

JARLLYTEC CO., LTD. AND SUBSIDIARIES

Consolidated Financial Statements

**With Independent Auditors' Review Report
For the Three Months Ended
March 31, 2022 and 2021**

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

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Independent Auditors' Review Report

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

Introduction

We have reviewed the consolidated financial statements of Jarllytec Co., Ltd. and its subsidiaries, which comprise the consolidated balance sheets as of March 31, 2022 and 2021, the consolidated statements of comprehensive income for the three months ended March 31, 2022 and 2021, and changes in equity and cash flows for the three months then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Scope of Review

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

Basis for Qualified Conclusion

As described in Note 4(b), the financial statements of certain non-significant subsidiaries were not reviewed by independent auditors. These financial statements reflect total assets of these subsidiaries amounted to NT\$1,510,566 thousand and NT\$1,186,561 thousand, constituting 16% and 15% of consolidated total assets as of March 31, 2022 and 2021, respectively, total liabilities amounted to NT\$1,244,424 thousand and NT\$1,011,028 thousand, constituting 23% and 26% of consolidated total liabilities as of March 31, 2022 and 2021, respectively, and total comprehensive income of these subsidiaries amounted to NT\$(14,797) thousand and NT\$20,684 thousand, constituting (6)% and 58% of the consolidated total comprehensive income for the three months ended March 31, 2022 and 2021, respectively.

Notes to Readers

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

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

Qualified Conclusion

Based on our reviews, except for the effect of such adjustments, if any, as might have been determined to be necessary had the financial statements of certain non-significant subsidiaries and investee companies been reviewed by independent accountants as described in the preceding paragraph, that we might have become aware of had it not been for the situation described above, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of Jarllytec Co., Ltd. and its subsidiaries as of March 31, 2022 and 2021, and of its consolidated financial performance and consolidated cash flows for the three months then ended March 31, 2022 and 2021 in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and International Accounting Standard 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

KPMG

Taipei, Taiwan (Republic of China)
May 11, 2022

Notes to Readers

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

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Review only, not audited in accordance with Generally Auditing Standards as of March 31, 2022 and 2021**JARLLYTEC CO., LTD. AND SUBSIDIARIES****Consolidated Balance Sheets****March 31, 2022, December 31, 2021, March 31, 2021**

(Expressed in Thousands of New Taiwan Dollars)

Assets		March 31, 2022		December 31, 2021		March 31, 2021		Liabilities and Equity		March 31, 2022		December 31, 2021		March 31, 2021	
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%
Current assets:								Current liabilities:							
1100	Cash and cash equivalents (Note 6(a))	\$ 1,763,697	18	1,887,924	21	1,541,361	19	2100	Short-term borrowings (Note 6(j) and 8)	\$ 715,747	8	652,614	7	134,183	2
1110	Current financial assets at fair value through profit or loss (Note 6(b))	658,571	7	38,133	-	274,003	3	2170	Notes and accounts payable	2,494,032	26	2,255,730	25	1,958,860	24
1170	Notes and accounts receivable, net (Note 6(c)(r))	3,194,425	33	3,182,375	35	2,269,938	28	2200	Other payables	1,085,317	11	1,058,947	12	784,292	10
1200	Other receivables, net (Note 6(d))	40,990	-	53,009	1	46,664	1	2230	Current tax liabilities	104,276	1	28,096	-	41,450	1
1220	Current tax assets	3,691	-	3,569	-	23,110	-	2280	Current lease liabilities (Note 6(l))	28,818	-	14,912	-	21,556	-
130X	Inventories (Note 6(e))	859,675	9	804,772	10	921,037	12	2300	Other current liabilities	37,743	-	38,733	-	33,909	-
1410	Prepayments and other current assets (Note 6(f) and 8)	110,618	1	117,360	1	176,519	2	2322	Long-term borrowings, current portion (Note 6(k) and 8)	220,948	2	209,043	2	273,447	3
Total current assets		6,631,667	68	6,087,142	68	5,252,632	65	Total current liabilities		4,686,881	48	4,258,075	46	3,247,697	40
Non-current assets:								Non-Current liabilities:							
1510	Non-current financial assets at fair value through profit or loss (Note 6(b))	1,341	-	1,564	-	3,000	-	2540	Long-term borrowings (Note 6(k) and 8)	386,931	4	438,350	5	405,327	5
1517	Non-current financial assets at fair value through other comprehensive income (Note 6(b))	92,007	1	90,631	1	88,627	1	2570	Deferred income tax liabilities	148,354	2	148,354	2	169,694	2
1600	Property, plant and equipment (Note 6(g) and 8)	2,529,130	26	2,412,499	27	2,269,168	28	2580	Non-current lease liabilities (Note 6(l))	78,844	1	25,065	-	43,503	1
1755	Right-of-use assets (Note 6(h))	263,605	3	210,043	2	182,803	2	2640	Net defined benefit liability, non-current	46,715	-	46,794	1	24,197	-
1780	Intangible assets (Note 6(i))	20,248	-	21,821	-	17,702	-	2670	Other non-current liabilities, others	2,443	-	2,355	-	3,807	-
1840	Deferred income tax assets	39,629	-	39,629	-	47,384	1	Total non-current liabilities		663,287	7	660,918	8	646,528	8
1915	Prepayments for business facilities	87,892	1	117,357	1	122,215	2	Total liabilities		5,350,168	55	4,918,993	54	3,894,225	48
1990	Other non-current assets, others (Note 6(f) and 8)	65,854	1	67,795	1	58,067	1	Equity (Note 6(p)):							
Total non-current assets		3,099,706	32	2,961,339	32	2,788,996	35	3110	Ordinary share	601,214	6	601,214	7	601,214	8
								3200	Capital surplus	1,334,534	14	1,334,534	15	1,334,534	17
								Retained earnings:							
								3310	Legal reserve	380,412	4	380,412	4	349,873	4
								3320	Special reserve	1,292	-	1,292	-	50,236	1
								3350	Unappropriated retained earnings	2,051,605	21	1,888,521	21	1,839,509	23
								Total retained earnings		2,433,309	25	2,270,225	25	2,239,618	28
								Other equity:							
								3410	Exchange differences on translation of foreign financial statements	(7,404)	(1)	(95,607)	(1)	(49,238)	(1)
								3420	Unrealized gain or loss on financial assets at fair value through other comprehensive income	19,552	-	19,122	-	21,275	-
								Other equity		12,148	-	(76,485)	(1)	(27,963)	(1)
Total assets		\$ 9,731,373	100	9,048,481	100	8,041,628	100	Total equity		4,381,205	45	4,129,488	46	4,147,403	52
								Total liabilities and equity		\$ 9,731,373	100	9,048,481	100	8,041,628	100

(See accompanying notes to financial statements)

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

JARLLYTEC CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the Three Months Ended March 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars, except for earnings per common share)

		For the three months ended March 31,			
		2022		2021	
		Amount	%	Amount	%
4000	Operating revenue (Note 6(r))	\$2,232,349	100	1,528,126	100
5000	Operating costs (Note 6(e)(n))	1,765,638	79	1,246,664	82
	Net gross profit	466,711	21	281,462	18
	Operating expenses (Note 6(c)(l)(n)(s)):				
6100	Selling expenses	113,801	5	100,269	6
6200	Administrative expenses	103,237	5	71,841	5
6300	Research and development expenses	47,453	2	67,258	4
6450	Expected credit gain	(485)	-	(6,127)	-
	Total operating expenses	264,006	12	233,241	15
	Net operating income	202,705	9	48,221	3
	Non-operating income and expenses (Note 6(l)(t)):				
7010	Other income	30,923	1	37,622	3
7020	Other gains and losses, net	9,832	-	4,940	-
7050	Finance cost	(3,504)	-	(3,055)	-
7100	Interest income	2,500	-	2,553	-
	Total non-operating income and expenses	39,751	1	42,060	3
	Profit from continuing operations before tax	242,456	10	90,281	6
7950	Less: Income tax expenses (Note 6(o))	79,372	4	27,687	2
	Profit	163,084	6	62,594	4
8300	Other comprehensive income:				
8310	Components of other comprehensive income (loss) that will not be reclassified to profit or loss				
8316	Unrealized gains from investments in equity instruments measured at fair value through other comprehensive income	430	-	(4,406)	1
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
	Components of other comprehensive income (loss) that will not be reclassified to profit or loss	430	-	(4,406)	1
8360	Components of other comprehensive income (loss) that will be reclassified to profit or loss				
8361	Exchange differences on translation of foreign financial statements	88,203	4	(22,265)	(2)
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
	Components of other comprehensive income (loss) that will be reclassified to profit or loss	88,203	4	(22,265)	(2)
8300	Other comprehensive income (loss), net of tax	88,633	4	(26,671)	(2)
8500	Total comprehensive income	<u>\$ 251,717</u>	<u>10</u>	<u>35,923</u>	<u>2</u>
	Earnings per share (NT dollars) (Note 6(q)):				
9750	Basic earnings per share	<u>\$ 2.71</u>		<u>1.04</u>	
9850	Diluted earnings per share	<u>\$ 2.70</u>		<u>1.04</u>	

