
	<u>\$4,171,375</u>	<u>4,211,152</u>	<u>3,301,746</u>	<u>171,683</u>	<u>222,146</u>	<u>488,325</u>	<u>27,252</u>
December 31, 2021							
Non derivative financial liabilities							
Short-term borrowings	\$ 652,614	655,286	485,999	169,287	-	-	-
Notes and accounts payable	2,255,730	2,255,730	2,255,730	-	-	-	-
Other payables	1,058,947	1,058,947	1,058,947	-	-	-	-
Lease liabilities	39,977	50,893	9,212	16,185	16,270	9,226	-
Long-term borrowings (current portion included)	<u>647,393</u>	<u>654,603</u>	<u>130,930</u>	<u>81,433</u>	<u>207,646</u>	<u>199,642</u>	<u>34,952</u>
	<u>\$4,654,661</u>	<u>4,675,459</u>	<u>3,940,818</u>	<u>266,905</u>	<u>223,916</u>	<u>208,868</u>	<u>34,952</u>

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

JARLLYTEC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(iii) Currency risk

1) Exposure to foreign currency risk

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

	December 31, 2022			December 31, 2021			
	Foreign currency	Exchange rate	New Taiwan Dollars	Foreign currency	Exchange rate	New Taiwan Dollars	
<u>Financial assets</u>							
<u>Monetary items</u>							
USD	\$	100,132	30.710	3,075,065	130,965	27.680	3,625,113
<u>Financial liabilities</u>							
<u>Monetary items</u>							
USD		47,198	30.710	1,449,458	63,586	27.680	1,760,059

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the conversion of the foreign currency exchange gains and losses on cash and cash equivalents, trade and other receivables, available-for-sale financial assets, loans and borrowings; and trade and other payables that are denominated in foreign currency.

A strengthening (weakening) of 5% of the NTD against the USD as of December 31, 2022 and 2021 would have increased (decreased) the net profit before tax by \$81,280 thousand and \$93,253 thousand, respectively. The analysis for the two periods were on the same basis.

3) Foreign exchange gain and loss on monetary items

Since the Group transacts in different functional currencies, the information on foreign exchange gains (losses) on monetary items is disclosed by total amount. For the years ended December 31, 2022 and 2021, the foreign exchange gain (loss) (including realized and unrealized portions) amounted to \$190,014 thousand and \$(45,637) thousand, respectively.

(iv) Interest rate analysis

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

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

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If the interest rate had increased (decreased) by 1% basis points, the Group's net income would have decreased or increased by \$9,881 thousand and \$13,000 thousand for the years ended December 31, 2022 and 2021, assuming all other variable factors remain constant. This is mainly due to the Group's borrowing in floating variable rates and investment in variable-rate bills.

(v) Other price risk

If the price of securities changes at the reporting date (the analysis was performed on the same basis for both periods, and assumed that other factors remained unchanged), the impact on the comprehensive income was as follows:

Security price at the report date	2022		2021	
	After-tax amount of other comprehensive income	Post-tax profit or loss	After-tax amount of other comprehensive income	Post-tax profit or loss
Rise 1%	\$ 830	192	906	77
Fall 1%	\$ (830)	(192)	(906)	(77)

(vi) Fair value of financial instruments

1) Fair value hierarchy

The carrying amount and fair value of the Group's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and for equity investments that has no quoted prices in the active markets and whose fair value cannot be reliably measured, disclosure of fair value information is not required:

	December 31, 2022				
	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss	\$ 29,812	29,155	200	457	29,812
Financial assets at fair value through other comprehensive income	83,032	-	-	83,032	83,032
Loans and receivables					
Cash and cash equivalents	2,841,048	-	-	-	-
Notes and accounts receivable	2,395,310	-	-	-	-
Other receivables	46,109	-	-	-	-
Subtotal	5,282,467	-	-	-	-
Total	\$ 5,395,311	29,155	200	83,489	112,844

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December 31, 2022					
	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial liabilities at amortized cost:					
Short-term loans	\$ 515,833	-	-	-	-
Notes and accounts payable	1,573,815	-	-	-	-
Other payables	1,113,971	-	-	-	-
Bonds payable	386,421	-	-	-	-
Lease liabilities	109,053	-	-	-	-
Long-term borrowings (current portion included)	472,282	-	-	-	-
Subtotal	4,171,375	-	-	-	-
Total	<u>\$ 4,171,375</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
December 31, 2021					
	Book value	Fair value			Total
		Level 1	Level 2	Lever 3	
Financial assets at fair value through profit or loss	\$ 39,697	7,725	-	31,972	39,697
Financial assets at fair value through other comprehensive income	90,631	-	-	90,631	90,631
Loans and receivables					
Cash and cash equivalents	1,887,924	-	-	-	-
Notes and accounts receivable	3,182,375	-	-	-	-
Other receivables	53,009	-	-	-	-
Subtotal	5,123,308	-	-	-	-
Total	<u>\$ 5,253,636</u>	<u>7,725</u>	<u>-</u>	<u>122,603</u>	<u>130,328</u>
Financial liabilities at amortized cost					
Short-term loans	\$ 652,614	-	-	-	-
Notes and accounts payable	2,255,730	-	-	-	-
Other payables	1,058,787	-	-	-	-
Lease liabilities	39,977	-	-	-	-
Long-term borrowings (current portion included)	647,393	-	-	-	-
Subtotal	4,654,501	-	-	-	-
Total	<u>\$ 4,654,501</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

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market for the instrument.

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

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

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

The Group's financial instruments classified as Level 3 fair value measurements primarily consist of "financial assets measured at fair value through profit or loss - equity investments" and "financial assets measured at fair value through other comprehensive income - debt investments".

The majority of fair value measurements of the Group are classified as Level 3, which are based on a significant unobservable input that is only observable through internal or external data sources. The equity investments without an active market have multiple significant unobservable inputs, while there is no interrelationship among them.

Quantified information of significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets at fair value through other comprehensive income (Available-for-sale financial assets) equity investments without an active market	Net Asset Value Method	<ul style="list-style-type: none"> Net asset value The market illiquidity discount rate (30% on December 31, 2022 and 2021) 	<ul style="list-style-type: none"> The higher market illiquidity discount, the lower fair value
Financial assets at fair value through profit or loss-Financial products	Discounted Cash Flow Method	<ul style="list-style-type: none"> Discount rate (1.30%~3.50% and 1.20%~3.70% on December 31, 2022 and 2021, respectively) 	<ul style="list-style-type: none"> The higher discount rate, the lower fair value
Financial assets at fair value through profit or loss-Private offered funds	Net Asset Value Method	<ul style="list-style-type: none"> Net asset value 	Not applicable

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

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

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	Input	Assumptions	Profit or loss		Other comprehensive income	
			Favorable	Unfavorable	Favorable	Unfavorable
December 31, 2022						
Financial assets at fair value through profit or loss-Private offered funds	Net asset value	5%	33	(33)	-	-
Financial assets at fair value through other comprehensive income						
Equity investments without an active market	30%	5%	-	-	4,152	(4,152)
December 31, 2021						
Financial assets at fair value through profit or loss-Financial products	Discount rate	5%	4	(4)	-	-
Financial assets at fair value through profit or loss-Private offered funds	Net asset value	5%	78	(78)	-	-
Financial assets at fair value through other comprehensive income						
Equity investments without an active market	30%	5%	-	-	4,532	(4,532)

The favorable and unfavorable effects represent the changes in fair value, and fair value is based on a variety of unobservable inputs calculated using a valuation technique. The analysis above only reflects the effects of changes in a single input, and it does not include the interrelationships with another input.

(w) Financial risk management

(i) Overview

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

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

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

(ii) Risk management framework

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

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Notes to the Consolidated Financial Statements

(iii) Credit risk

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

1) Accounts and other receivables

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

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

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

2) Investments

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

3) Guarantees

The Group's policy is to only provide financial guarantees to its wholly owned subsidiaries. As of December 31, 2022 and 2021, no other guarantees were outstanding.

(iv) Liquidity risk

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

Loans and borrowings from the bank form an important source of liquidity for the Group. As of December 31, 2022 and 2021, the Group's unused credit line amounted to \$1,450,215 thousand and \$1,939,448 thousand, respectively.

JARLLYTEC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(v) Market risk

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

1) Currency risk

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

2) Interest rate risk

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

(x) Capital management

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

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

	December 31, 2022	December 31, 2021
Total liabilities	\$ 4,474,281	4,918,993
Less: cash and cash equivalents	(2,841,048)	(1,887,924)
Net liabilities	<u><u>\$ 1,633,233</u></u>	<u><u>3,031,069</u></u>
Total equity	<u><u>\$ 4,578,551</u></u>	<u><u>4,129,488</u></u>
Debt-to-equity ratio	<u><u>35.67%</u></u>	<u><u>73.40%</u></u>

JARLLYTEC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

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

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

	Jan. 11, 2022	Cash Flow	Movements of non-cash			December 31, 2022
			Acquisitio n	Exchange rate	Other	
Short-term borrowings	\$ 652,614	(208,844)	-	72,065	-	515,835
Long-term borrowings (current portion included)	647,393	(175,111)	-	-	-	472,282
Bonds payable	-	436,932	-	-	50,511	487,443
Lease liabilities	39,977	(52,302)	102,156	17,603	1,619	109,053
Total liabilities arising from financing activities	<u>\$ 1,339,984</u>	<u>675</u>	<u>102,156</u>	<u>89,668</u>	<u>52,130</u>	<u>1,584,613</u>

	Jan. 1, 2021	Cash Flow	Movements of non-cash			December 31, 2021
			Acquisitio n	Exchange rate	Other	
Short-term borrowings	\$ 384,238	248,612	-	19,764	-	652,614
Long-term borrowings (current portion included)	644,813	2,580	-	-	-	647,393
Lease liabilities	80,126	(37,932)	72,139	3,088	(77,444)	39,977
Total liabilities arising from financing activities	<u>\$ 1,109,177</u>	<u>213,260</u>	<u>72,139</u>	<u>22,852</u>	<u>(77,444)</u>	<u>1,339,984</u>

(7) Related-party transactions:

(a) Parent company and ultimate controlling company

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

(b) Key management personnel compensation

Key management personnel compensation comprised:

	For the years ended December 31	
	2022	2021
Short-term employee benefits	\$ 27,011	25,261
Post-employment benefits	797	625
	<u>\$ 27,808</u>	<u>25,886</u>

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Notes to the Consolidated Financial Statements

(8) Pledged assets:

The carrying values of pledged assets were as follows:

Pledged assets	Object	December 31, 2022	December 31, 2021
Land	Secured loans	\$ 1,016,281	1,016,281
Buildings	Secured loans	233,691	230,492
Bank guarantee (classified as prepayments and other current assets)	Performance guarantee	-	174
		<u>\$ 1,249,972</u>	<u>1,246,947</u>

(9) Commitments and contingencies:

The Group's significant contractual commitments were as follows:

	December 31, 2022	December 31, 2021
Acquisition of property, plant and equipment	<u>\$ 81,306</u>	<u>64,122</u>

(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 item	2022			2021		
	Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Employee benefits						
Salaries	740,552	377,532	1,118,084	859,107	297,659	1,156,766
Labor and health insurance	47,332	22,962	70,294	42,082	21,629	63,711
Pension	47,102	17,604	64,706	37,438	34,734	72,172
Remuneration of directors	-	14,108	14,108	-	5,510	5,510
Others	41,775	15,599	57,374	47,299	16,855	64,154
Depreciation	257,801	41,363	299,164	217,896	36,478	254,374
Amortization	7,718	16,406	24,124	8,714	14,915	23,629

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Notes to the Consolidated Financial Statements

(13) Other disclosures:

(a) Information on significant transactions:

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

(i) Loans to other parties:

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Nature of financing (Note 3)	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits (Note 1 & 2)	Maximum limit of fund financing (Note 1 & 2)
													Item	Value		
0	The Company	Jarson Precision Technology Co., Ltd.	Other receivables	Yes	40,000	40,000	20,000	2%	2	-	Operating turnover	-		-	610,473	1,831,419
							(Note 4)									
0	The Company	JARLLYTEC (VIETNAM) CO., LTD.	Other receivables	Yes	122,840	122,840	-	2%	2	-	Operating turnover	-		-	610,473	1,831,419
1	Royal Jarlly Holding Ltd.	Jarlly Technology (Shanghai) Co., Ltd.	Other receivables	Yes	82,917	-	-	0%	2	-	Operating turnover	-		-	1,659,444	1,659,444
2	Fu Qing Jarlly Electronics Co., Ltd.	Xiamen Jarlly Electronics Co., Ltd.	Other receivables	Yes	39,672	26,448	26,448	2%	2	-	Operating turnover	-		-	563,537	563,537
							(Note 4)									
2	Fu Qing Jarlly Electronics Co., Ltd.	Kunshan Jarlly Electronics Ltd.	Other receivables	Yes	110,200	110,200	66,120	2%	2	-	Operating turnover	-		-	563,537	563,537
							(Note 4)									
3	Jarlly Technology (Chongqing) Co., Ltd.	Kunshan Jarlly Electronics Ltd.	Other receivables	Yes	30,856	30,856	30,856	2%	2	-	Operating turnover	-		-	194,166	194,166
							(Note 4)									
3	Jarlly Technology (Chongqing) Co., Ltd.	Jarlly Technology (Shanghai) Co., Ltd.	Other receivables	Yes	88,160	88,160	-	2%	2	-	Operating turnover	-		-	194,166	194,166
4	Smart Hinge Holdings Ltd.	Great Hinge Trading Ltd.	Other receivables	Yes	55,278	55,278	55,278	0%	2	-	Operating turnover	-		-	1,690,339	1,690,339
							(Note 4)									
5	Jarlly Electronics Technology (Shanghai) Co., Ltd.	Jarlly Technology (Shanghai) Co., Ltd.	Other receivables	Yes	44,080	44,080	-	2%	2	-	Operating turnover	-		-	276,836	276,836

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

Note 2: Subsidiaries

- 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.
- For the entities that have short-term financing needs but have no business transaction with the Company, the total amount available for financing purposes shall not exceed 40% of the subsidiaries' net worth.
- For short-term financing needs, the amount available for financing of each entity shall not exceed 1/3 of the Company's loanable amount.
- For those foreign subsidiaries in which the Company, directly or indirectly, owned 100% of their shares the amount available for financing shall not exceed the 60% of the Company's net worth.

Note 3: Financing purpose

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

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

JARLLYTEC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(ii) Guarantees and endorsements for other parties:

No.	Name of guarantor and endorsements	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date (Note 3)	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements (Note 1)	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company (Note 2)										
0	The Company	Jarllly Technology (Shanghai) Co., Ltd.	2	1,526,183	614,200	368,520	122,840	-	8.05%	1,831,419	Y	N	Y
0	The Company	Jarllly Precision Technology Co., Ltd.	2	1,526,183	80,000	80,000	18,000	-	1.75%	1,831,419	Y	N	N
0	The Company	Jarllly Technology (Chongqing) Co., Ltd.	2	1,526,183	122,840	61,420	-	-	1.34%	1,831,419	Y	N	Y
0	The Company	Kunshan Jarllly Electronics Ltd.	2	1,526,183	122,840	61,420	61,420	-	1.34%	1,831,419	Y	N	Y
0	The Company	Jarlllytec (Vietnam) Co., Ltd.	2	1,526,183	122,840	122,840	-	-	2.68%	1,831,419	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, 2022); and the total amount for endorsement provided to one entity shall not exceed one third of the Company's net worth.

Note 2: 7 forms of relationships in which corporate guarantees exist are defined as follows:

- Entities have business relations with the Company.
- The Company directly or indirectly holds more than 50% of voting shares of its subsidiaries.
- Investees directly or indirectly own more than 50% of voting shares of the Company.
- The Company directly or indirectly holds 90% of voting shares of its subsidiaries.
- Entities have construction contract agreements with the Company.
- The reason for The Company jointly invested in the entities is to provide proportionate endorsements.
- The Company has contractual pre-sold home agreements with its related parties under the Consumer Protection Law.

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

(iii) Securities held as of December 31, 2022 (excluding investment in subsidiaries, associates and joint ventures):

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Highest Percentage of ownership (%)	Note
				Shares (thousands)	Carrying value	Percentage of ownership (%)	Fair value		
The Company	WK Technology Fund IX Ltd., stock	-	Non-current financial assets at fair value through other comprehensive income	4,614	57,289	4.61 %	57,289	4,614	-
Fu Qing Jarllly Electronics Co., Ltd.	Fuqing Jelly Plastic Product Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	-	3,526	16.00 %	3,526	3,526	-
Fu Qing Jarllly Electronics Co., Ltd.	Chongqing Jelly Plastics Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	-	4,761	18.00 %	4,761	4,761	-
Fu Qing Jarllly Electronics Co., Ltd.	Chongqing Yuli Hardware Products Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	-	2,380	18.00 %	2,380	2,380	-
Xiamen Jarllly Electronics Co., Ltd.	Kunshan Huli Precision Hardware Co., Ltd	-	Non-current financial assets at fair value through other comprehensive income	-	4,188	19.00 %	4,188	4,188	-
Xiamen Jarllly Electronics Co., Ltd.	Xiamen Jinyaoli Precision Hardware Co., Ltd	-	Non-current financial assets at fair value through other comprehensive income	-	4,188	19.00 %	4,188	4,188	-
Kunshan Jarllly Electronics Co., Ltd.	Kunshan Huli Precision Hardware Co., Ltd	-	Non-current financial assets at fair value through other comprehensive income	-	6,700	19.00 %	6,700	6,700	-
Jarwin Investment Co., Ltd	TSMC, stock	-	Current financial assets at fair value through profit or loss	20	8,970	- %	8,970	20	-
Jarwin Investment Co., Ltd.	Asustek Computer Inc., stock	-	Current financial assets at fair value through profit or loss	10	2,685	- %	2,685	10	-
Jarwin Investment Co., Ltd.	Evergreen Marine Corporation, stock	-	Current financial assets at fair value through profit or loss	12	1,956	- %	1,956	12	-

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Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Highest Percentage of ownership (%)	Note
				Shares (thousands)	Carrying value	Percentage of ownership (%)	Fair value		
Jarwin Investment Co., Ltd.	Novatek Microelectronics Corp., stock		Current financial assets at fair value through profit or loss	10	3,155	- %	3,155	10	-
Jarwin Investment Co., Ltd.	O-TA Precision Industry Co., LTD., stock		Current financial assets at fair value through profit or loss	20	2,350	- %	2,350	20	-
Jarwin Investment Co., Ltd.	Yuanta 0-2 Year Investment Grade Corporate Bond Fund		Current financial assets at fair value through profit or loss	-	10,039	- %	10,039	-	-
Jarwin Investment Co., Ltd.	Treasure Cay Private Equity Fund Limited Partnershi	-	Non-current financial assets at fair value through profit or loss	-	457	1.587 %	457	-	-

(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
The Company	Franklin Templeton Sinoam Money Market Fund	Current financial assets at fair value through profit or loss	Hua Nan Commercial Bank Ltd	not related party	-	-	17,205	180,000	17,205	180,125	180,000	125	-	-
The Company	Hua Nan Phoenix Money Market Fund	Current financial assets at fair value through profit or loss	Hua Nan Commercial Bank Ltd	not related party	-	-	13,070	215,000	13,070	215,164	215,000	164	-	-
Jarllly Technology (Shanghai) Co., Ltd.	Product of Fubon China (Yue Xiang Ying)	Current financial assets at fair value through profit or loss	Fubon Bank (China) Co., Ltd.	not related party	-	-	-	429,780	-	432,328	429,780	2,548	-	-
Dong Guan Jarllly Electronics Co., Ltd.	Product of Fubon China (Yue Xiang Ying)	Current financial assets at fair value through profit or loss	Fubon Bank (China) Co., Ltd.	not related party	-	-	-	133,783	-	135,581	133,783	1,798	-	-
Fu Qing Jarllly Electronics Co., Ltd.	Structured deposit product of Bank of China	Current financial assets at fair value through profit or loss	Bank of China	not related party	-	-	-	542,184	-	547,248	542,184	5,064	-	-

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

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

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

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
Jarson Precision Technology Co., Ltd.	The Company	Associates	Sale	(222,901)	90.56%	150 days	-	150 days for related parties; 30~180 days for third-parties.	94,133	94.84%	Note
The Company	Jarson Precision Technology Co., Ltd.	Associates	Purchase	222,901	9.45%	150 days	-	150 days for related parties; 30~180 days for third-parties.	(94,133)	10.92%	Note
Dong Guan Jarlly Electronics Co., Ltd.	The Company	Associates	Sale	(223,247)	80.21%	150 days	-	150 days for related parties; 30~180 days for third-parties.	14,809	50.26%	Note
The Company	Dong Guan Jarlly Electronics Co., Ltd.	Associates	Purchase	223,247	9.46%	150 days	-	150 days for related parties; 30~180 days for third-parties.	(14,809)	1.72%	Note
Fu Qing Jarlly Electronics Co., Ltd.	The Company	Associates	Sale	(184,056)	21.68%	150 days	-	150 days for related parties; 120~150 days for third-parties.	34,060	10.33%	Note
The Company	Fu Qing Jarlly Electronics Co., Ltd.	Associates	Purchase	184,056	7.80%	150 days	-	150 days for related parties; 120~150 days for third-parties.	(34,060)	3.95%	Note
Kunshan Jarlly Electronics Ltd.	The Company	Associates	Sale	(799,137)	78.72%	150 days	-	150 days for related parties; 30~180 days for third-parties.	351,848	77.94%	Note
The Company	Kunshan Jarlly Electronics Ltd.	Associates	Purchase	799,137	33.88%	150 days	-	150 days for related parties; 30~180 days for third-parties.	(351,848)	40.80%	Note
Jarlly Technology (Chongqing) Co., Ltd.	The Company	Associates	Sale	(105,867)	16.41%	150 days	-	150 days for related parties; 120~150 days for third-parties.	35,831	15.97%	Note
The Company	Jarlly Technology (Chongqing) Co., Ltd.	Associates	Purchase	105,867	4.49%	150 days	-	150 days for related parties; 120~150 days for third-parties.	(35,831)	4.15%	Note
Jarlly Technology (Shanghai) Co., Ltd.	The Company	Associates	Sale	(252,352)	10.55%	150 days	-	150 days for related parties; 120~150 days for third-parties.	105,818	10.67%	Note
The Company	Jarlly Technology (Shanghai) Co., Ltd.	Associates	Purchase	252,352	10.70%	150 days	-	150 days for related parties; 120~150 days for third-parties.	(105,818)	12.27%	Note

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

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

Name of company	Counter-party	Nature of relationship	Ending balance (Note)	Turnover rate	Overdue		Amounts received in subsequent period	Allowance for bad debts
					Amount	Action taken		
Kunshan Jarlly Electronics Ltd.	The Company	Associates	351,733	3.57	-	-	110,302	-
Jarlly Technology (Shanghai) Co., Ltd.	The Company	Associates	105,784	2.96	-	-	16,277	-

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

(ix) Trading in derivative instruments: Please refer to Note 6(2) and (12).