(See accompanying notes to financial statements)

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

Consolidated Statements of Changes in Equity

For the Three months Ended March 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent					Other equity		
	Retained earnings					Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Total equity
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings			
Balance at January 1, 2021	\$ 601,214	1,334,534	349,873	50,236	1,776,915	(26,973)	25,681	4,111,480
Profit	-	-	-	-	62,594	-	-	62,594
Other comprehensive income	-	-	-	-	-	(22,265)	(4,406)	(26,671)
Total comprehensive income	-	-	-	-	62,594	(22,265)	(4,406)	35,923
Balance at March 31, 2021	<u>\$ 601,214</u>	<u>1,334,534</u>	<u>349,873</u>	<u>50,236</u>	<u>1,839,509</u>	<u>(49,238)</u>	<u>21,275</u>	<u>4,147,403</u>
Balance at January 1, 2022	\$ 601,214	1,334,534	380,412	1,292	1,888,521	(95,607)	19,122	4,129,488
Profit	-	-	-	-	163,084	-	-	163,084
Other comprehensive income	-	-	-	-	-	88,203	430	88,633
Total comprehensive income	-	-	-	-	163,084	88,203	430	251,717
Balance at March 31, 2022	<u>\$ 601,214</u>	<u>1,334,534</u>	<u>380,412</u>	<u>1,292</u>	<u>2,051,605</u>	<u>(7,404)</u>	<u>19,552</u>	<u>4,381,205</u>

(See accompanying notes to financial statements)

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

Consolidated Statements of Cash Flows
For the Three months Ended March 31, 2022 and 2021
(Expressed in Thousands of New Taiwan Dollars)

	For the three months ended March 31,	
	2022	2021
Cash flows from operating activities:		
Profit before tax	\$ 242,456	90,281
Adjustments:		
Adjustments to reconcile profit (loss)		
Depreciation expense	70,982	58,699
Amortization expense	5,524	6,330
Expected credit gain	(485)	(6,127)
Net profit (loss) on financial assets at fair value through profit or loss	116	(336)
Interest expense	3,504	3,055
Interest revenue	(2,500)	(2,553)
Dividend revenue	(4,655)	(4,858)
Loss from disposal of property, plant and equipment	1,019	269
Other	8,095	-
Total adjustments to reconcile profit (loss)	81,600	54,479
Changes in operating assets and liabilities:		
Current financial assets at fair value through profit or loss	(42,211)	(1,640)
Notes receivables	996	(221)
Accounts receivable	(12,561)	68,288
Other receivables	12,071	(15,883)
Inventories	(54,903)	(319,255)
Prepayments	(4,181)	(46,290)
Other current assets	(3,441)	(5,543)
Notes payables	(3,225)	11,543
Accounts payable	241,527	256,460
Other payables	26,517	37,457
Other current liabilities	(990)	11,747
Net defined benefit liability	(79)	(239)
Total changes in operating assets and liabilities	159,520	(3,576)
Total adjustments	241,120	50,903
Cash inflow generated from operations	483,576	141,184
Interest received	2,448	3,270
Interest paid	(3,277)	(2,581)
Income taxes paid	(3,314)	(15,037)
Net cash flows provided by operating activities	479,433	126,836
Cash flows from investing activities:		
Acquisition of financial assets at fair value through profit or loss	(609,662)	(469,804)
Proceeds from disposal of financial assets at fair value through profit or loss	31,542	225,454
Acquisition of property, plant and equipment	(73,385)	(108,033)
Proceeds from disposal of property, plant and equipment	135	9,735
Acquisition of intangible assets	(391)	(2,594)
Increase in prepayments for equipment	(49,126)	(19,032)
Increase in other non-current-assets	(1,405)	(1,074)
Dividends received	4,655	4,858
Net cash flows used in investing activities	(697,639)	(360,490)
Cash flows from financing activities:		
Increase (decrease) in short-term borrowings	63,133	(250,055)
Proceeds from long-term borrowings	-	197,758
Repayments of long-term borrowings	(39,514)	(163,797)
Payment of lease liabilities	(17,113)	(10,657)
Increase (decrease) in other non-current liabilities	88	(775)
Net cash flows provided by (used in) from financing activities	6,594	(227,526)
Effect of movements in exchange on cash and cash equivalents	87,383	(11,632)
Net decrease in cash and cash equivalents	(124,227)	(472,812)
Cash and cash equivalents at beginning of period	1,887,924	2,014,173
Cash and cash equivalents at end of period	\$ 1,763,697	1,541,361

(See accompanying notes to financial statements)

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

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

Reviewed only, not audited in accordance with Generally Auditing Standards of March 31, 2022 and 2021

JARLLYTEC CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the Three months Ended March 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

(1) Company history

Jarlllytec Co., Ltd. (the “Company”) was legally established with the approval of the Ministry of Economic Affairs (R.O.C.) on July 7, 2004, with registered address at No.13, Wugong 5th Rd., SinJhuang Dist., New Taipei City, Taiwan (R.O.C.). The Company and its subsidiaries (the “Group”) are primarily engaged in R&D, designing, manufacturing, assembly, inspection, production, and sales business of stamping parts, hinges and metal injection molding (MIM). The Group has been actively developing various hinges, which are widely applied in NB, LCD monitor, and other 3C related products and parts.

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

These consolidated financial statements were authorized for issue by the Board of Directors on May 11, 2022.

(3) New standards, amendments and interpretations adopted

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

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

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

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

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

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	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	January 1, 2023

(See accompanying notes to financial statements)

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

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.

Amendments to IAS 12
“Deferred Tax related to Assets
and Liabilities arising from a
Single Transaction”

The amendments narrowed the scope of the recognition exemption so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. January 1, 2023

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

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

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”

(See accompanying notes to financial statements)

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

(4) Summary of significant accounting policies

(a) Statement of compliance

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

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

(b) Basis of consolidation

(i) List of subsidiaries in the consolidated financial statements

Name of Investor	Name of Subsidiary	Principal Activities	Percentage of Ownership (%)			Note
			2022.3.31	2021.12.31	2021.3.31	
The company	Great Hinge Trading Ltd. (Great Hinge)	Investments	100%	100%	100%	Note 1
The company	Smart Hinge Holdings Ltd.(Smart Hinge)	Investments	100%	100%	100%	-
The company	Jarson Precision Technology Co., Ltd. (Jarson Precision)	Powder metallurgy and other metal products manufacturing and trading business	100%	100%	100%	Note 1
The company	Jarlllytec USA L.L.C. (Jarlllytec USA)	Computer design and service	100%	100%	100%	Note 1
The company	Jarwin Investment Co., Ltd. (Jarwin Investment)	Investments	100%	100%	100%	Note 1
The company	Jarlllytec Singapore Pte. Ltd. (Jarlllytec Singapore)	Computer design and service	100%	100%	- %	Note 1 、 Note 3
Great Hinge	Main Source Logistic Ltd. (Main Source)	Electronic professional equipment, tools/molds sales business	- %	- %	100%	Note 1 、 Note 5
Great Hinge	Jarlllytec (Vietnam) Co., Ltd. (Jarlllytec Vietnam)	Production and sales business of precision hinges	100%	100%	- %	Note 1 、 Note 4
Smart Hinge	Royal Jarlly Holding Ltd. (Royal Jarlly)	Investments	100%	100%	100%	-
Royal Jarlly	Jarlly Technology (Shanghai) Co., Ltd. (Shanghai Jarlly)	Component equipment for the production and sale of materials business	100%	100%	100%	-
Royal Jarlly	Fu Qing Jarlly Electronics Co., Ltd. (Fu Qing Jarlly)	Production and sales business of precision hinges	100%	100%	100%	Note 1 、 Note 2
Royal Jarlly	Dong Guan Jarlly Electronics Co., Ltd. (Dong Guan Jarlly)	Production and sales business of precision hinges	100%	100%	100%	Note 1
Royal Jarlly	Kunshan Jarlly Electronics Ltd. (Kunshan Jarlly)	Production and sales business of precision hinges	100%	100%	100%	Note 1
Royal Jarlly	Jarlly Electronics Technology (Shanghai) Co., Ltd. (Jarlly Electronics Shanghai)	Production and sales business of precision hinges	100%	100%	100%	-

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

Name of Investor	Name of Subsidiary	Principal Activities	Percentage of Ownership (%)			Note
			2022.3.31	2021.12.31	2021.3.31	
Royal Jarlly	Xiamen Jarlly Electronics Co., Ltd. (Xiamen Jarlly)	Production and sales business of precision hinges	100%	100%	100%	Note 1
Royal Jarlly	Jarlly Technology (Chongqing) Co., Ltd. (Chongqing Jarlly)	Production and sales business of precision hinges	100%	100%	100%	Note 1 、 Note 2
Royal Jarlly	Jarllytec (Thailand) Co., Ltd. (Jarllytec Thailand)	Production and sales business of precision hinges	100%	100%	100%	Note 1

Note 1: Insignificant subsidiary.

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

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

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

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

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

(c) Employee benefits

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

(d) Income taxes

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

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

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

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

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

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(6) Explanation of significant accounts

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

(a) Cash and cash equivalents

	March 31, 2022	December 31, 2021	March 31, 2021
Cash on hand	\$ 931	598	851
Demand deposits	1,497,591	1,734,126	1,255,160
Time deposits	265,175	153,200	285,350
	<u>\$ 1,763,697</u>	<u>1,887,924</u>	<u>1,541,361</u>

(b) Financial instruments

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

	March 31, 2022	December 31, 2021	March 31, 2021
Current mandatorily measured at fair value through profit or loss			
Domestic stocks	\$ 30,440	7,725	20,653
Open-ended funds	50,011	-	9,000
Investment products	578,120	30,408	244,350
	<u>\$ 658,571</u>	<u>38,133</u>	<u>274,003</u>
Non-current mandatorily measured at fair value through profit or loss			
Private offered funds	<u>\$ 1,341</u>	<u>1,564</u>	<u>3,000</u>

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

	March 31, 2022	December 31, 2021	March 31, 2021
Equity investments at fair value through other comprehensive income-non-current:			
Stocks unlisted on domestic market-Taiwan	\$ 65,692	65,262	67,415
Stocks unlisted on domestic market-China	<u>26,315</u>	<u>25,369</u>	<u>21,242</u>
Total	<u>\$ 92,007</u>	<u>90,631</u>	<u>88,657</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 March 31, 2022, December 31, 2021 and March 31, 2021, the aforementioned financial assets were not pledged as collateral.

(c) Notes and accounts receivable

	March 31, 2022	December 31, 2021	March 31, 2021
Notes receivables	\$ 754	1,750	881
Accounts receivable	3,195,863	3,183,259	2,271,509
Less: loss allowance	<u>(2,192)</u>	<u>(2,634)</u>	<u>(2,452)</u>
	<u>\$ 3,194,425</u>	<u>3,182,375</u>	<u>2,269,938</u>

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

The loss allowance provisions were determined as follows:

	March 31, 2022		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	\$ 3,105,650	0%~1%	-
1 to 30 days past due	31,003	0%~1%	-
31 to 60 days past due	39,042	0%~1%	-
61 to 90 days past due	16,538	0%~1%	-
More than 90 days past due	<u>4,384</u>	50%~100%	<u>2,192</u>
	<u>\$ 3,196,617</u>		<u>2,192</u>

JARLLYTEC CO., LTD. AND SUBSIDIARIES
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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%~1%	-
More than 90 days past due	5,268	50%~100%	2,634
	\$ 3,185,009		2,634

	March 31, 2021		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	\$ 2,113,311	0%~1%	-
1 to 30 days past due	52,437	0%~1%	69
31 to 60 days past due	71,600	0%~1%	-
61 to 90 days past due	23,386	0%~1%	695
More than 90 days past due	11,656	50%~100%	1,688
	\$ 2,272,390		2,452

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

	For the three months ended March 31,	
	2022	2021
Balance at January 1	\$ 2,634	8,592
Impairment losses reversed	(485)	(6,127)
Effect of movements in exchange	43	(13)
Balance at March 31	\$ 2,192	2,452

(d) Other receivables

	March 31, 2022	December 31, 2021	March 31, 2021
Overpaid business tax returned	\$ 24,203	33,705	11,785
Interest receivable	86	34	561
Others	16,701	19,270	34,318
	\$ 40,990	53,009	46,664

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

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(e) Inventories

	March 31, 2022	December 31, 2021	March 31, 2021
Raw materials and supplies	\$ 296,530	251,232	314,389
Work in process	217,799	194,967	148,565
Finished goods	345,346	358,573	458,083
	<u>\$ 859,675</u>	<u>804,772</u>	<u>921,037</u>

- (i) For the three months ended March 31, 2022, the amount of the loss on valuation of inventories was NT\$14,268, wherein such loss was included in cost of sales.
- (ii) For the three months ended March 31, 2021, the amount of the loss on valuation of inventories was NT\$19,455, wherein such loss was included in cost of sales.
- (iii) As of March 31, 2022, December 31, 2021 and March 31, 2021, the inventories were not pledged as collateral.

(f) Prepayments, other current assets and others

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

	March 31, 2022	December 31, 2021	March 31, 2020
Prepayment for mold	\$ 21,267	32,668	30,876
Other prepayments	31,153	24,690	22,782
Prepayments to suppliers	15,096	7,253	247
Input tax	6,451	8	8,356
Tax overpaid	19,792	45,849	75,686
Other financial assets	180	174	12,084
Others	16,679	6,718	26,488
Total prepayments and other current assets	<u>\$ 110,618</u>	<u>117,360</u>	<u>176,519</u>
Other deferred expenses	\$ 53,909	56,433	46,638
Refundable deposits	9,439	8,636	8,979
Other financial assets	1,145	1,107	1,141
Others	1,361	1,619	1,619
Total other noncurrent assets	<u>\$ 65,854</u>	<u>67,795</u>	<u>58,067</u>

As of March 31, 2022, December 31, 2021 and March 31, 2021, other financial assets pledged as collateral for Forward Exchange Transaction and investment product were NT\$180, NT\$174 and NT\$1,315. Please refer to Note 8.

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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 three months ended September 30, 2021 and 2020 were as follows:

	Land	Buildings and construction	Machine and equipment	Mold equipment	Rental equipment	Other facilities	Construction in progress and testing 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	-	2,798	147,847	-	-	1,865	1,127	153,637
Reclassifications	-	11,314	-	-	-	-	(11,314)	-
Disposals	-	-	(5,264)	-	-	(691)	-	(5,955)
Effect of movements in exchange	1,281	12,589	18,534	23	3,215	2,596	(10)	38,228
Balance at March 31, 2022	<u>\$ 1,053,231</u>	<u>694,954</u>	<u>1,628,391</u>	<u>3,376</u>	<u>89,442</u>	<u>185,717</u>	<u>50,458</u>	<u>3,705,569</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	-	1,364	77,543	-	-	18,174	10,952	108,033
Reclassifications	-	100,258	-	-	(100,258)	-	-	-
Disposals	-	(8,336)	(4,049)	-	-	(895)	(2,849)	(16,129)
Effect of movements in exchange	(1,752)	1,501	(2,172)	(5)	(1,385)	(481)	(2,183)	(9,479)
Balance at March 31, 2021	<u>\$ 1,055,367</u>	<u>611,382</u>	<u>1,234,109</u>	<u>3,613</u>	<u>82,065</u>	<u>169,070</u>	<u>67,224</u>	<u>3,231,830</u>
Accumulated depreciation:								
Balance at January 1, 2022	\$ -	209,854	753,694	3,292	31,287	109,033	-	1,107,160
Depreciation	-	8,654	47,026	-	660	4,907	-	61,247
Disposals	-	-	(4,123)	-	-	(678)	-	(4,801)
Effect of movements in exchange	-	4,206	5,703	21	1,182	1,721	-	12,833
Balance at March 31, 2022	<u>\$ -</u>	<u>222,714</u>	<u>802,300</u>	<u>3,313</u>	<u>33,129</u>	<u>114,983</u>	<u>-</u>	<u>1,176,439</u>
Balance at January 1, 2021	\$ -	147,836	613,755	3,556	61,321	96,344	-	922,812
Depreciation	-	6,668	35,754	-	1,376	4,457	-	48,255
Reclassifications	-	34,439	-	-	(34,439)	-	-	-
Disposals	-	(1,637)	(3,678)	-	-	(810)	-	(6,125)
Effect of movements in exchange	-	(531)	(961)	(4)	(462)	(322)	-	(2,280)
Balance at March 31, 2021	<u>\$ -</u>	<u>186,775</u>	<u>644,870</u>	<u>3,552</u>	<u>27,796</u>	<u>99,669</u>	<u>-</u>	<u>962,662</u>
Carrying amounts								
Balance at January 1, 2022	<u>\$ 1,051,950</u>	<u>458,399</u>	<u>713,580</u>	<u>61</u>	<u>54,940</u>	<u>72,914</u>	<u>60,655</u>	<u>2,412,499</u>
Balance at March 31, 2022	<u>\$ 1,053,231</u>	<u>472,240</u>	<u>826,091</u>	<u>63</u>	<u>56,313</u>	<u>70,734</u>	<u>50,458</u>	<u>2,529,130</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 March 31, 2021	<u>\$ 1,055,367</u>	<u>424,607</u>	<u>598,239</u>	<u>61</u>	<u>54,269</u>	<u>69,401</u>	<u>67,224</u>	<u>2,269,168</u>