(x) Business relationships and significant intercompany transactions:

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
1	Jarson Precision Technology Co., Ltd.	The Company	2	Sales revenue	222,901	follow the agreement	3.17%
1	Jarson Precision Technology Co., Ltd.	The Company	2	Accounts receivable	94,133	150 days	1.04%
2	Jarlly Technology (Chongqing) Co., Ltd.	The Company	2	Sales revenue	105,867	mark up by cost	1.51%
3	Dong Guan Jarlly Electronics Co., Ltd.	The Company	2	Sales revenue	223,247	mark up by cost	3.18%
4	Fu Qing Jarlly Electronics Co., Ltd.	Kunshan Jarlly Electronics Ltd.	2	Sales revenue	184,056	mark up by cost	2.62%
4	Fu Qing Jarlly Electronics Co., Ltd.	Kunshan Jarlly Electronics Ltd.	2	Sales revenue	53,455	mark up by cost	0.76%
4	Fu Qing Jarlly Electronics Co., Ltd.	The Company	2	Accounts receivable	57,042	150 days	0.63%
5	Kunshan Jarlly Electronics Ltd.	The Company	2	Sales revenue	799,137	mark up by cost	11.38%
5	Kunshan Jarlly Electronics Ltd.	The Company	2	Accounts receivable	351,848	150 days	3.89%
6	Jarlly Technology (Shanghai) Co., Ltd.	The Company	2	Sales revenue	252,352	mark up by cost	3.59%
6	Jarlly Technology (Shanghai) Co., Ltd.	The Company	2	Accounts receivable	105,818	150 days	1.17%
7	Xiamen Jarlly Electronics Co., Ltd.	The Company	2	Sales revenue	61,911	mark up by cost	0.88%
8	Smart Hinge	Great Hinge	3	Other receivables	55,278	follow the agreement	0.61%

Note 1: (a) 0 represents The Company

(b) 1 and thereafter represent subsidiaries

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

(a) Parent to subsidiary

(b) Subsidiary to parent

(c) Subsidiary to subsidiary

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

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(b) Information on investees:

The following is the information on investees for the years ended December 31, 2022 (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, 2022			Highest Percentage of ownership (%)	Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2022	December 31, 2021	Shares (thousands)	Percentage of ownership	Carrying value				
The Company	Great Hinge Trading Ltd.	British Virgin Islands	Investment industry	318	318	10	100.00%	17,335	100%	(12,088)	(12,088)	Note
The Company	Smart Hinge Holdings Ltd.	British Virgin Islands	Investment industry	750,588	750,588	23,434	100.00%	2,816,287	100%	402,195	401,611	Note
The Company	Jarson Precision Technology Co., Ltd.	Republic of China	Powder metallurgy industry	134,076	134,076	15,000	100.00%	253,922	100%	(9,292)	(9,149)	Note
The Company	JARLLYTEC USA L.L.C.	America	Computer design and service	-	2,959	-	%	-	%	-	-	Note
The Company	Jarwin Investment Co., Ltd.	Republic of China	Investment industry	50,000	50,000	5,000	100.00%	43,943	100%	(6,757)	(6,757)	Note
The Company	JARLLYTEC SINGAPORE PTE. LTD.	Singapore	Computer design and service	423	423	-	100.00%	110	100%	69	69	Note
Great Hinge Trading Ltd.	JARLLYTEC (VIETNAM) CO., LTD.	Vietnam	Sale and produce Precision Hinge	166,723	166,723	-	100.00%	128,762	100%	(7,445)	(7,445)	Note
Smart Hinge Holdings Ltd.	Royal Jarlly Holding Ltd.	Hong Kong	Investment industry	750,588	750,588	23,434	100.00%	2,765,741	100%	405,769	405,769	Note
Royal Jarlly Holding Ltd.	JARLLYTEC (THAILAND) CO., LTD.	Thailand	Sale and produce Precision Hinge	149,229	149,229	2,000	100.00%	131,988	100%	(4,078)	(4,078)	Note

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

(c) Information on overseas branches and representative offices:

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

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment note 1	Accumulated outflow of investment from Taiwan as of January 1, 2021	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2022	Net income (losses) of the investee	Percentage of ownership	Highest Percentage of ownership	Invest income (losses) note 2 and note 3	Book value note 3	Accumulated remittance of earnings in current period
					Outflow	Inflow							
Jarlly Technology (Shanghai) Co., Ltd.	Sale and produce special purpose material of component equipment	261,462	(2)	131,272	-	-	131,272	141,497	100.00%	100.00%	141,497	698,521	-
Fu Qing Jarlly Electronics Co., Ltd.	Sale and produce Precision Hinge	240,658	(2)	27,370	-	-	27,370	159,886	100.00%	100.00%	159,886	939,229	-
Dong Guan Jarlly Electronics Co., Ltd.	Sale and produce Precision Hinge	81,466	(2)	81,466	-	-	81,466	4,889	100.00%	100.00%	4,889	115,778	15,366
Kunshan Jarlly Electronics Ltd.	Sale and produce Precision Hinge	71,906	(2)	65,369	-	-	65,369	66,555	100.00%	100.00%	66,555	115,431	-
Jarlly Electronics Technology (Shanghai) Co., Ltd.	Sale and produce Precision Hinge	473,450	(2)	386,330	-	-	386,330	5,780	100.00%	100.00%	5,780	461,394	-
Xiamen Jarlly Electronics Co., Ltd.	Sale and produce Precision Hinge	43,801	(2)	29,281	-	-	29,281	18,123	100.00%	100.00%	18,123	99,970	-
Jarlly Technology (Chongqing) Co., Ltd.	Sale and produce Precision Hinge	61,722	(2)	29,500	-	-	29,500	29,607	100.00%	100.00%	29,607	323,611	-

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

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

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

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

JARLLYTEC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
735,222	735,222	2,747,130

(iii) Significant transactions:

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

(d) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
Sunrise Investment Co., Ltd.		6,100,000	10.14%
Dellson Investment Co., Ltd.		3,714,000	6.17%

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

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

JARLLYTEC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(14) Segment information:

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

	For the year ended December 31, 2022			
	Segment hinge	Segment fiber optic	Reconciliation and elimination	Total
Revenue				
Revenue from external customers	\$ 6,742,953	277,655	-	7,020,608
Intersegment revenues	-	-	-	-
Total revenue	<u>\$ 6,742,953</u>	<u>277,655</u>	<u>-</u>	<u>7,020,608</u>
Reportable segment profit or loss	<u>\$ 678,460</u>	<u>46,038</u>	<u>-</u>	<u>724,498</u>
	For the year ended December 31, 2021			
	Segment hinge	Segment fiber optic	Reconciliation and elimination	Total
Revenue				
Revenue from external customers	\$ 7,133,101	313,565	-	7,446,666
Intersegment revenues	-	-	-	-
Total revenue	<u>\$ 7,133,101</u>	<u>313,565</u>	<u>-</u>	<u>7,446,666</u>
Reportable segment profit or loss	<u>\$ 252,758</u>	<u>36,264</u>	<u>-</u>	<u>289,022</u>

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

JARLLYTEC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(a) Product and service information

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

Product and service	For the years ended December 31,	
	2022	2021
Hinge	\$ 6,742,953	7,133,101
Fiber optic	277,655	313,565
Total	<u>\$ 7,020,608</u>	<u>7,446,666</u>

(b) Geographic information

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

Geographical information	For the years ended December 31,	
	2022	2021
Revenue from external customers:		
China	\$ 6,570,719	6,876,753
United States	280,873	285,523
Thailand	1,627	3,339
Taiwan	127,694	120,928
Other countries	39,695	160,123
	<u>\$7,020,608</u>	<u>7,446,666</u>
	December 31,	December 31,
	2022	2021
Non-current assets:		
Taiwan	\$ 1,681,497	1,777,498
China	1,178,784	1,050,910
Total	<u>\$ 2,860,281</u>	<u>2,828,408</u>

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

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

(c) Major customers

	For the year ended December 31, 2022
F customer of hinge division	\$ 2,081,313
E customer of hinge division	<u>1,232,920</u>
	<u>\$ 3,314,233</u>
	For the year ended December 31, 2021
E customer of hinge division	\$ 1,461,903
F customer of hinge division	<u>1,154,852</u>
	<u>\$ 2,616,755</u>

Independent Auditors' Report

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

Opinion

We have audited the financial statements of Jarllytec Co., Ltd. ("the Company"), which comprise the balance sheets as of December 31, 2022 and 2021, 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, 2022 and 2021, 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, 2022. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters we judge that shall be communicated in the audit report are as follows:

1. Revenue recognition

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

Description of key audit matter:

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

How the matter was addressed in our audit:

Our principal audit procedures included:

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

2. Impairment evaluation of accounts receivable

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

Description of key audit matter:

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

How the matter was addressed in our audit:

Our principal audit procedures included:

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

3. Inventory valuation

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

Description of key audit matter:

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

How the matter was addressed in our audit:

Our principal audit procedures included:

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

- (2) Evaluating the rationality of the provision policy and verifying the compliance of provision policy for inventory valuation.
- (3) Assessing the adequacy of the Company's disclosure for inventories.

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

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

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

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

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

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

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

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 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 13, 2023

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, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2022		December 31, 2021				December 31, 2022		December 31, 2021	
		Amount	%	Amount	%			Amount	%	Amount	%
Assets											
Current assets:											
1100	Cash and cash equivalents(Note 6(a))	\$	1,190,405	16	680,947	10					
1170	Notes and accounts receivables, net(Note 6(c)(r))		982,658	14	1,426,061	21	2100	Short-term borrowings(Note 6(i))	\$	100,000	2
1180	Accounts receivables - related parties, net(Note 6(c)(r) and 7)		3,285	-	16,698	-	2170	Notes and accounts payables		196,609	3
1200	Other receivables, net(Note 6(d))		17,888	-	21,022	-	2180	Accounts payables - related parties(Note 7)		665,806	9
1210	Other receivables - related parties(Note 6(d) and 7)		53,575	1	84,311	1	2200	Other payables		688,835	9
130X	Inventories(Note 6(e))		305,169	4	232,915	4	2220	Other payables - related parties(Note 7)		1,559	-
1410	Prepayments and other current assets (Note 14)		25,936	-	27,072		2230	Income tax payable		6,474	-
	Total current assets		<u>2,578,916</u>	<u>35</u>	<u>2,489,026</u>	<u>36</u>	2280	Current lease liabilities(Note 6(I))		259	-
Non-current assets:											
	Non-current financial assets at fair value through comprehensive income		-		--		2300	Other current liabilities		8,462	-
1510	(Note 6(b))	200					2322	Long-term borrowings, current portion(Note 6(j) and 8)		217,361	3
1517	Non-current financial assets at fair value through other comprehensive income (Note 6(ii))		57,289	1	65,262	1		Total current liabilities		<u>1,885,365</u>	<u>26</u>
1550	Investments accounted for using equity method, net(Note 6(f))		3,131,597	43	2,727,073	39	2531	Non-Current liabilities:			
1600	Property, plant and equipment(Note 6(g) and 14)		1,499,573	21	1,533,493	22	2540	bonds payable (Note 6(k))		386,421	5
1755	Right-of-use assets(Note 6(h))		475	-	734	-	2570	Long-term borrowings(Note 6(j) and 8)		254,921	4
1780	Intangible assets		9,913	-	10,746	-	2580	Deferred income tax liabilities(Note 6(n))		181,549	2
1840	Deferred income tax assets(Note 6(O))		29,790		39,629	1	2640	Non-current lease liabilities(Note 6(12))		262	-
1915	Prepayments for business facilities		8,123		52,408	-	2670	Net defined benefit liability, non-current(Note 6(14))		31,272	
1990	Other non-current assets, others(Note 14)		2,805	-	9,867	-		Other non-current liabilities, others		340	-
	Total non-current assets		<u>4,739,765</u>	<u>65</u>	<u>4,439,212</u>	<u>64</u>		Total non-current liabilities		<u>854,765</u>	<u>11</u>
								Total liabilities		<u>2,740,130</u>	<u>37</u>
								Equity (Note 6(iv)):			
							3110	Ordinary share		601,214	8
							3200	Capital surplus		1,385,445	20
								Retained earnings:			
							3310	Legal reserve		404,763	6
							3320	Special reserve		76,485	1
							3350	Unappropriated retained earnings		2,157,823	29
								Total retained earnings		<u>2,639,071</u>	<u>36</u>
								Other equity:			
							3410	Exchange differences on translation of foreign financial statements		(58,328)	(1)
							3420	Unrealized gain or loss on financial assets at fair value through other comprehensive income			(95,607)
								Other equity		11,149	-
								Total equity		<u>(47,179)</u>	<u>(1)</u>
								Total liabilities and equity		4,578,551	63
										<u>4,129,488</u>	<u>60</u>
										<u>\$ 7,318,681</u>	<u>100</u>
										<u>6,928,238</u>	<u>100</u>

(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, 2022 and 2021
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Common Share)