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As of March 31, 2022, December 31, 2021 and March 31, 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	-	71,893	-	71,893
Disposals	-	(33,442)	(487)	(33,929)
Other	(10,695)	(15,571)	-	(26,266)
Effect of movements in exchange	3,247	6,339	-	9,586
Balance at March 31, 2022	<u><u>\$ 152,864</u></u>	<u><u>199,154</u></u>	<u><u>777</u></u>	<u><u>352,795</u></u>
Balance at January 1, 2021	\$ 107,112	167,823	487	275,422
Effect of movements in exchange	(808)	(1,252)	-	(2,060)
Balance at March 31, 2021	<u><u>\$ 106,304</u></u>	<u><u>166,571</u></u>	<u><u>487</u></u>	<u><u>273,362</u></u>
Accumulated depreciation and impairment losses:				
Balance at January 1, 2022	\$ 8,549	112,389	530	121,468
Depreciation	1,466	8,204	65	9,735
Disposals	-	(33,442)	(487)	(33,929)
Other	-	(12,037)	-	(12,037)
Effect of movements in exchange	(424)	4,377	-	3,953
Balance at March 31, 2022	<u><u>\$ 9,591</u></u>	<u><u>79,491</u></u>	<u><u>108</u></u>	<u><u>89,190</u></u>
Balance at January 1, 2021	\$ 5,637	74,749	377	80,763
Depreciation	705	9,693	46	10,444
Other	-	56	-	56
Effect of movements in exchange	(48)	(656)	-	(704)
Balance at March 31, 2021	<u><u>\$ 6,294</u></u>	<u><u>83,842</u></u>	<u><u>423</u></u>	<u><u>90,559</u></u>
Carrying amount:				
Balance at January 1, 2022	<u><u>\$ 151,763</u></u>	<u><u>57,546</u></u>	<u><u>734</u></u>	<u><u>210,043</u></u>
Balance at March 31, 2022	<u><u>\$ 143,273</u></u>	<u><u>119,663</u></u>	<u><u>669</u></u>	<u><u>263,605</u></u>
Balance at January 1, 2021	<u><u>\$ 101,475</u></u>	<u><u>93,074</u></u>	<u><u>110</u></u>	<u><u>194,659</u></u>
Balance at March 31, 2021	<u><u>\$ 100,010</u></u>	<u><u>82,729</u></u>	<u><u>64</u></u>	<u><u>182,803</u></u>

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(i) Intangible assets

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

	<u>Software</u>
Cost:	
Balance at January 1, 2022	\$ 113,017
Additions	391
Effect of movements in exchange	<u>1,178</u>
Balance at March 31, 2022	<u>\$ 114,586</u>
Balance at January 1, 2021	\$ 100,675
Additions	2,594
Effect of movements in exchange	<u>(247)</u>
Balance at March 31, 2021	<u>\$ 103,022</u>
Accumulated amortization and impairment losses:	
Balance at January 1, 2022	\$ 91,196
Amortization for the period	2,178
Effect of movements in exchange	<u>964</u>
Balance at March 31, 2022	<u>\$ 94,338</u>
Balance at January 1, 2021	\$ 84,004
Amortization for the period	1,509
Effect of movements in exchange	<u>(193)</u>
Balance at March 31, 2021	<u>\$ 85,320</u>
Carrying amounts :	
Balance at January 1, 2022	<u>\$ 21,821</u>
Balance at March 31, 2022	<u>\$ 20,248</u>
Balance at January 1, 2021	<u>\$ 16,671</u>
Balance at March 31, 2021	<u>\$ 17,702</u>

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

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(j) Short-term borrowings

	March 31, 2022	December 31, 2021	March 31, 2021
Secured bank loans	\$ 488,760	477,353	134,183
Unsecured bank loans	226,987	175,261	-
Total	<u>\$ 715,747</u>	<u>652,614</u>	<u>134,183</u>
Unused short-term credit lines	<u>\$ 750,112</u>	<u>937,123</u>	<u>879,000</u>
Range of interest rates	<u>0.88%~2.05%</u>	<u>0.88%~2.05%</u>	<u>0.79%~1.71%</u>

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

(k) Long-term borrowings

The details were as follows:

	March 31, 2022			
	Currency	Interest range	Expiration	Amount
Secured bank loans	TWD	0.66%~1.40%	2022~2029	\$ 307,934
Unsecured bank loans	TWD	0.35%~0.40%	2024	299,945
Less: current portion				(220,948)
Total				<u>\$ 386,931</u>
Unused long-term credit lines				<u>\$ 1,002,325</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>

	March 31, 2021			
	Currency	Interest range	Expiration	Amount
Secured bank loans	TWD	0.66%~0.91%	2021~2029	\$ 320,494
Unsecured bank loans	TWD	0.35%~0.88%	2021~2024	358,280
Less: current portion				(273,447)
Total				<u>\$ 405,327</u>
Unused long-term credit lines				<u>\$ 886,602</u>

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(i) Borrowings issue and repayment

The long-term borrowings amounted to NT\$0 and NT\$197,758 for the three months ended March 31, 2022 and 2021, respectively; the repayment amounts were NT\$39,514 and NT\$163,797.

(ii) Collaterals for bank secured borrowings

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

(l) Lease liabilities

The carrying amounts of lease liabilities were as follows:

	March 31, 2022	December 31, 2021	March 31, 2021
Current	<u>\$ 28,818</u>	<u>14,912</u>	<u>21,556</u>
Non-current	<u>\$ 78,844</u>	<u>25,065</u>	<u>43,503</u>

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

The amounts recognized in profit or loss were as follows:

	For the three months ended March 31, 2022	2021
Interest on lease liabilities	<u>\$ 374</u>	<u>588</u>
Expenses relating to short-term leases	<u>\$ 2,027</u>	<u>3,758</u>

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

	For the three months ended March 31, 2022	2021
Total cash outflow for leases	<u>\$ 19,514</u>	<u>15,059</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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(m) Operating lease

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

	March 31, 2022	December 31, 2021	March 31, 2021
Less than one year	\$ 17,749	18,467	24,348
One to two years	14,546	13,699	20,101
Two to three years	8,461	10,125	13,903
Three to four years	5,269	6,923	8,403
Four to five years	-	-	5,234
	<u><u>\$ 46,025</u></u>	<u><u>49,214</u></u>	<u><u>71,989</u></u>

(n) Employee benefits

(i) Defined benefit plans

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

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

	For the three months ended March 31,	
	2022	2021
Operating costs	<u><u>\$ -</u></u>	<u><u>-</u></u>
Operating expenses	<u><u>\$ -</u></u>	<u><u>-</u></u>

(ii) Defined contribution plans

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

	For the three months ended March 31,	
	2022	2021
Operating costs	<u><u>\$ 11,396</u></u>	<u><u>7,907</u></u>
Operating expenses	<u><u>\$ 4,193</u></u>	<u><u>3,751</u></u>

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(o) Income taxes

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

		For the three months ended March 31,	
		2022	2021
Current tax expense			
Current period	\$	79,372	27,687
Deferred tax expense			
Origination and reversal of temporary differences		-	-
	\$	<u>79,372</u>	<u>27,687</u>

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

(p) Capital and other equity

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

(i) Ordinary shares

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

(ii) Capital surplus

The balances of capital surplus were as follows:

	March 31, 2022	December 31, 2021	March 31, 2021
Share capital	\$ 1,314,010	1,314,010	1,314,010
Treasury share transactions	6,195	6,195	6,195
Employee share options	14,329	14,329	14,329
	<u>\$ 1,334,534</u>	<u>1,334,534</u>	<u>1,334,534</u>

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(iii) Retained earnings

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

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

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

1) Legal reserve

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

2) Special reserve

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

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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 meetings on May 11, 2022 and May 6, 2021, respectively. The amounts of dividends distributed to shareholders were as follows:

	2021		2020	
	Amount per share	Total Amount	Amount per share	Total Amount
Dividends distributed to ordinary shareholders				
Cash	\$ 2.00	<u>120,242</u>	2.50	<u>150,303</u>

(iv) OCI accumulated in reserves, net of tax

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Total
Balance at January 1, 2022	\$ (95,607)	19,122	(76,485)
Exchange differences on foreign operations	88,203	-	88,203
Unrealized losses from financial assets measured at fair value through other comprehensive income	-	430	430
Balance at March 31, 2022	<u>\$ (7,404)</u>	<u>19,552</u>	<u>(12,148)</u>
Balance at January 1, 2021	\$ (26,973)	25,681	(1,292)
Exchange differences on foreign operations	(22,265)	-	(22,265)
Unrealized gains from financial assets measured at fair value through other comprehensive income	-	(4,406)	(4,406)
Balance at March 31, 2021	<u>\$ (49,238)</u>	<u>21,275</u>	<u>(27,963)</u>

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(q) Earnings per share

	For the three months ended March 31,	
	2022	2021
Basic earnings per share		
Profit attributable to ordinary shareholders of the Company	\$ 163,084	62,594
Weighted average number of ordinary shares (in thousands)	60,121	60,121
Basic earnings per share (in dollars)	\$ 2.71	1.04
Diluted earnings per share		
Profit attributable to ordinary shareholders of the Company	\$ 163,084	62,594
Weighted average number of ordinary shares (in thousands)	60,121	60,121
Effect of employee share bonus (in thousands)	368	236
Weighted average number of ordinary shares (diluted) (in thousands)	60,489	60,357
Diluted earnings per share (in dollars)	\$ 2.70	1.04

(r) Revenue from contracts with customers

(i) Details of revenue

	For the three months ended March 31, 2022		
	Hinge department	Fiber optic department	Total
Primary geographical markets:			
China	\$ 2,030,686	27,087	2,057,773
America	28,113	51,277	79,390
Thailand	2	-	2
Taiwan	22,447	211	22,658
Other country	70,771	1,755	72,526
	<u>\$ 2,152,019</u>	<u>80,330</u>	<u>2,232,349</u>
Main product/service line:			
Electronic component manufacturing and sales	<u>\$ 2,152,019</u>	<u>80,330</u>	<u>2,232,349</u>
	For the three months ended March 31, 2021		
	Hinge department	Fiber optic department	Total
Primary geographical markets:			
China	\$ 1,403,724	23,185	1,426,909
America	21,482	37,327	58,809
Thailand	3,339	-	3,339
Taiwan	26,807	788	27,595
Other country	9,440	2,034	11,474
Total	<u>\$ 1,464,792</u>	<u>63,334</u>	<u>1,528,126</u>
Main product/service line:			
Electronic component manufacturing and sales	<u>\$ 1,464,792</u>	<u>63,334</u>	<u>1,528,126</u>

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(ii) Contract balances

	March 31, 2022	December 31, 2021	March 31, 2021
Notes receivables	\$ 754	1,750	881
Accounts receivable	3,195,863	3,183,259	2,271,509
Less: loss allowance	<u>(2,192)</u>	<u>(2,634)</u>	<u>(2,452)</u>
Total	<u>\$ 3,194,425</u>	<u>3,182,375</u>	<u>2,269,938</u>

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

JARLLYTEC CO., LTD. AND SUBSIDIARIES
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(s) Remuneration to employees, and directors

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

For the three months ended March 31, 2022 and 2021, the Company accrued and recognized its employee remuneration amounting to \$16,960 and \$4,891, respectively; as well as its remuneration to directors amounting to \$3,180 and \$1,199, respectively. These estimates amounts were calculated by using the Company's pre-tax net profit for the period before deducting the amounts of the remuneration to employees and directors, multiplied by the distribution of ratio of the remuneration to employees and directors based on the Company's Articles of incorporation, and expensed under operating expenses. If there are any subsequent adjustments to the actual remuneration amounts after the annual shareholders' meeting, the adjustments will be regarded as change in accounting estimates and will be reflected in profit or loss in the following year.

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

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(t) Non-operating income and expenses

(i) Interest income

The details of interest income were as follows:

	For the three months ended March 31,	
	2022	2021
Interest income from bank deposits	\$ 2,417	2,462
Other interest income	83	91
	<u>\$ 2,500</u>	<u>2,553</u>

(ii) Other income

The details of other income were as follows:

	For the three months ended March 31,	
	2022	2021
Rent income	\$ 8,318	9,927
Dividend income	4,655	4,858
Sample income	1,297	12,887
Mold income	544	2,804
Others	16,109	7,146
	<u>\$ 30,923</u>	<u>37,622</u>

(iii) Other gains and losses

The details of other gains and losses were as follows:

	For the three months ended March 31,	
	2022	2021
Losses on disposal of property, plant and equipment	\$ (1,019)	(269)
Losses on leasehold improvements	(8,095)	-
Gains (loss) on financial assets at fair value through profit or loss	(546)	3,435
Sample expenses	(4,346)	(3,620)
Mold expenses	(332)	(1,942)
Foreign exchange gains	28,268	10,882
Others	(4,098)	(3,546)
	<u>\$ 9,832</u>	<u>4,940</u>

(iv) Finance costs

The details of finance costs were as follows:

	For the three months ended March 31,	
	2022	2021
Interest expense	<u>\$ 3,504</u>	<u>3,055</u>

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(u) Financial instruments

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

(i) Liquidity risk

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

	Carrying amount	Contractual cash flow	Within six months	6-12 months	1-2 years	2-5 years	Over 5 years
March 31, 2022							
Non derivative financial liabilities							
Short-term borrowings	\$ 715,747	718,875	637,637	81,238	-	-	-
Notes and accounts payable	2,494,032	2,494,032	2,494,032	-	-	-	-
Other payables	1,085,317	1,085,317	1,085,317	-	-	-	-
Lease liabilities	107,662	116,831	19,243	20,505	30,410	46,673	-
Long-term borrowings (current portion included)	607,879	615,667	131,138	93,658	207,891	151,054	31,926
	<u>\$ 5,010,637</u>	<u>5,030,722</u>	<u>4,367,367</u>	<u>195,401</u>	<u>238,301</u>	<u>197,727</u>	<u>31,926</u>
December 31, 2021							
Non derivative financial liabilities							
Short-term borrowings	\$ 652,614	655,286	485,999	169,287	-	-	-
Notes and accounts payable	2,255,730	2,255,730	2,255,730	-	-	-	-
Other payables	1,058,947	1,058,947	1,058,947	-	-	-	-
Lease liabilities	39,977	50,893	9,212	16,185	16,270	9,226	-
Long-term borrowings (current portion included)	647,393	654,603	130,930	81,433	207,646	199,642	34,952
	<u>\$ 4,654,661</u>	<u>4,675,459</u>	<u>3,940,818</u>	<u>266,905</u>	<u>223,916</u>	<u>208,868</u>	<u>34,952</u>
March 31, 2021							
Non derivative financial liabilities							
Short-term borrowings	\$ 134,183	134,428	134,428	-	-	-	-
Notes and accounts payable	1,958,860	1,958,860	1,958,860	-	-	-	-
Other payables	784,292	784,292	784,292	-	-	-	-
Lease liabilities	65,059	69,309	7,587	17,765	26,490	17,467	-
Long-term borrowings (current portion included)	678,774	687,064	213,548	63,195	131,549	250,887	27,885
	<u>\$ 3,621,168</u>	<u>3,633,953</u>	<u>3,098,715</u>	<u>80,960</u>	<u>158,039</u>	<u>268,354</u>	<u>27,885</u>

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

(ii) Currency risk

1) Exposure to foreign currency risk

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

	March 31, 2022			December 31, 2021			March 31, 2021		
	Foreign currency	Exchange rate	New Taiwan Dollars	Foreign currency	Exchange rate	New Taiwan Dollars	Foreign currency	Exchange rate	New Taiwan Dollars
Financial assets									
Monetary items									
USD	\$ 134,775	28.625	3,857,934	130,965	27.680	3,625,113	105,432	28.535	3,008,497
Financial liabilities									
Monetary items									
USD	72,942	28.625	2,087,974	63,586	27.680	1,760,059	33,407	28.535	953,275

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2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the conversion of the foreign currency exchange gains and losses on cash and cash equivalents, trade and other receivables, available-for-sale financial assets, loans and borrowings; and trade and other payables that are denominated in foreign currency. A strengthening (weakening) of 5% of the NTD against the USD as of the three-month periods ended March 31, 2022 and 2021 would have increased (decreased) the net profit before tax by \$88,498 and \$102,762, respectively. The analysis for the two periods was on the same basis.

3) Foreign exchange gains and loss on monetary items

Since the Group transacts in different functional currencies, the information on foreign exchange gains (losses) on monetary items is disclosed by total amount. For the three months ended March 31, 2022 and 2021, the foreign exchange gain (loss) (including realized and unrealized portions) amounted to \$28,268 and \$10,882, respectively.

(iii) Interest rate analysis

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

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

If the interest rate had increased (decreased) by 1% basis points, the Group's net income would have decreased or increased by \$3,309 and \$2,032 for the three-month periods ended March 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.

(iv) Fair value of financial instruments

1) Fair value hierarchy

The carrying amount and fair value of the Group's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and for equity investments that has no quoted prices in the active markets and whose fair value cannot be reliably measured, disclosure of fair value information is not required:

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March 31, 2022					
	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss	\$ 659,912	80,451	-	579,461	659,912
Financial assets at fair value through other comprehensive income	92,007	-	-	92,007	92,007
Financial assets measured at amortized cost					
Cash and cash equivalents	1,763,697	-	-	-	-
Notes and accounts receivable	3,194,425	-	-	-	-
Other receivables	40,990	-	-	-	-
Subtotal	4,999,112	-	-	-	-
Total	<u>\$ 5,751,031</u>	<u>80,451</u>	<u>-</u>	<u>671,468</u>	<u>751,919</u>
Financial liabilities at amortized cost					
Short-term borrowings	\$ 715,747	-	-	-	-
Notes and accounts payable	2,494,032	-	-	-	-
Other payables	1,085,317	-	-	-	-
Lease liabilities	107,662	-	-	-	-
Long-term borrowings (current portion included)	607,879	-	-	-	-
Subtotal	5,010,637	-	-	-	-
Total	<u>\$ 5,010,637</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
December 31, 2021					
	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss	\$ 39,697	38,133	-	1,564	39,697
Financial assets at fair value through other comprehensive income	90,631	-	-	90,631	90,631
Financial assets measured at amortized cost					
Cash and cash equivalents	1,887,924	-	-	-	-
Notes and accounts receivable	3,182,375	-	-	-	-
Other receivables	53,009	-	-	-	-
Subtotal	5,123,308	-	-	-	-
Total	<u>\$ 5,253,636</u>	<u>38,133</u>	<u>-</u>	<u>92,195</u>	<u>130,328</u>
Financial liabilities at amortized cost					
Short-term borrowings	\$ 652,614	-	-	-	-
Notes and accounts payable	2,255,730	-	-	-	-
Other payables	1,058,787	-	-	-	-
Lease liabilities	39,977	-	-	-	-
Long-term borrowings (current portion included)	647,393	-	-	-	-
Subtotal	4,654,501	-	-	-	-
Total	<u>\$ 4,654,501</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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	March 31, 2021				
	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss	\$ 277,003	29,653	-	247,350	277,003
Financial assets at fair value through other comprehensive income	88,657	-	-	88,657	88,657
Financial assets measured at amortized cost					
Cash and cash equivalents	1,541,361	-	-	-	-
Notes and accounts receivable	2,269,938	-	-	-	-
Other receivables	46,664	-	-	-	-
Subtotal	3,857,963	-	-	-	-
Total	<u>\$ 4,223,623</u>	<u>29,653</u>	<u>-</u>	<u>336,007</u>	<u>365,660</u>
Financial liabilities at amortized cost					
Short-term borrowings	\$ 134,183	-	-	-	-
Notes and accounts payable	1,958,860	-	-	-	-
Other payables	784,292	-	-	-	-
Lease liabilities	65,059	-	-	-	-
Long-term borrowings (current portion included)	678,774	-	-	-	-
Subtotal	3,621,168	-	-	-	-
Total	<u>\$ 3,621,168</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

2) Valuation techniques for financial instruments measured at fair value

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

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

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

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

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

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Quantified information of significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets at fair value through other comprehensive income (Available-for-sale financial assets) equity investments without an active market	Net Asset Value Method	·Net asset value ·The market illiquidity discount rate (30% on March 31, 2022, December 31, 2021 and March 31, 2021)	·The market illiquidity discount were lower (higher)
Financial assets at fair value through profit or loss — Investment product	Discounted Cash Flow Method	·Discount rate (1.00%~3.00% on March 31, 2022, December 31, 2021 and March 31, 2021)	·The discount rate were lower (higher)
Financial assets at fair value through profit or loss — Private offered funds	Net Asset Value Method	·Net asset value	Not applicable

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

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

	Input	Assumptions	Profit or loss		Other comprehensive income	
			Favorable	Unfavorable	Favorable	Unfavorable
March 31, 2022						
Financial assets at fair value through profit or loss — Investment product	Discount rate	5%	459	(459)	-	-
Financial assets at fair value through profit or loss — Private offered funds	Net asset value	5%	67	(67)	-	-
Financial assets at fair value through other comprehensive income Equity investments without an active market	30%	5%	-	-	4,600	(4,600)
December 31, 2021						
Financial assets at fair value through profit or loss — Investment product	Discount rate	5%	4	(4)	-	-
Financial assets at fair value through profit or loss — Private offered funds	Net asset value	5%	78	(78)	-	-
Financial assets at fair value through other comprehensive income Equity investments without an active market	30%	5%	-	-	4,532	(4,532)
March 31, 2021						
Financial assets at fair value through profit or loss — Investment product	Discount rate	5%	71	(71)	-	-
Financial assets at fair value through profit or loss — Private offered funds	Net asset value	5%	150	(150)	-	-
Financial assets at fair value through other comprehensive income Equity investments without an active market	30%	5%	-	-	4,433	(4,433)

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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.

(v) Financial risk management

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

(w) Capital management

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

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

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

- (i) Right-of-use assets are acquired through leasing. Please refer to Note6(h).
- (ii) The Group's assets through investing activities and reconciliation were as follows:

	January 1, 2022	Cash flows	Acquired	Non-cash changes			March 31, 2022
				Changes in Foreign Exchange Rate	Interest Expense	Other	
Lease liabilities	\$ 39,977	(17,487)	71,893	18,800	374	(5,895)	107,662

	January 1, 2021	Cash flows	Acquired	Non-cash changes			March 31, 2021
				Changes in Foreign Exchange Rate	Interest Expense	Other	
Lease liabilities	\$ 80,126	(11,245)	-	1,862	588	(6,272)	65,059

(7) Related-party transactions

(a) Parent company and ultimate controlling company

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

(b) Key management personnel compensation

Key management personnel compensation comprised:

	For the three months ended March 31,	
	2022	2021
Short-term employee benefits	\$ 4,529	5,797
Post-employment benefits	156	133
	\$ 4,685	5,930

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(8) Pledged assets

The carrying values of pledged assets were as follows:

Pledged assets	Object	March 31, 2022	December 31, 2021	March 31, 2021
Land	Secured loans	\$ 1,016,281	1,016,281	1,016,281
Buildings	Secured loans	238,785	230,492	230,661
Bank guarantee (classified as prepayments and other current assets)	Performance guarantee	180	174	174
Bank deposits (classified as other non-current assets-other)	Performance guarantee	-	-	1,141
		<u><u>\$ 1,255,246</u></u>	<u><u>1,246,947</u></u>	<u><u>1,248,257</u></u>

(9) Commitments and contingencies

The Group's significant contractual commitments were as follows:

	March 31, 2022	December 31, 2021	March 31, 2021
Acquisition of property, plant and equipment	<u><u>\$ 101,577</u></u>	<u><u>64,122</u></u>	<u><u>129,311</u></u>

(10) Losses due to major disasters: None.

(11) Subsequent events

On April 28, 2022, the Company issued 4,000 three-year domestic unsecured convertible bonds (1st issuance) amounted to NT\$400,000, and each bond having a face value with 0% interest.