		2022		2021	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
4000	Operating revenue (Note 6(r) and 7)	\$ 3,376,042	100	3,551,941	100
5000	Operating costs (Note 6(e)(j)(n) and 7)	<u>2,869,992</u>	<u>85</u>	<u>2,995,433</u>	<u>84</u>
	Gross profit	506,050	15	556,508	16
5910	Unrealized loss (profit) from sales	<u>535</u>	<u>-</u>	<u>(383)</u>	<u>-</u>
	Net gross profit	<u>506,585</u>	<u>15</u>	<u>556,125</u>	<u>16</u>
	Operating expenses (Note 6(c)(l)(n)(s)):				
6100	Selling expenses	212,555	6	264,677	7
6200	Administrative expenses	187,522	6	146,013	4
6300	Research and development expenses	109,223	3	121,182	3
6450	Expect credit loss (gain)	<u>7,431</u>	<u>-</u>	<u>(1,855)</u>	<u>-</u>
	Total operating expenses	<u>516,731</u>	<u>15</u>	<u>530,017</u>	<u>14</u>
	Net operating income (loss)	<u>(10,146)</u>	<u>-</u>	<u>26,108</u>	<u>2</u>
	Non-operating income and expenses:				
7010	Other income (Note 6(t) and 7)	111,655	3	165,310	5
7020	Other gains and losses, net (Note 6(t) and 7)	93,754	3	(44,070)	(1)
7050	Finance costs (Note 6(l)(t))	(9,312)	-	(5,721)	-
7070	Share of profit of associates accounted for using equity method	373,151	11	96,608	3
7100	Interest income (Note 6(t))	<u>14,600</u>	<u>-</u>	<u>1,302</u>	<u>-</u>
	Total non-operating income and expenses	583,848	17	213,429	9
7900	Profit from continuing operations before tax	<u>99,734</u>	<u>3</u>	<u>(8,258)</u>	<u>-</u>
7950	Less: Income tax expenses (gains) (Note 6(o))	<u>473,968</u>	<u>14</u>	<u>247,795</u>	<u>9</u>
	Profit				
8300	Other comprehensive income:				
8310	Components of other comprehensive income (loss) that will not be reclassified to profit or loss	<u>15,121</u>	<u>-</u>	<u>(4,291)</u>	<u>-</u>
8311	Losses on remeasurements of defined benefit plans (Note 6(n))	<u>(7,973)</u>	<u>-</u>	<u>(6,559)</u>	<u>-</u>
8316	Unrealized gains from investments in equity instruments measured at fair value through other comprehensive income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	<u>7,148</u>	<u>-</u>	<u>(10,850)</u>	<u>-</u>
	Components of other comprehensive income (loss) that will not be reclassified to profit or loss				
8360	Components of other comprehensive income (loss) that will be reclassified to profit or loss	<u>37,279</u>	<u>1</u>	<u>(68,634)</u>	<u>(2)</u>
8361	Exchange differences on translation of foreign financial statements	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	<u>37,279</u>	<u>1</u>	<u>(68,634)</u>	<u>(2)</u>
	Components of other comprehensive income (loss) that will be reclassified to profit or loss	<u>44,427</u>	<u>1</u>	<u>(79,484)</u>	<u>(2)</u>
8300	Other comprehensive income, net of tax	<u>\$ 518,395</u>	<u>15</u>	<u>168,311</u>	<u>7</u>
8500	Total comprehensive income				
	Earnings per share (NT dollars) (Note 6(q))	<u>\$ 7.88</u>		<u>4.12</u>	
9750	Basic earnings per share	<u>\$ 7.35</u>		<u>4.10</u>	
9850	Diluted earnings per share				

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, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	Retained earnings					Other equity		Total 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	
Balance at January 1, 2021	<u>\$ 601,214</u>	<u>1,334,534</u>	<u>349,873</u>	<u>50,236</u>	<u>1,776,915</u>	<u>(26,973)</u>	<u>25,681</u>	<u>4,111,480</u>
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 on ordinary shares	-	-	-	-	(150,303)	-	-	(150,303)
Balance at December 31, 2021	<u>601,214</u>	<u>1,334,534</u>	<u>380,412</u>	<u>1,292</u>	<u>1,888,521</u>	<u>(95,607)</u>	<u>19,122</u>	<u>4,129,488</u>
Profit	-	-	-	-	473,968	-	-	473,968
Other comprehensive income	-	-	-	-	15,121	37,279	(7,973)	44,427
Total comprehensive income	-	-	-	-	489,089	37,279	(7,973)	518,395
Appropriation and distribution of retained earnings:								
Legal reserve	-	-	24,351	-	(24,351)	-	-	-
Special reserve	-	-	-	75,193	(75,193)	-	-	-
Cash dividends of ordinary share	-	-	-	-	(120,243)	-	-	(120,243)
Changes on other capital reserve:								
Equity component recognized as share option due to issuance of convertible bonds	-	50,911	-	-	-	-	-	50,911
Balance at December 31, 2022	<u>\$ 601,214</u>	<u>1,385,445</u>	<u>404,763</u>	<u>76,485</u>	<u>2,157,823</u>	<u>(58,328)</u>	<u>11,149</u>	<u>4,578,551</u>

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, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Profit before tax	\$ 573,702	239,537
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	130,388	125,664
Amortization expense	7,843	8,079
Expected credit loss	7,431	(1,856)
Net loss on financial assets at fair value through profit or loss	200	-
Interest expense	9,311	5,721
Interest revenue	(14,600)	(1,302)
Dividend revenue	(9,597)	(7,844)
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	(373,151)	(96,608)
Gain from disposal of property, plant and equipment	(1,133)	(590)
Losses on disposals of investments	106	-
Unrealized loss from sales	(535)	383
Total adjustments to reconcile profit (loss)	(243,737)	31,647
Changes in operating assets and liabilities:		
Notes receivables	283	(236)
Accounts receivables	435,689	(490,995)
Accounts receivables-related parties	13,413	(5,261)
Other receivables	6,220	73
Other receivable-related parties	30,736	(39,976)
Inventories	(72,254)	(102,021)
Prepayments	4,841	(6,964)
Other current assets	2,180	(2,327)
Other financial assets	-	14,846
Notes payables	(16,732)	12,183
Accounts payables	(165,701)	226,128
Accounts payables-related parties	(140,525)	219,010
Other payables	168,556	174,083
Other payables-related parties	(2,520)	(25,818)
Other current liabilities	(12,061)	14,201
Net defined benefit liability	(401)	18,067
Total changes in operating assets and liabilities	251,724	4,993
Total adjustments	7,987	36,640
Cash inflow generated from operations	581,689	276,177
Interest received	11,514	1,433
Interest paid	(9,329)	(5,738)
Income taxes (paid) refund	(60,045)	27,602
Net cash flows from operating activities	<u>523,829</u>	<u>299,474</u>
Cash flows used in investing activities:		
Acquisition of investments accounted for using equity method	-	(423)
Proceeds from disposal of subsidiaries	33	-
Acquisition of property, plant and equipment	(21,636)	(56,602)
Proceeds from disposal of property, plant and equipment	2,211	8,044
Acquisition of intangible assets	(3,350)	(5,450)
Proceeds from disposal of Intangible assets	230	-
Decrease (increase) in prepayments for business facilities	(31,366)	(48,144)
Increase in other non-current assets	(2,713)	(3,763)
Dividends received	15,899	7,844
Net cash flows used in investing activities	<u>(40,692)</u>	<u>(98,494)</u>
Cash flows from financing activities:		
Increase (decrease) in short-term borrowings	(115,000)	(25,000)
Issuance of debentures	436,932	-
Proceeds from long-term borrowings	62,945	473,412
Repayments of long-term borrowings	(238,056)	(470,832)
Payment of lease liabilities	(257)	(206)
Increase in other non-current liabilities	-	(500)
Cash dividends paid	(120,243)	(150,303)
Net cash flows from financing activities	<u>26,321</u>	<u>(173,429)</u>
Net increase (decrease) in cash and cash equivalents	509,458	27,551
Cash and cash equivalents at beginning of period	680,947	653,396
Cash and cash equivalents at end of period	<u><u>\$ 1,190,405</u></u>	<u><u>680,947</u></u>

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, 2022 and 2021

(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 13, 2023.

(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, 2022:

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

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

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2023, would not have a significant impact on its parent company only financial statements:

- Amendments to IAS 1 “Disclosure of Accounting Policies.”
- Amendments to IAS 8 “Definition of Accounting Estimates.”
- Amendments to IAS 12 “Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction”

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”	<p>The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.</p> <p>The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.</p>	January 1, 2024
Amendments to IAS 1 “Non-current liabilities with contractual terms.”	<p>Following the reconsideration of certain aspects of the amendments to IAS 1 in 2020, the new revised text clarifies that only contractual terms in effect at the reporting date or before will affect the classification of a liability as current or non-current.</p> <p>Contractual terms that an entity will be required to follow (i.e. future terms) after the reporting date do not affect the classification of the liability on that date. However, when non-current liabilities are restricted by future contractual terms, an entity is required to disclose information to help financial statement users understand the risk of repayment within twelve months after the reporting date.</p>	January 1, 2024

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 16 “Regulations on sales and leaseback transactions.”

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.

JARLLYTEC CO., LTD.
Notes to the Financial Statements

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.

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

JARLLYTEC CO., LTD.
Notes to the Financial Statements

- 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.

JARLLYTEC CO., LTD.
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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.

JARLLYTEC CO., LTD.
Notes to the Financial Statements

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.

JARLLYTEC CO., LTD.
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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.

JARLLYTEC CO., LTD.
Notes to the Financial Statements

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 lease

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

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

JARLLYTEC CO., LTD.
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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.

JARLLYTEC CO., LTD.
Notes to the Financial Statements

(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'.

(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

JARLLYTEC CO., LTD.
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such indication exists, then the asset's recoverable amount is estimated.

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

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

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

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

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

(m) Revenue recognition

(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 COVID-19 asset in profit or loss as other operating revenue when the grant becomes receivable. Grants that compensate the Company for expenses or losses incurred are recognized in profit or loss on a systematic basis in the periods in which the expenses or losses are recognized.

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(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

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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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(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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(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, 2022	December 31, 2021
Cash on hand	\$ 234	345
Demand deposits	502,267	542,202
Time deposits	687,904	138,400
	<u>\$ 1,190,405</u>	<u>680,947</u>

(b) Financial instrument

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

	December 31, 2022	December 31, 2021
Equity investments at fair value through profit or loss-non-current		
Convertible bonds redemption right	<u>\$ 200</u>	<u>-</u>

The Company designated the investments shown above as equity securities at fair value through other comprehensive income because these equity securities represent those

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investments that the Company intends to hold for long-term strategic purpose.

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

	111.12.31	110.12.31
Equity investments at fair value through other comprehensive income-non-current		
Stocks unlisted on domestic market-Taiwan	\$ 57,289	65,262

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

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

(c) Notes and accounts receivables

	December 31, 2022	December 31, 2021
Notes receivable	\$ 613	896
Accounts receivables	990,861	1,426,550
Accounts receivables-related parties	3,285	16,698
Less: loss allowance	(8,816)	(1,385)
	\$ 985,943	1,442,759

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, 2022		
	Gross carrying amount	Weighted-avera ge loss rate	Loss allowance provision
Current	\$ 856,758	0%~1%	379
1 to 90 days past due	137,715	0%~15%	8,351
More than 90 days past due	286	30%~100%	86
	\$ 994,759		8,816

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	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
	<u>\$ 1,444,144</u>		<u>1,385</u>

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

	For the years ended December 31,	
	2022	2021
Balance at January 1	\$ 1,385	3,241
Impairment loss recognized	7,431	-
Reversal of impairment loss	-	(1,856)
Balance at December 31	<u>\$ 8,816</u>	<u>1,385</u>

As of December 31, 2022 and 2021, the notes and account receivable of the Company were not pledged as collaterals.

(d) Other receivables

	December 31, 2022	December 31, 2021
Overpaid business tax returned	\$ 7,774	15,359
Other receivables-related parties	53,575	84,311
Others	10,114	5,663
	<u>\$ 71,463</u>	<u>105,333</u>

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

(e) Inventories

	December 31, 2022	December 31, 2021
Raw materials and supplies	\$ 29,216	35,920
Work in process	146,523	143,515
Finished goods	129,430	53,480
	<u>\$ 305,169</u>	<u>232,915</u>

For the years ended December 31, 2022 and 2021, the Company recognized as cost of sales and operating expense amounted to \$2,855,103 thousand and \$2,992,245 thousand, respectively.

For the year ended December 31, 2022, the amount of the loss on valuation of inventories was \$3,147 thousand wherein such loss was included in cost of sales.

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For the year ended December 31, 2021, the gain of \$22,706 thousand was recognized from the reversal of provision arising from scrapping, wherein such loss was included in cost of sales.

As of December 31, 2022 and 2021, 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, 2022	December 31, 2021
Subsidiaries	<u>\$ 3,131,597</u>	<u>2,727,073</u>

(i) Please refer to the consolidated financial statements for the year ended December 31, 2022.

(ii) As of December 31, 2022 and 2021, 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, 2022 and 2021 were as follows:

	<u>Land</u>	<u>Buildings and construction</u>	<u>Machine and equipment</u>	<u>Mold equipment</u>	<u>Rental equipment</u>	<u>Other facilities</u>	<u>Construction in progress and testing equipment</u>	<u>Total</u>
Cost:								
Balance at January 1, 2022	\$ 720,246	254,434	766,660	2,738	370,637	62,342	18,588	2,195,645
Additions	-	7,747	77,991	-	-	9,945	1,604	97,287
Reclassifications	-	19,758	-	-	282	-	(20,040)	-
Disposals	-	-	(3,100)	(350)	-	(4,993)	-	(8,443)
Balance at December 31, 2022	<u>\$ 720,246</u>	<u>281,939</u>	<u>841,551</u>	<u>2,388</u>	<u>370,919</u>	<u>67,294</u>	<u>152</u>	<u>2,284,489</u>
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	<u>\$ 720,246</u>	<u>254,434</u>	<u>766,660</u>	<u>2,738</u>	<u>370,637</u>	<u>62,342</u>	<u>18,588</u>	<u>2,195,645</u>
Accumulated depreciation:								
Balance at January 1, 2022	\$ -	69,849	510,387	2,738	28,695	50,483	-	662,152
Depreciation	-	19,798	99,163	-	4,790	6,378	-	130,129
Reclassifications	-	-	-	-	-	-	-	-
Disposals	-	-	(2,021)	(350)	-	(4,994)	-	(7,365)
Balance at December 31, 2022	<u>\$ -</u>	<u>89,647</u>	<u>607,529</u>	<u>2,388</u>	<u>33,485</u>	<u>51,867</u>	<u>-</u>	<u>784,916</u>

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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	\$	<u>-</u>	<u>69,849</u>	<u>510,387</u>	<u>2,738</u>	<u>28,695</u>	<u>50,483</u>	<u>-</u>	<u>662,152</u>

Carrying amounts:

Balance at December 31, 2022	\$	<u>720,246</u>	<u>192,292</u>	<u>234,022</u>	<u>-</u>	<u>337,434</u>	<u>15,427</u>	<u>152</u>	<u>1,499,573</u>
Balance at January 1, 2021	\$	<u>797,507</u>	<u>202,535</u>	<u>325,312</u>	<u>-</u>	<u>257,393</u>	<u>16,621</u>	<u>10,398</u>	<u>1,609,766</u>
Balance at December 31, 2021	\$	<u>720,246</u>	<u>184,585</u>	<u>256,273</u>	<u>-</u>	<u>341,942</u>	<u>11,859</u>	<u>18,588</u>	<u>1,533,493</u>

As of December 31, 2022 and 2021, 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, 2022	\$ 801	777	1,578
Balance at December 31, 2022	<u>\$ 801</u>	<u>777</u>	<u>1,578</u>
Balance at January 1, 2021	\$ 801	-	801
Additions	-	777	777
Balance at December 31, 2021	<u>\$ 801</u>	<u>777</u>	<u>1,578</u>
Accumulated depreciation:			
Balance at January 1, 2022	\$ 801	43	844
Depreciation for the year	-	259	259
Balance at December 31, 2022	<u>\$ 801</u>	<u>302</u>	<u>1,103</u>
Balance at January 1, 2021	\$ 601	-	601
Depreciation for the year	200	43	243
Balance at December 31, 2021	<u>\$ 801</u>	<u>43</u>	<u>844</u>
Carrying amount:			
Balance at December 31, 2022	<u>\$ -</u>	<u>475</u>	<u>475</u>
Balance at January 1, 2021	<u>\$ 200</u>	<u>-</u>	<u>200</u>
Balance at December 31, 2021	<u>\$ -</u>	<u>734</u>	<u>734</u>

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(i) Short-term borrowings

	December 31, 2022	December 31, 2021
Unsecured bank loans	<u>\$ 100,000</u>	<u>215,000</u>
Unused short-term credit lines	<u>\$ 819,000</u>	<u>814,720</u>
Range of interest rates	<u>1.45%~1.62%</u>	<u>0.88%~0.90%</u>

(j) Long-term borrowings

The details were as follows:

December 31, 2022				
	Currency	Interest range	Expiration	Amount
Secured bank loans	TWD	0.91%~1.45%	113~118	\$ 215,550
Unsecured bank loans	TWD	0.975%~1.025%	113	256,732
Less: current portion				(217,361)
Total				<u>\$ 254,921</u>
Unused long-term credit lines				<u>\$ 500,000</u>

December 31, 2021				
	Currency	Interest range	Expiration	Amount
Secured bank loans	TWD	0.66%~1.15%	113~118	\$ 326,684
Unsecured bank loans	TWD	0.35%~0.88%	113	320,709
Less: current portion				(209,043)
Total				<u>\$ 438,350</u>
Unused long-term credit lines				<u>\$ 1,002,325</u>

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

JARLLYTEC CO., LTD.
Notes to the Financial Statements

(k) Bonds payable

The details were as follows:

	December 31, 2022
Total amount of convertible bonds	\$ 400,000
Unamortized balance of discount on bonds payable	(13,579)
Accumulated redemption amount	-
Accumulated convertible amount	-
Bonds payable, ending balance	<u>\$ 386,421</u>
Embedded derivative-redemption rights (classified as non-current financial assets at fair value through profit or loss)	<u>\$ 200</u>
Equity component-conversion rights (classified as capital reserve)	<u>\$ 50,911</u>
	<u>2022</u>
Loss on remeasurements of embedded derivative at fair value	<u>\$ (200)</u>
	<u>2021</u>
	<u>-</u>

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

Item	The first issuance of domestic unsecured convertible bonds
Aggregate amount	\$400,000 thousand
Issue date	April 28, 2022
Issue period	April 28, 2022 ~ April 28, 2025
Coupon rate	0%
Name of trustee	SinoPac Financial Holdings Company Limited
Terms of repayment	Except for bondholders who convert into common shares of the Company in accordance with Article 10 of these Regulations, or redeemed by the Company in advance in accordance with Article 18 of these Regulations, or the Company buys back at the business place of a securities firm and cancels it, the Company will repay the convertible bonds in cash in one lump sum according to the face value of bonds upon maturity. Payment will be made within five business days (inclusive) from the maturity date.

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Item	The first issuance of domestic unsecured convertible bonds
Terms of redemption prior to maturity	<p>(1) From the next day after the issuance of convertible bonds three months later (July 29, 2022) to 40 days prior to maturity of the issuance period (March 19, 2025), when the closing price of the Company's common share exceeds the current conversion price by 30% (inclusive) for 30 consecutive business days, the Company may, within the next 30 business days, send a 30-day-expired "Bond Redemption Notice" to bondholders by registered mail. The Company will redeem all bonds in cash, the bonds face value as the redemption price, and notify Taipei Exchange by letter to make a public announcement. Upon exercising the redemption request, the Company shall redeem the convertible bonds in cash within five business days after the bond redemption base date. (A 30-day-expired "Bond Redemption Notice" under the preceding paragraph shall begin from the Company's mail date and the date of the period expiry shall be taken as the bond redemption base date, and the aforesaid period shall not be the period of suspended conversion period prescribed under Article 9.) (Bondholders under the preceding paragraph refers to those on the bondholders roster on the fifth business day before the "Bond Redemption Notice" is sent; for bondholders who acquire the convertible bonds later due to trading or other reasons, the announcement shall prevail.)</p> <p>(2) From the next day after the issuance of convertible bonds three months later (July 29, 2022) to 40 days prior to maturity of the issuance period (March 19, 2025), when the outstanding balance of converted bonds is 10% lower than the original issuance amount, the Company may, at any time thereafter, send a 30-day-expired "Bond Redemption Notice" to bondholders by registered mail. The Company will redeem all bonds in cash, the bonds face value as the redemption price, and notify Taipei Exchange by letter to make a public announcement. Upon exercising the redemption request, the Company shall redeem the convertible bonds in cash within five business days after the bond redemption base date. (A 30-day-expired "Bond Redemption Notice" under the preceding paragraph shall begin from the Company's mail date and the date of the period expiry shall be taken as the bond redemption base date, and the aforesaid period shall not be the period of suspended conversion period prescribed under Article 9.) (Bondholders under the preceding paragraph refers to those on the bondholders roster on the fifth business day before the "Bond Redemption Notice" is sent; for bondholders who acquire the convertible bonds later due to trading or other reasons, the announcement shall prevail.)</p> <p>(3) If the bondholder fails to reply in written to the Company's shareholder service agent before the base date prescribed on the "Bond Redemption Notice" (the effectiveness at delivery, and the postmark date will prevail for post mails), the Company shall redeem the convertible bonds at face value in cash within five business days after the bond redemption base date.</p> <p>(4) If the Company exercises the redemption request, the deadline for bondholders to request conversion is the second business day after the day when the over-the-counter trading of the converted bonds is terminated.</p>

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Item	The first issuance of domestic unsecured convertible bonds
Conversion period	From the next day after the issuance of convertible bonds three months later (July 29, 2022) to the maturity date (April 28, 2025), the bondholder may at any time, through the original trading brokerage, notify Taiwan Depository & Clearing Corporation ("TDCC") to request the Company's shareholders service agent for conversion into common shares in accordance with Article 10, Article 11, Article 13 and Article 15 of these Regulations, except: (1) during the period in which transfer of common shares is suspended by laws; (2) from the 15th business day before share transfer is suspended for issuance of shares as stock dividends, cash dividends or cash capital increase, to the distribution base date; (3) from the capital reduction base date to the day before the beginning transaction date of reissuing; (4) from the starting date of the suspension of conversion (subscription) for face value alteration to the day before the beginning transaction date of reissuing. The starting date of the suspension of conversion (subscription) for face value alteration referred to in the preceding paragraph shall mean one business day before amendment registration to the Ministry of Economic Affairs. The Company shall announce the period of suspension of conversion four business days before the starting date.
Conversion price	NT\$69.7

(l) Lease liabilities

	December 31, 2022	December 31, 2021
Current	<u>\$ 259</u>	<u>257</u>
Non-current	<u>\$ 262</u>	<u>521</u>

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

The amounts recognized in profit or loss were as follows:

	For the years ended December 31	
	2022	2021
Interest on lease liabilities	<u>\$ 6</u>	<u>2</u>
Expenses relating to short-term leases	<u>\$ 1,284</u>	<u>910</u>

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

	For the years ended December 31	
	2022	2021
Total cash outflow for leases	<u>\$ 1,547</u>	<u>1,118</u>

(i) Real estate leases

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

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(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.

(m) Operating lease

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

	December 31, 2022	December 31, 2021
Less than one year	\$ 849	9,399
One to two years	23	781
Total undiscounted leases payments	<u>\$ 872</u>	<u>10,180</u>

(n) Employee benefits

(i) Defined benefit plans

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

	December 31, 2022	December 31, 2021
Present value of the defined benefit obligations	\$ 51,619	65,284
Fair value of plan assets	(20,347)	(18,490)
Net defined benefit liabilities	<u>\$ 31,272</u>	<u>46,794</u>

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

1) Composition of plan assets

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

The Company's Bank of Taiwan labor pension reserve account balance amounted to \$20,209 thousand as of December 31, 2022. 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

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

	For the years ended December 31	
	2022	2021
Defined benefit obligations at January 1	\$ 65,284	43,485
Current service costs and interest cost	653	570
Remeasurements loss of the net defined benefit obligations		
— Actuarial loss arising from financial assumptions	(2,981)	2,536
— Actuarial loss arising from experience adjustments	(10,621)	1,992
Benefits paid	(716)	16,701
Defined benefit obligations at December 31	\$ 51,619	65,284

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	
	2022	2021
Fair value of plan assets at January 1	\$ 18,490	19,049
Interest income	94	97
Remeasurements gain of the net defined benefit liabilities		
— Return on plan assets excluding interest income	1,519	237
Contributions paid by the employer	960	960
Benefits paid	(716)	(1,853)
Fair value of plan assets at December 31	\$ 20,347	18,490

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	
	2022	2021
Current service costs	\$ 377	357
Net interest of net liabilities for defined benefit obligations	182	116

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Prior period service costs	-	18,554
	<u>\$ 559</u>	<u>19,027</u>

	2022	2021
Administration expenses	<u>\$ 559</u>	<u>19,027</u>

- 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	
	2022	2021
Accumulated amount at January 1	\$ (21,853)	(17,562)
Recognized during the period	15,121	(4,291)
Accumulated amount at December 31	<u>\$ (6,732)</u>	<u>(21,853)</u>

- 6) Actuarial assumptions

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

	December 31, 2022	December 31, 2021
Discount rate	1.50%	0.500%
Future salary increase rate	2.00%	2.00%

The expected allocation payment to be made by the Company to the defined benefit plans for the one-year period after the reporting date is \$356 thousand.