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(12) Other

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

By item	By function	For the three months ended March 31, 2022			For the three months ended March 31, 2021		
		Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Employee benefits							
Salaries		210,994	105,559	316,553	203,211	89,968	293,179
Labor and health insurance		10,877	6,396	17,273	9,285	5,197	14,482
Pension		11,396	4,193	15,589	7,907	3,751	11,658
Remuneration of directors		-	3,531	3,531	-	1,679	1,679
Others		11,558	3,981	15,539	10,462	5,933	16,395
Depreciation		60,062	10,920	70,982	50,978	7,721	58,699
Amortization		2,027	3,497	5,524	2,107	4,223	6,330

- (ii) Seasonality of operations:**

The Group's operations are not affected by seasonal or cyclical factors.

(13) Other disclosures

- (a) Information on significant transactions**

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Group as of March 31, 2022:

- (i) Loans to other parties:**

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Nature of financing (Note 3)	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits (Note 1 & 2)	Maximum limit of fund financing (Note 1 & 2)
													Item	Value		
0	The Company	Jarson Precision Technology Co., Ltd.	Other receivables	Yes	40,000	20,000	20,000 (Note 4)	2%	2	-	Operating turnover	-		-	584,160	1,752,481
1	Royal Jarlly Holding Ltd.	Jarlly Technology (Shanghai) Co., Ltd.	Other receivables	Yes	77,288	77,288	-	0%	2	-	Operating turnover	-		-	1,518,825	1,518,825
2	Fu Qing Jarlly Electronics Co., Ltd.	Xiamen Jarlly Electronics Co., Ltd.	Other receivables	Yes	40,554	40,554	40,554 (Note 4)	2%	2	-	Operating turnover	-		-	613,744	613,744
2	Fu Qing Jarlly Electronics Co., Ltd.	Kunshan Jarlly Electronics Ltd.	Other receivables	Yes	67,590	67,590	67,590	2%	2	-	Operating turnover	-		-	613,744	613,744
3	Jarlly Technology (Chongqing) Co., Ltd.	Kunshan Jarlly Electronics Ltd.	Other receivables	Yes	31,542	31,542	31,542 (Note 4)	2%	2	-	Operating turnover	-		-	175,760	175,760
3	Jarlly Technology (Chongqing) Co., Ltd.	Jarlly Technology (Shanghai) Co., Ltd.	Other receivables	Yes	90,120	90,120	45,060 (Note 4)	2%	2	-	Operating turnover	-		-	175,760	175,760
4	Smart Hinge Holdings Ltd.	Great Hinge Trading Ltd.	Other receivables	Yes	51,525	51,525	51,525	0%	2	-	Operating turnover	-		-	1,549,779	1,549,779
5	Jarlly Electronics Technology (Shanghai) Co., Ltd.	Jarlly Technology (Shanghai) Co., Ltd.	Other receivables	Yes	45,060	45,060	-	2%	2	-	Operating turnover	-		-	280,272	280,272

Note 1: The Company

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

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Note 2: Subsidiaries

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

Note 3: Financing purpose

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

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

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(ii) Guarantees and endorsements for other parties:

Number	Name of guarantor and endorsements	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantee and endorsements during the period	Balance of guarantees and endorsements as of report date (Note 3)	Actual usage amount during the period	Property pledged for guarantee and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements (Note 1)	Parent company endorsements /guarantees to third parties on behalf of subsidiary	Subsidiary endorsements /guarantees to third parties on behalf of parent company	Endorsements to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company (Note 2)										
0	The Company	Jarll Technology (Shanghai) Co., Ltd.	2	1,460,401	343,500	343,500	229,000	-	7.84%	1,752,481	Y	N	Y
0	The Company	Jarson Precision Technology Co., Ltd.	2	1,460,401	40,000	40,000	30,500	-	0.91%	1,752,481	Y	N	N
0	The Company	Jarll Technology (Chongqing) Co., Ltd.	2	1,460,401	114,500	57,250	57,250	-	1.31%	1,752,481	Y	N	Y
0	The Company	Kunshan Jarll Electronics Ltd.	2	1,460,401	114,500	57,250	57,250	-	1.31%	1,752,481	Y	N	Y
0	The Company	Jellytec (Vietnam) Co., Ltd.	2	1,460,401	114,500	114,500	-	-	2.61%	1,752,481	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 March 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 March 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.	-	Non-current financial assets at fair value through other comprehensive income	4,614	65,692	4.61 %	65,692	-
The Company	Franklin Templeton Sinoam Money Market Fund	-	Current financial assets at fair value through profit or loss	4,781	50,011	- %	50,011	-
Fu Qing Jarll Electronics Co., Ltd.	Fuqing Jelly Plastic Product Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	-	3,605	16.00 %	3,605	-
Fu Qing Jarll Electronics Co., Ltd.	Chongqing Jelly Plastics Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	-	4,866	18.00 %	4,866	-
Fu Qing Jarll Electronics Co., Ltd.	Chongqing Yuli Hardware Products Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	-	2,433	18.00 %	2,433	-
Xiamen Jarll Electronics Co., Ltd.	Xiamen Jinli Precision Hardware Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	-	4,281	19.00 %	4,281	-
Xiamen Jarll Electronics Co., Ltd.	Xiamen Jinyaoli Precision Hardware Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	-	4,281	19.00 %	4,281	-
Kunshan Jarll Electronics Ltd.	Kunshan Huli Precision Hardware Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	-	6,849	19.00 %	6,849	-
Jarll Electronics Technology (Shanghai) Co., Ltd.	Product of Fubon China (Redemption)	-	Current financial assets at fair value through profit or loss	-	86,966	- %	86,966	-
Jarll Electronics Technology (Shanghai) Co., Ltd.	Product of Fubon China (Redemption)	-	Current financial assets at fair value through profit or loss	-	56,325	- %	56,325	-
Dong Guan Jarll Electronics Co., Ltd.	Product of Fubon China (Redemption)	-	Current financial assets at fair value through profit or loss	-	67,590	- %	67,590	-

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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	
Jarll Technology (Chongqing) Co., Ltd.	Product of Fubon China (Redemption)	-	Current financial assets at fair value through profit or loss	-	94,626	- %	94,626	-
Fu Qing Jarlly Electronics Co., Ltd.	China Bank linked structured finance products	-	Current financial assets at fair value through profit or loss	-	182,493	- %	182,493	-
Fu Qing Jarlly Electronics Co., Ltd.	Xiamen Bank structured finance products	-	Current financial assets at fair value through profit or loss	-	54,072	- %	54,072	-
Fu Qing Jarlly Electronics Co., Ltd.	China Merchants Bank structured finance products	-	Current financial assets at fair value through profit or loss	-	36,048	- %	36,048	-
Jarwin Investment Co., Ltd.	ASUSTEK COMPUTER INC. Stock	-	Current financial assets at fair value through profit or loss	10	3,735	- %	3,735	-
Jarwin Investment Co., Ltd.	International Games System Co., Ltd. Stock	-	Current financial assets at fair value through profit or loss	10	7,660	- %	7,660	-
Jarwin Investment Co., Ltd.	TSMC Stock	-	Current financial assets at fair value through profit or loss	20	11,940	- %	11,940	-
Jarwin Investment Co., Ltd.	Novatek Microelectronics Corp. Stock	-	Current financial assets at fair value through profit or loss	10	4,265	- %	4,265	-
Jarwin Investment Co., Ltd.	O-TA Precision Industry Co., Ltd. Stock	-	Current financial assets at fair value through profit or loss	20	2,840	- %	2,840	-
Jarwin Investment Co., Ltd.	Treasure Cay Private Equity Fund	-	Non-current financial assets at fair value through profit or loss	-	1,341	- %	1,341	-

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

Name of Company	Category and name of security	Account name	Name of counter-party	Relationship with the Company	Beginning Balance		Purchase		Sales				Ending Balance	
					Shares (thousands)	Amount	Shares	Amount	Shares	Price	Cost	Gain (loss) on disposal	shares	Amount
Fu Qing Jarlly Electronics Co., Ltd.	China Bank linked structured finance products	Current financial assets at fair value through profit or loss	-	-	-	-	-	182,493	-	-	-	-	-	182,493

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

JARLLYTEC CO., LTD. AND SUBSIDIARIES
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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	Name of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchase/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
Dong Guan Jarlly Electronics Co., Ltd.	The Company	Associates	Sale	(100,534)	79.94%	150 days	-	Related parties are 150 days, third parties are ranged from 30 to 180 days.	128,659	78.27%	Note
The Company	Dong Guan Jarlly Electronics Co., Ltd.	Associates	Purchase	100,534	12.25%	150 days	-	Related parties are 150 days, third parties are ranged from 30 to 180 days.	(128,659)	9.57%	Note
Kunshan Jarlly Electronics Ltd.	The Company	Associates	Sale	(283,304)	84.04%	150 days	-	Related parties are 150 days, third parties are ranged from 30 to 180 days.	433,259	68.99%	Note
The Company	Kunshan Jarlly Electronics Ltd.	Associates	Purchase	283,304	34.52%	150 days	-	Related parties are 150 days, third parties are ranged from 30 to 180 days.	(433,259)	32.23%	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		
Jarson Precision Technology Co., Ltd.	The Company	Associates	139,617	1.83	-	-	36,129	-
Dong Guan Jarlly Electronics Co., Ltd.	The Company	Associates	128,659	3.38	-	-	24,331	-
Kunshan Jarlly Electronics Ltd.	The Company	Associates	433,259	3.34	-	-	62,482	-
Jarlly Technology (Shanghai) Co., Ltd.	The Company	Associates	178,576	1.83	-	-	37,192	-

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

(ix) Trading in derivative instruments: None.