The weighted average lifetime of the defined benefits plans is 9.76 years as of December 31, 2022.

- 7) Sensitivity analysis

As of December 31, 2022 and 2021, 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, 2022		
Discount rate	(681)	713
Future salary increasing rate	688	(661)

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

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions remain constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis 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 2022 and 2021.

(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 \$14,383 thousand and \$14,176 thousand for the years ended December 31, 2022 and 2021, respectively.

(o) Income taxes

(i) Income tax expense

The components of the income tax in the years 2022 and 2021 were as follows:

	For the years ended December 31	
	2022	2021
Current tax expense		
Current period	\$ 32,151	3,881
Adjustment for prior periods	24,549	1,446
Deferred tax expense		
Origination and reversal of temporary differences	43,034	(13,585)
	<u>\$ 99,734</u>	<u>(8,258)</u>

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Reconciliation of income tax and profit before tax for 2022 and 2021 were as follows:

	For the years ended December 31	
	2022	2021
Profit excluding income tax	\$ 573,702	239,537
Income tax using the Company's domestic tax rate	\$ 114,740	47,907
Tax incentive	(14,396)	(4,796)
Undistributed earnings additional tax	-	2,543
Adjustment for prior periods	24,549	1,446
Others	(25,159)	(55,358)
Total	\$ 99,734	(8,258)

(ii) Deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for the years ended December 31, 2022 and 2021 were as follows:

	Allowance for obsolete inventories	Others	Total
Deferred tax assets:			
Balance at January 1, 2022	\$ 16,588	23,041	39,629
Recognized in profit or loss	629	(10,468)	(9,839)
Balance at December 31, 2022	\$ 17,217	12,573	29,790
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

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	Profit or loss of subsidiary in equity and others
Deferred tax liabilities:	
Balance at January 1, 2022	\$ 148,354
Recognized in profit or loss	<u>33,195</u>
Balance at December 31, 2022	<u>\$ 181,549</u>
Balance at January 1, 2021	\$ 169,694
Recognized in profit or loss	<u>(21,340)</u>
Balance at December 31, 2021	<u>\$ 148,354</u>

(iii) Assessment of tax

The Company's tax returns for the years through 2020 were assessed by the Taiwan National Tax Administration.

(p) Capital and other equity

(i) Ordinary shares

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

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.

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(iii) Retained earnings

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

When the Company allocates special reserve in accordance with law, it shall be allocated from the cumulative net amount of other deductions from equity in the preceding period and the cumulative net amount of increase in investment property fair value in the preceding period. If it is insufficient to make the allocation mentioned above, before earnings distribution, the Company shall allocate an amount of special reserve equal to the amount allocated to undistributed earnings for the preceding period. If there remains any insufficiency, allocate it from the amount of the after-tax net profit for the period, plus items other than after-tax net profit for the period, that are included in the undistributed earnings of the period.

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

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

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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3) Earnings distribution

The amounts of cash dividends on the appropriations of earnings for 2021 and 2020 had been approved during the board meeting on May 11, 2022 and May 6, 2021, respectively.

The relevant dividend distributions to shareholders were as follows:

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

The amounts of cash dividends on the appropriations of earnings for 2022 had been approved during the board meetings on March 13, 2023.

	Amount per share	2022
		Total amount
Dividends distributed to ordinary shareholders		
Cash	\$ 3.00	<u>\$ 180,364</u>

(iv) OCI accumulated in reserves, net of tax

	Exchange differences on translation of foreign financial statements	Unrealized gain (losses) from financial assets measured at fair value through other comprehensive income	Total
Balance at January 1, 2022	\$ (95,607)	19,122	(76,485)
Exchange differences on foreign operations	37,279	-	37,279
Unrealized gains (losses) from financial assets measures at fair value through other comprehensive income	-	(7,973)	(7,973)
Balance at December 31, 2022	<u>\$ (58,328)</u>	<u>11,149</u>	<u>(47,179)</u>

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Notes to the Financial Statements

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

(q) Earnings per share

	For the years ended December 31	
	2022	2021
Basic earnings per share		
Profit attributable to ordinary shareholders of the Company	<u><u>\$ 473,968</u></u>	<u><u>247,795</u></u>
Weighted average number of ordinary shares at December 31 (in thousands)	<u><u>60,121</u></u>	<u><u>60,121</u></u>
Basic earnings per share (in dollars)	<u><u>7.88</u></u>	<u><u>4.12</u></u>
Diluted earnings per share		
Profit attributable to ordinary shareholders of the Company (basic)	\$ 473,968	247,795
After-tax effects of convertible bonds	<u>3,094</u>	<u>-</u>
Profit attributable to ordinary shareholders of the Company (diluted)	<u><u>\$ 477,062</u></u>	<u><u>247,795</u></u>
Weighted average number of ordinary shares (diluted) at December 31 (in thousands)	60,121	60,121
Effect of employee share bonus (in thousands)	873	291
Effect of convertible bonds conversion (in thousands)	<u>3,915</u>	<u>-</u>
Weighted average number of ordinary shares (diluted) at December 31 (in thousands)	<u><u>64,909</u></u>	<u><u>60,412</u></u>
Diluted earnings per share (in dollars)	<u><u>\$ 7.35</u></u>	<u><u>4.10</u></u>

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(r) Revenue from contracts with customers

(i) Details of revenue

For the year ended December 31, 2022			
	Hinge department	Fiber optic department	Total
Primary geographical markets:			
China	\$ 2,895,682	86,074	2,981,756
America	79,594	183,546	263,140
Thailand	1,675	-	1,675
Taiwan	112,257	1,693	113,950
Other country	9,179	6,342	15,521
	<u>\$ 3,098,387</u>	<u>277,655</u>	<u>3,376,042</u>
Main product/service line:			
Electronic component manufacturing and sales	<u>\$ 3,098,387</u>	<u>277,655</u>	<u>3,376,042</u>

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	186,49	261,102
	4		
Thailand	2,775	-	2,775
Taiwan	102,588	1,809	104,397
Other country	122,492	9,127	131,619
Total	<u>\$ 3,238,376</u>	<u>313,565</u>	<u>3,551,941</u>
Main product/service line:			
Electronic component manufacturing and sales	<u>\$ 3,238,376</u>	<u>313,565</u>	<u>3,551,941</u>

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(ii) Contract balances

	December 31, 2022	December 31, 2021	January 1, 2021
Notes receivable	\$ 613	896	660
Accounts receivables	990,861	1,426,550	935,555
Accounts receivables-related parties	3,285	16,698	11,437
Less: loss allowance	(8,816)	(1,385)	(3,241)
Total	<u>\$ 985,943</u>	<u>1,442,759</u>	<u>944,411</u>

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

(s) 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, 2022 and 2021, the Company accrued and recognized its employee remuneration amounting to \$50,996 thousand and \$15,538 thousand, respectively; as well as its remuneration to directors amounting to \$12,749 thousand and \$3,884 thousand, respectively. These amounts were calculated by using the Company's pre-tax net profit for the period before deducting the amounts of the remuneration to employees and directors, multiplied by the distribution of ratio of the remuneration to employees and directors based on the Company's articles of incorporation, and expensed under operating costs or expenses. Related information would be available at the Market Observation Post System website. The amounts, as stated in the financial statements are identical to those of the actual distributions for 2022 and 2021

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(t) Non-operating income and expenses

(i) Interest income

The details of interest income were as follows:

	For the years ended December 31	
	2022	2021
Interest income from bank deposits	\$ 14,412	952
Other interest income	188	350
Total Interest income	\$ 14,600	1,302

(ii) Other income

	For the years ended December 31	
	2022	2021
Service income	\$ 72,800	90,124
Dividend income	9,597	7,844
Rent income	9,689	9,661
Mold income	5,918	8,086
Sample income	8,409	10,402
Other income	5,242	39,193
	\$ 111,655	165,310

(iii) Other gains and losses

The details of other gains and losses were as follows:

	2022	2021
Gains on disposal of property, plant and equipment	\$ 1,133	590
Foreign exchange gains (losses)	109,622	(21,330)
Gains (Losses) on financial assets at fair value through profit or loss	(200)	-
Sample expenses	(13,589)	(19,303)
Mold expenses	(3,345)	(3,748)
Others	133	(279)
	\$ 93,754	(44,070)

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(iv) Financial costs

	For the years ended December 31	
	2022	2021
Interest on bank loans	\$ 5,439	5,719
Interest on lease liabilities	6	2
Amortization of discount on convertible bonds	3,867	-
	<u>\$ 9,312</u>	<u>5,721</u>

(u) Financial instruments

(i) Credit risk

1) Credit risk exposure

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

The major customers of the Company are centralized in the high-tech computer industry. As of December 31, 2022 and 2021, 60% and 70% of the accounts receivable were concentrated on six and six major customers, respectively. To minimize credit risk, the Company periodically evaluates the Company's financial positions and the possibility of collecting accounts receivables.

2) Concentration of credit risk

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.

	<u>Carrying amount</u>	<u>Contract ual cash flow</u>	<u>within six months</u>	<u>6-12 months</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>over 5 years</u>
December 31, 2022							
Non derivative financial liabilities							
Short-term borrowings	\$ 100,000	100,182	100,182	-	-	-	-
Notes and accounts payables	196,609	196,609	196,609	-	-	-	-
Accounts payables-related parties	665,806	665,806	665,806	-	-	-	-
Other payables	688,835	688,835	688,835	-	-	-	-
Other payables-related parties	1,559	1,559	1,559	-	-	-	-
Bonds payable	386,421	400,000	-	-	-	400,000	-
Lease liabilities	521	525	131	131	263	-	-
Long-term borrowings							
(current portion included)	<u>472,282</u>	<u>480,722</u>	<u>110,979</u>	<u>110,397</u>	<u>187,793</u>	<u>44,301</u>	<u>27,252</u>
	<u>\$ 2,512,033</u>	<u>2,534,238</u>	<u>1,764,101</u>	<u>110,528</u>	<u>188,056</u>	<u>444,301</u>	<u>27,252</u>
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 payable-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	<u>647,393</u>	<u>654,603</u>	<u>130,930</u>	<u>81,433</u>	<u>207,646</u>	<u>199,642</u>	<u>34,952</u>
(current portion included)							
	<u>\$ 2,572,920</u>	<u>2,580,478</u>	<u>2,056,148</u>	<u>81,564</u>	<u>207,909</u>	<u>199,905</u>	<u>34,952</u>

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, 2022			December 31, 2021			
	Foreign currency	Exchange rate	New Taiwan Dollars	Foreign currency	Exchange rate	New Taiwan Dollars	
<u>Financial assets</u>							
<u>Monetary items</u>							
USD	\$	68.670	30.710	2,108,863	73.884	27.680	2,045,265

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	December 31, 2022			December 31, 2021		
	Foreign currency	Exchange rate	New Taiwan Dollars	Foreign currency	Exchange rate	New Taiwan Dollars
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	36,181	30.710	1,111,103	40,242	27.680	1,113,897

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, 2022 and 2021 would have increased (decreased) the net profit before tax by \$49,888 thousand and \$46,568 thousand, respectively. The analysis for the two periods were on the same basis.