(x) Business relationships and significant intercompany transactions:

Number	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
1	Jarson Precision	The Company	2	Sales revenue	73,606	Mark up by cost	3.30%
1	Jarson Precision	The Company	2	Accounts receivable	139,617	150 days	1.43%
2	Chongqing Jarlly	The Company	2	Accounts receivable	50,206	150 days	0.52%
2	Chongqing Jarlly	Shanghai Jarlly	3	Other receivables	45,060	Follow the agreement	0.46%
2	Chongqing Jarlly	Kunshan Jarlly	3	Other receivables	31,542	Follow the agreement	0.32%
3	Dong Guan Jarlly	The Company	2	Sales revenue	100,534	Mark up by cost	4.50%
3	Dong Guan Jarlly	The Company	2	Accounts receivable	128,659	150 days	1.32%
4	Fu Qing Jarlly	The Company	2	Sales revenue	59,545	Mark up by cost	2.67%
4	Fu Qing Jarlly	The Company	2	Accounts receivable	85,238	150 days	0.88%
4	Fu Qing Jarlly	Xiamen Jarlly	3	Other receivables	40,554	Follow the agreement	0.42%
4	Fu Qing Jarlly	Kunshan Jarlly	3	Other receivables	67,590	Follow the agreement	0.69%
5	Kunshan Jarlly	The Company	2	Sales revenue	283,304	Mark up by cost	12.69%
5	Kunshan Jarlly	The Company	2	Accounts receivable	433,259	150 days	4.45%
5	Kunshan Jarlly	Royal Jarlly	3	Accounts receivable	48,977	150 days	0.50%
6	Shanghai Jarlly	The Company	2	Sales revenue	68,473	Mark up by cost	3.07%
6	Shanghai Jarlly	The Company	2	Accounts receivable	178,576	150 days	1.84%
7	Xiamen Jarlly	The Company	2	Accounts receivable	54,199	150 days	0.56%
8	Smart Hinge	Great Hinge	3	Other receivables	51,525	Follow the agreement	0.53%

Note 1. Number represents:

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

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

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

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

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(b) Information on investees:

The following is the information on investees for the three months ended March 31, 2022 (excluding information on investees in Mainland China):

Name of investor	Name of investee	Location	Main business and products	Original investment amount		Balance as of March 31, 2022			Net income (losses) of investee	Share of profits/losses of investee	Note
				March 31, 2022	December 31, 2021	Shares	Percentage of ownership	Carrying value			
The Company	Great Hinge Trading Ltd.	British Virgin Islands	Investments	318	318	10	100.00%	32,481	(4,470)	(4,470)	Note
The Company	Smart Hinge Holdings Ltd.	British Virgin Islands	Investments	750,588	750,588	23,434	100.00%	2,583,069	124,413	124,879	Note
The Company	Jarson Precision Technology Co., Ltd.	Republic of China	Powder metallurgy industry	134,076	134,076	11,480	100.00%	266,362	3,358	3,291	Note
The Company	JARLLY TEC USA L.L.C.	America	Computer design and service	2,959	2,959	-	100.00%	32	-	-	Note
The Company	Jarwin Investment Co., Ltd.	Republic of China	Investments	50,000	50,000	5,000	100.00%	56,453	(549)	(549)	Note
The Company	JARLLYTEC SINGAPORE PTE. LTD.	Singapore	Computer design and service	423	-	-	100.00%	34	4	4	Note
Great Hinge Trading Ltd.	JARLLYTEC (VIETNAM) CO., LTD.	Vietnam	Sale and produce Precision Hinge	166,723	166,723	-	100.00%	134,917	(1,282)	(1,282)	Note
Smart Hinge Holdings Ltd.	Royal Jarly Holding Ltd.	Hong Kong	Investments	750,588	750,588	23,434	100.00%	2,531,376	124,414	124,414	Note
Royal Jarly Holding Ltd.	JARLLYTEC (THAILAND) CO., LTD.	Thailand	Sale and produce Precision Hinge	149,229	149,229	2,000	100.00%	130,376	(1,316)	(1,316)	Note

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

(c) Information on overseas branches and representative offices:

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

Name of investee	Main business and products	Total amount of paid-in capital	Method of investment (Note 1)	Accumulated outflow of investment form Taiwan as of January 1, 2022	Investment flows		Accumulated outflow of investment form Taiwan as of March 31, 2022	Net income (losses) of the investee	Percentage of ownership	Invest income (losses) (Note 2 and 3)	Book value (Note 3)	Accumulated remittance of earnings in current period
					Remitted to China	Remitted back to Taiwan						
Jarllly Technology (Shanghai) Co., Ltd.	Sale and produce special purpose material of component equipment	261,462	(2)	131,272	-	-	131,272	73,344	100.00%	73,344	595,661	-
Fu Qing Jarly Electronics Co., Ltd.	Sale and produce Precision Hinge	240,658	(2)	27,370	-	-	27,370	67,710	100.00%	67,710	1,022,907	-
Dong Guan Jarly Electronics Co., Ltd.	Sale and produce Precision Hinge	81,466	(2)	81,466	-	-	81,466	(1,889)	100.00%	(1,889)	111,597	15,366
Kunshan Jarly Electronics Ltd.	Sale and produce Precision Hinge	71,906	(2)	65,369	-	-	65,369	(12,011)	100.00%	(12,011)	38,108	-
Jarllly Electronics Technology (Shanghai) Co., Ltd.	Sale and produce Precision Hinge	473,450	(2)	386,330	-	-	386,330	1,223	100.00%	1,223	467,122	-
Xiamen Jarly Electronics Co., Ltd.	Sale and produce Precision Hinge	43,801	(2)	29,281	-	-	29,281	6,938	100.00%	6,938	90,856	-
Jarllly Technology (Chongqing) Co., Ltd.	Sale and produce Precision Hinge	58,890	(2)	29,500	-	-	29,500	(7,924)	100.00%	(7,924)	292,934	-

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

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

Note 2: The recognition of gain and loss on investment for partial subsidiaries based on the financial report which was assured by R.O.C. Accountant, the rest of them have not been reviewed.

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

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(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of March 31, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
735,222	735,222	2,682,723

(iii) Significant transactions:

As of the three months ended of March 31, 2022, the significant inter-company directly or indirectly transactions with the subsidiary in Mainland China, which were eliminated in the preparation of financial statements, are disclosed in "Information on significant transactions".

(d) Major shareholders:

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

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

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

(14) Segment information

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

For the three months ended March 31, 2022				
	Hinge department	Fiber optic department	Reconciliati on and elimination	Total
Revenue:				
Revenue from external customers	\$ 2,152,019	80,330	-	2,232,349
Intersegment revenues	-	-	-	-
Total revenue	<u>\$ 2,152,019</u>	<u>80,330</u>	<u>-</u>	<u>2,232,349</u>
Reportable segment profit or loss	<u>\$ 230,558</u>	<u>11,898</u>	<u>-</u>	<u>242,456</u>

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	2021			
	Hinge department	Fiber optic department	Reconciliati on and elimination	Total
Revenue:				
Revenue from external customers	\$ 1,464,792	63,334	-	1,528,126
Intersegment revenues	-	-	-	-
Total revenue	<u>\$ 1,464,792</u>	<u>63,334</u>	<u>-</u>	<u>1,528,126</u>
Reportable segment profit or loss	<u>\$ 83,360</u>	<u>6,921</u>	<u>-</u>	<u>90,281</u>

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