3) Foreign exchange gain and loss on monetary items

Since the Company transacts in different functional currencies, the information on foreign exchange gains (losses) on monetary items is disclosed by total amount. For the years ended December 31, 2022 and 2021, the foreign exchange gain (loss) (including realized and unrealized portions) amounted to \$109,622 thousand and \$(21,330) 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 \$5,723 thousand and \$8,624 thousand for the years ended December 31, 2022 and 2021, 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

If the price of securities changes at the reporting date (the analysis was performed on the same basis for both periods, and assumed that other factors remained unchanged), the impact on the comprehensive income was as follows:

	2022		2021	
Security price at the report date	After-tax amount of other comprehensive income	Post-tax profit or loss	After-tax amount of other comprehensive income	Post-tax profit or loss
Rise 1%	<u>\$ 573</u>	<u>-</u>	<u>653</u>	<u>-</u>
Fall 1%	<u>\$ (573)</u>	<u>-</u>	<u>(653)</u>	<u>-</u>

(vi) 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, 2022				
		Fair value			
	Book value	Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost	<u>\$ 200</u>	<u>-</u>	<u>200</u>	<u>-</u>	<u>200</u>
Financial assets at fair value through other comprehensive income	<u>57,829</u>	<u>-</u>	<u>-</u>	<u>57,829</u>	<u>57,829</u>
Loans and receivables					
Cash and cash equivalents	1,190,405	-	-	-	-
Notes and accounts receivables (related parties included)	985,943	-	-	-	-
Other receivable (related parties included)	<u>71,463</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>2,247,811</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 2,305,840</u>	<u>-</u>	<u>200</u>	<u>57,829</u>	<u>58,029</u>
Financial liabilities at amortized cost					
Short-term borrowings	\$ 100,000	-	-	-	-
Notes and accounts payable (related parties included)	862,415	-	-	-	-
Other payables (related parties included)	690,394	-	-	-	-
Bonds payable	386,421	-	-	-	-
Lease liabilities	521	-	-	-	-
Long term borrowings (current portion included)	<u>472,282</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 2,512,033</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>3</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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	December 31, 2021				
	Book value	Fair value			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 receivables (related parties included)	105,333	-	-	-	-
Subtotal	2,229,039	-	-	-	-
Total	<u><u>\$ 2,294,301</u></u>	<u><u>=</u></u>	<u><u>=</u></u>	<u><u>65,262</u></u>	<u><u>65,262</u></u>
Financial liabilities at amortized cost					
Short-term borrowings	\$ 215,000	-	-	-	-
Notes and accounts payables (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	<u><u>\$ 2,572,920</u></u>	<u><u>=</u></u>	<u><u>=</u></u>	<u><u>=</u></u>	<u><u>=</u></u>

2) Valuation techniques for financial instruments measured at fair value

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

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

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

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

The 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

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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	<ul style="list-style-type: none"> • Net Asset Value • Market illiquidity discount rate (As of December 31, 2022 and 2021, 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, 2022						
Financial assets at fair value through other comprehensive income						
Available for sale financial assets equity investments without an active market	30%	5%	-	-	2,864	(2,864)
			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)

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

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with another input.

(v) 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.

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(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 assesses the financial status 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, 2022 and 2021, 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, 2022 and 2021, the Company's unused credit line amounted to \$1,319,000,000 and \$1,817,045,000, 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.

(w) 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, 2022	December 31, 2021
Total liabilities	\$ 2,740,130	2,798,750
Less: cash and cash equivalents	(1,190,405)	(680,947)
Net liabilities	<u>\$ 1,549,725</u>	<u>2,117,803</u>
Total equity	<u>\$ 4,578,551</u>	<u>4,129,488</u>
Debt-to-equity ratio	<u>33.85%</u>	<u>51.28%</u>

(x) 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:

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	Jan. 1, 2022	Cash Flow	Movements of non-cash			December 31, 2022
			Acquisition	Exchange rate	Other	
Short-term borrowings	\$ 215,000	(115,000)	-	-	-	100,000
Long-term borrowings (current portion included)	647,393	(175,111)	-	-	-	472,282
Bonds payable	-	433,065	-	-	(46,644)	386,421
Lease liabilities	778	(257)	-	-	-	521
Total liabilities arising from financing activities	<u>\$ 863,171</u>	<u>142,697</u>	<u>-</u>	<u>-</u>	<u>(46,644)</u>	<u>959,224</u>

	Jan. 1, 2021	Cash Flow	Movements of non-cash			December 31, 2021
			Acquisition	Exchange rate	Other	
Short-term borrowings	\$ 240,000	(25,000)	-	-	-	215,000
Long-term borrowings (current portion included)	644,813	2,580	-	-	-	647,393
Lease liabilities	\$ 207	(206)	777	-	-	778
Total liabilities arising from financing activities	<u>\$ 885,020</u>	<u>(22,626)</u>	<u>777</u>	<u>-</u>	<u>-</u>	<u>863,171</u>

(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.

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(b) Names and relationship with related parties

<u>Name of related party</u>	<u>Relationship with the Company</u>
Jarson Precision Technology Co., Ltd.	Subsidiary
Jarwin Investment Co., Ltd.	"
Great Hinge Trading Ltd.	"
Main Source Logistic Ltd. (Note 1)	"
Smart Hinge Holdings Ltd.	"
JARLLYTEC USA L.L.C. (Note 2)	"
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.	"

Note 1: The subsidiary was liquidated in 2021.

Note 2: The subsidiary was liquidated in 2022.

(c) Significant transactions with related parties

(i) Sales

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

	<u>For the years ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Subsidiary	<u>\$ 13,071</u>	<u>35,730</u>

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

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 parties.

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

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(ii) Purchases

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

	For the years ended December 31	
	2022	2021
Subsidiaries		
Kunshan Jarlly Electronics Co. Ltd.	\$ 797,784	549,848
Jarlly Technology (Shanghai) Co., Ltd.	252,950	182,256
Jarson Precision Technology Co., Ltd.	222,901	346,026
Dong Guan Jarlly Electronics Co., Ltd.	220,267	270,515
Other related parties	351,597	417,269
	\$ 1,845,499	1,765,914

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, 2022	December 31, 2021
Subsidiary:		
Jarson Precision Technology Co., Ltd.	\$ 20,000	18,000

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

(iv) Other

For the years ended December 31, 2022 and 2021, the amounts of management and production technical services provided by the Company to its subsidiaries were \$72,800 thousand and \$90,124 thousand which were accounted for as other income.

For the years ended December 31, 2022 and 2021, the amounts of leasing office provided by the Company to its subsidiaries were \$9,643 thousand and \$9,593 thousand, respectively, which were recognized as other income.

For the years ended December 31, 2022 and 2021, the amounts of property, plant and equipment sold from the Company to its subsidiaries were \$1,622 thousand and \$6,839 thousand, the gain on disposal due to these transactions are \$314 thousand and \$91 thousand, respectively.

(v) Receivables from Related Parties

Receivables from related parties were as follows

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Account	Relationship	December 31, 2022	December 31, 2021
Accounts receivables	Subsidiary	<u>\$ 3,285</u>	<u>16,698</u>
Other receivables	Subsidiary	<u>\$ 53,575</u>	<u>84,311</u>

(vi) Payables to Related Parties

The payables to related parties were as follows:

Account	Relationship	December 31, 2022	December 31, 2021
Accounts payables	Jarson Precision Technology Co., Ltd.	\$ 94,133	182,967
Accounts payables	Kunshan Jarlly Electronics Co. Ltd.	351,848	245,051
Accounts payables	Jarlly Technology (Shanghai) Co., Ltd.	105,818	121,152
Other payables	Other subsidiaries	<u>114,007</u>	<u>257,161</u>
		<u>\$ 665,806</u>	<u>806,331</u>
Other payables	Subsidiaries	<u>\$ 1,559</u>	<u>4,079</u>

(vii) Guarantees

As of December 31, 2022 and 2021, the amount of guarantees used to secure loans for its subsidiaries were \$694,200 thousand and \$593,600 thousand, respectively,

(d) Key management personnel compensation

Key management personnel compensation comprised:

	For the years ended December 31	
	2022	2021
Short-term employee benefits	\$ 24,197	22,830
Post-employment benefits	<u>797</u>	<u>625</u>
	<u>\$ 24,994</u>	<u>23,455</u>

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(8) Pledged assets:

The carrying values of pledged assets were as follows:

Pledged assets	Object	December 31, 2022	December 31, 2021
Land	Secured loans	\$ 720,246	720,246
Buildings	Secured loans	192,292	184,585
Leased assets	Secured loans	337,434	341,942
		<u>\$ 1,249,972</u>	<u>1,246,773</u>

(9) Commitments and contingencies:

The Company's significant contractual commitments were as follows:

	December 31, 2022	December 31, 2021
Acquisition of property, plant and equipment	<u>\$ 4,272</u>	<u>854</u>

(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	2022			2021		
By item	Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Employee benefits						
Salaries	175,237	200,566	375,803	183,448	152,641	336,089
Labor and health	18,967	14,851	33,818	18,076	15,240	33,316
Pension	6,846	8,096	14,942	6,463	26,740	33,203
Remuneration of directors	-	14,108	14,108	-	5,510	5,510
Others	11,016	5,367	16,383	9,626	5,028	14,654
Depreciation	112,814	17,574	130,388	110,131	15,533	125,664
Amortization	4,675	3,168	7,843	5,295	2,784	8,079

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The information on the Company's employee and employee for the years ended 2022 and 2021 were as follow:

	For the years ended December 31	
	2022	2021
Number of employees	<u>571</u>	<u>572</u>
Number of non-employee directors	<u>5</u>	<u>6</u>
The average employee benefit	<u>\$ 779</u>	<u>737</u>
The average salaries and wages	<u>\$ 664</u>	<u>594</u>
Adjustment of average salaries	<u>11.78%</u>	<u>(1.98)%</u>
Supervisors compensation	<u>\$ -</u>	<u>-</u>

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

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

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

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

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

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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 Item	Value	Individual funding loan limits (Note 1 & 2)	Maximum limit of fund financing (Note 1 & 2)
0	The Company	Jarson Precision Technology Co., Ltd.	Other receivables	Yes	40,000	40,000	20,000	2%	2	-	Operating turnover	-	-	-	610,473	1,831,419
0	The Company	JARLLYTEC (VIETNAM) CO., LTD.	Other receivables	Yes	122,840	122,840	-	2%	2	-	Operating turnover	-	-	-	610,473	1,831,419
1	Royal Jarlly Holding Ltd.	Jarlly Technology (Shanghai) Co., Ltd.	Other receivables	Yes	82,917	-	-	0%	2	-	Operating turnover	-	-	-	1,659,444	1,659,444
2	Fu Qing Jarlly Electronics Co., Ltd.	Xiamen Jarlly Electronics Co., Ltd.	Other receivables	Yes	39,672	26,448	26,448	2%	2	-	Operating turnover	-	-	-	563,537	563,537
2	Fu Qing Jarlly Electronics Co., Ltd.	Kunshan Jarlly Electronics Ltd.	Other receivables	Yes	110,200	110,200	66,120	2%	2	-	Operating turnover	-	-	-	563,537	563,537
3	Jarlly Technology (Chongqing) Co., Ltd.	Kunshan Jarlly Electronics Ltd.	Other receivables	Yes	30,856	30,856	30,856	2%	2	-	Operating turnover	-	-	-	194,166	194,166
3	Jarlly Technology (Chongqing) Co., Ltd.	Jarlly Technology (Shanghai) Co., Ltd.	Other receivables	Yes	88,160	88,160	-	2%	2	-	Operating turnover	-	-	-	194,166	194,166
4	Smart hinge Holdings Ltd.	Great Hinge Trading Ltd.	Other receivables	Yes	55,278	55,278	55,278	0%	2	-	Operating turnover	-	-	-	1,690,339	1,690,339
5	Jarlly Electronics Technology (Shanghai) Co., Ltd.	Jarlly Technology (Shanghai) Co., Ltd.	Other receivables	Yes	44,080	44,080	-	2%	2	-	Operating turnover	-	-	-	276,836	276,836

Note 1: Loan limit from the Company:

- The total amount available for financing purposes shall not exceed 40% of the Company's net worth.
- The total amount to one entity which has business transactions with the Company shall not exceed one third of the Company's loanable amount or 40% of the net transaction amount (the amount of purchasing or selling, whichever is higher) in recent year, whichever is lower.
- For short-term financing needs, the amount available for financing of each entity shall not exceed one third of the Company's loanable amount.

Note 2: Loan limit from subsidiaries:

- The total amount available for financing purposes shall not exceed 60% of the subsidiaries' net worth. The total amount for short-term financing to one entity shall not exceed one third of the subsidiaries' loanable amount or 40% of the transaction amount in recent year, whichever is lower.
- The total amount to one entity which has business transactions with the Company shall not exceed one third of the Company's loanable amount or 60% of the net transaction amount (the amount of purchasing or selling, whichever is higher) in recent year, whichever is lower.
- For short-term financing needs, the amount available for financing of each entity shall not exceed one third of the Company's loanable amount.
- For those foreign subsidiaries in which the Company, directly or indirectly, owned 100% of their shares the amount available for financing shall not exceed the 60% of the Company's net worth.

Note 3: Financing purpose:

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

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(ii) Guarantees and endorsements for other parties:

No.	Name of guarantor and endorsements	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date (Note 3)	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements (Note 1)	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company (Note 2)										
0	The Company	Jarllly Technology (Shanghai) Co., Ltd.	2	1,526,183	614,200	368,520	122,840	-	8.05%	1,831,419	Y	N	Y
0	The Company	Jarson Precision Technology Co., Ltd.	2	1,526,183	80,000	80,000	18,000	-	1.75%	1,831,419	Y	N	N
0	The Company	Jarllly Technology (Chongqing) Co., Ltd.	2	1,526,183	122,840	61,420	-	-	1.34%	1,831,419	Y	N	Y
0	The Company	Kunshan Jarllly Electronics Ltd	2	1,526,183	122,840	61,420	61,420	-	1.34%	1,831,419	Y	N	Y
0	The Company	Jarlllytec (Vietnam) Co., Ltd.	2	1,526,183	122,840	122,840	-	-	2.68%	1,831,419	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, 2022); and the total amount for endorsement provided to one entity shall not exceed one third of the Company's net worth.

Note 2: 7 forms of relationships in which corporate guarantees exist are defined as follows:

- Entities have business relations with the Company.
- The Company directly or indirectly holds more than 50% of voting shares of its subsidiaries.
- Investees directly or indirectly own more than 50% of voting shares of the Company.
- The Company directly or indirectly holds 90% of voting shares of its subsidiaries.
- Entities have construction contract agreements with the Company.
- The reason for The Company jointly invested in the entities is to provide proportionate endorsements.
- The Company has contractual pre-sold home agreements with its related parties under the Consumer Protection Law.

(iii) Securities held as of December 31, 2022 (excluding investment in subsidiaries, associates and joint ventures):

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
The Company	WK Technology Fund IX Ltd., stock	-	- Non-current financial assets at fair value through other comprehensive income	4,614	57,289	4.61 %	57,289	-
Fu Qing Jarllly Electronics Co., Ltd.	Fuqing Jelly Plastic Product Co., Ltd	-	- Non-current financial assets at fair value through other comprehensive income	-	3,526	16.00 %	3,526	-
Fu Qing Jarllly Electronics Co., Ltd.	Chongqing Jelly Plastics Co., Ltd.	-	- Non-current financial assets at fair value through other comprehensive income	-	4,761	18.00 %	4,761	-
Fu Qing Jarllly Electronics Co., Ltd.	Chongqing Yuli Hardware Products Co., Ltd.	-	- Non-current financial assets at fair value through other comprehensive income	-	2,380	18.00 %	2,380	-
Xiamen Jarllly Electronics Co., Ltd.	Kunshan Huli Precision Hardware Co., Ltd	-	- Non-current financial assets at fair value through other comprehensive income	-	4,188	19.00 %	4,188	-
Xiamen Jarllly Electronics Co., Ltd.	Xiamen Jinyaoli Precision Hardware Co., Ltd	-	- Non-current financial assets at fair value through other comprehensive income	-	4,188	19.00 %	4,188	-
Kunshan Jarllly Electronics Co., Ltd.	Kunshan Huli Precision Hardware Co., Ltd	-	- Non-current financial assets at fair value through other comprehensive income	-	6,700	19.00 %	6,700	-
Jarwin Investment Co., Ltd.	TSMC, stock	-	- Current financial assets at fair value through profit or loss	20	8,970	- %	8,970	-
Jarwin Investment Co., Ltd.	Asustek Computer Inc., stock	-	- Current financial assets at fair value through profit or loss	10	2,685	- %	2,685	-
Jarwin Investment Co., Ltd.	Evergreen Marine Corporation, stock	-	- Current financial assets at fair value through profit or loss	12	1,956	- %	1,956	-
Jarwin Investment Co., Ltd.	Novatek Microelectronics Corp., stock	-	- Current financial assets at fair value through profit or loss	10	3,155	- %	3,155	-

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(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
The Company	Franklin Templeton Sinoam Money Market Fund	Current financial assets at fair value through profit or loss	Hua Nan Commercial Bank Ltd	not related party	-	-	17,205	180,000	17,205	180,125	180,000	125	-	-
The Company	Hua Nan Phoenix Money Market Fund	Current financial assets at fair value through profit or loss	Hua Nan Commercial Bank Ltd	not related party	-	-	13,070	215,000	13,070	215,164	215,000	164	-	-
Jarll Technology (Shanghai) Co., Ltd.	Product of Fubon China (Yue Xiang Ying)	Current financial assets at fair value through profit or loss	Fubon Bank (China) Co., Ltd.	not related party	-	-	-	429,780	-	432,328	429,780	-2,548	-	-
Dong Guan Jarll Electronics Co., Ltd.	Product of Fubon China (Yue Xiang Ying)	Current financial assets at fair value through profit or loss	Fubon Bank (China) Co., Ltd.	not related party	-	-	-	133,783	-	135,581	133,783	1,798	-	-
Fu Qing Jarll 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	-	-	-	542,184	-	547,248	542,184	5,064	-	-

(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)		Note
			Purchase /Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
Jarson Precision Technology Co., Ltd.	The Company	Associates	Sale	(222,901)	90.56%	150 days	-	the related parties are 150 days, third-parties are ranged from 30 days to 180 days.	94,133	94.84%	-
The Company	Jarson Precision Technology Co., Ltd.	Associates	Purchase	222,901	9.45%	150 days	-	the related parties are 150 days, third-parties are ranged from 30 days to 180 days.	(94,133)	10.92%	-
Dong Guan Jarll Electronics Co., Ltd.	The Company	Associates	Sale	(223,247)	80.21%	150 days	-	the related parties are 150 days, third-parties are ranged from 30 days to 180 days.	14,809	50.26%	-
The Company	Dong Guan Jarll Electronics Co., Ltd.	Associates	Purchase	223,247	9.46%	150 days	-	the related parties are 150 days, third-parties are ranged from 30 days to 180 days.	(14,809)	1.72%	-
Fu Qing Jarll Electronics Co., Ltd.	The Company	Associates	Sale	(184,056)	21.68%	150 days	-	the related parties are 150 days, third-parties are ranged from 120 days to 150 days.	34,060	10.33%	-
The Company	Fu Qing Jarll Electronics Co., Ltd.	Associates	Purchase	184,056	7.80%	150 days	-	the related parties are 150 days, third-parties are ranged from 120 days to 150 days.	(34,060)	3.95%	-

JARLLYTEC CO., LTD.

Notes to Financial Statements

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase /Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
Kunshan Jarlly Electronics Ltd.	The Company	Associates	Sale	(799,137)	78.72%	150 days	-	the related parties are 150 days, third-parties are ranged from 30 days to 180 days.	351,848	77.94%	-
The Company	Kunshan Jarlly Electronics Ltd.	Associates	Purchase	799,137	33.88%	150 days	-	the related parties are 150 days, third-parties are ranged from 30 days to 180 days.	(351,848)	40.80%	-
Jarlly Technology (Chongqing) Co., Ltd.	The Company	Associates	Sale	(105,867)	16.41%	150 days	-	the related parties are 150 days, third-parties are ranged from 120 days to 180 days.	35,831	15.97%	-
The Company	Jarlly Technology (Chongqing) Co., Ltd.	Associates	Purchase	105,867	4.49%	150 days	-	the related parties are 150 days, third-parties are ranged from 120 days to 150 days.	(35,831)	4.15%	-
Jarlly Technology (Shanghai) Co., Ltd.	The Company	Associates	Sale	(252,352)	10.55%	150 days	-	the related parties are 150 days, third-parties are ranged from 120 days to 150 days.	105,818	10.67%	-
The Company	Jarlly Technology (Shanghai) Co., Ltd.	Associates	Purchase	252,352	10.70%	150 days	-	the related parties are 150 days, third-parties are ranged from 120 days to 150 days.	(105,818)	12.27%	-

(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		
Kunshan Jarlly Electronics Ltd.	The Company	Associates	351,733	3.57	-	-	110,302	-
Jarlly Technology (Shanghai) Co., Ltd.	The Company	Associates	105,784	2.96	-	-	16,277	-

(ix) Trading in derivative instruments: Please refer to Note 6(2) and (12).

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2022 (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, 2022			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2022	December 31, 2021	Shares (thousands)	Percentage of ownership	Carrying value			
The Company	Great Hinge Trading Ltd.	British Virgin Islands	Investment industry	318	318	10	100.00%	17,335	(12,088)	(12,088)	-
The Company	Smart Hinge Holdings Ltd.	British Virgin Islands	Investment industry	750,588	750,588	23,434	100.00%	2,816,287	402,195	401,611	-
The Company	Jarson Precision Technology Co., Ltd.	Taiwan	Powder metallurgy industry	134,076	134,076	15,000	100.00%	253,922	(9,292)	(9,149)	-
The Company	JARLLYTEC USA L.L.C.	America	Computer design and service	-	2,959	-	-	-	-	-	-
The Company	Jarwin Investment Co., Ltd.	Taiwan	Investment industry	50,000	50,000	5,000	100.00%	43,943	(6,757)	(6,757)	-
The Company	JARLLYTEC SINGAPORE PTE. LTD.	Singapore	Computer design and service	423	423	-	100.00%	110	69	69	-
Great Hinge Trading Ltd.	JARLLYTEC (VIETNAM) CO., LTD.	Vietnam	Sale and produce precision hinge	166,723	166,723	-	100.00%	128,762	(7,445)	(7,445)	-
Smart Hinge Holdings Ltd.	Royal Jarlly Holding Ltd.	Hong Kong	Investment industry	750,588	750,588	23,434	100.00%	2,765,741	405,769	405,769	-
Royal Jarlly Holding Ltd.	JARLLYTEC (THAILAND) CO., LTD	Thailand	Sale and produce precision hinge	149,229	149,229	2,000	100.00%	131,988	(4,078)	(4,078)	-

(c) Information on overseas branches and representative offices:

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

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment (Note 1)	Accumulated outflow of investment from Taiwan as of January 1, 2022	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2022	Net income (losses) of the investee	Percentage of ownership	Net income (losses) in current period (Note 2)	Balance as of Dec 31, 2022	Accumulated remittance of earnings in current period
					Outflow	Inflow						
Jarfly Technology (Shanghai) Co., Ltd.	Sale and produce special purpose material of component equipment	261,462	(2)	131,272	-	-	131,272	141,497	100.00%	141,497	698,521	-
Fu Qing Jarfly Electronics Co., Ltd.	Sale and produce Precision Hinge	240,658	(2)	27,370	-	-	27,370	159,886	100.00%	159,886	939,229	-
Dong Guan Jarfly Electronics Co., Ltd.	Sale and produce Precision Hinge	81,466	(2)	81,466	-	-	81,466	4,889	100.00%	4,889	115,778	15,366
Kunshan Jarfly Electronics Ltd.	Sale and produce Precision Hinge	71,906	(2)	65,369	-	-	65,369	66,555	100.00%	66,555	115,431	-
Jarfly Electronics Technology (Shanghai) Co., Ltd.	Sale and produce Precision Hinge	473,450	(2)	386,330	-	-	386,330	5,780	100.00%	5,780	461,394	-
Xiamen Jarfly Electronics Co., Ltd.	Sale and produce Precision Hinge	43,801	(2)	29,281	-	-	29,281	18,123	100.00%	18,123	99,970	-
Jarfly Technology (Chongqing) Co., Ltd.	Sale and produce Precision Hinge	61,722	(2)	29,500	-	-	29,500	29,607	100.00%	29,607	323,611	-

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.

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
735,222	735,222	2,747,130

(iii) Significant transactions:

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

(d) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
Sunrise Investment Co., Ltd.		6,100,000	10.14%
Dellson Investment Co., Ltd.		3,714,000	6.17%

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 2022 Consolidated Financial Statements.