

**JARLLYTEC CO., LTD. AND SUBSIDIARIES**

**Consolidated Financial Statements**

**With Independent Auditors' Review Report  
For the Three Months Ended  
March 31, 2021 and 2020**

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

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

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## **Independent Auditors' Review Report**

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

### **Introduction**

We have audited the consolidated financial statements of Jarllytec Co., Ltd. and its subsidiaries, which comprise the consolidated balance sheets as of March 31, 2021 and 2020, the consolidated statements of comprehensive income, changes in equity and cash flows for the three-month periods 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” as endorsed by the Financial Supervisory Commission. 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” in the Republic of China. 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 conducted in accordance with generally accepted auditing standards, 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 investee companies consolidated based on their unreviewed financial statements as of and for the three-month periods ended March 31, 2021 and 2020. Total assets of these subsidiaries amounted to NT\$1,186,561 thousand and NT\$596,117 thousand, representing 15% and 9% of the related consolidated totals, and total liabilities amounted to NT\$1,011,028 thousand and NT\$402,737 thousand, representing 26% and 17% of the related consolidated totals, as of March 31, 2021 and 2020, respectively. Total comprehensive income of these subsidiaries amounted to NT\$20,684 thousand and (NT\$11,070) thousand, constituting 58% and 152% of the consolidated totals for the three-month periods ended March 31, 2021 and 2020, respectively.

## **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, based on our reviews, 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, 2021 and 2020, and of its consolidated financial performance and its consolidated cash flows for the three-month periods then ended in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission of the Republic of China.

KPMG

Taipei, Taiwan (Republic of China)  
May 6, 2021

### **Notes to Readers**

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

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.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**Review only, not audited in accordance with Generally Auditing Standards of March 31, 2021 and 2020**  
**JARLLYTEC CO., LTD. AND SUBSIDIARIES**

**Consolidated Balance Sheets**

**March 31, 2021, December 31, 2020, March 31, 2020**

(Expressed in Thousands of New Taiwan Dollars)

Assets	March 31, 2021		December 31, 2020		March 31, 2020		Liabilities and Equity	March 31, 2021		December 31, 2020		March 31, 2020	
	Amount	%	Amount	%	Amount	%		Amount	%	Amount	%	Amount	%
<b>Current assets:</b>							<b>Current liabilities:</b>						
1100 Cash and cash equivalents (Note 6(a))	\$ 1,541,361	19	2,014,173	25	1,132,976	18	2100 Short-term borrowings (Note 6(j) and 8)	\$ 134,183	2	384,238	5	129,000	2
1110 Current financial assets at fair value through profit or loss (Note 6(b))	274,003	3	27,800	-	422,011	7	2170 Notes and accounts payables	1,958,860	24	1,690,857	21	1,018,692	16
1170 Notes and accounts receivables, net (Note 6(c)(r))	2,269,938	28	2,331,878	29	1,627,315	26	2200 Other payables	784,292	10	746,949	10	546,677	10
1200 Other receivables, net (Note 6(d))	46,664	1	31,498	1	25,584	-	2230 Current tax liabilities	41,450	1	28,800	-	25,336	-
1220 Current tax assets	23,110	-	23,110	-	23,124	-	2280 Current lease liabilities (Note 6(l))	21,556	-	26,270	-	17,631	-
130X Inventories (Note 6(e))	921,037	12	601,782	8	509,918	8	2300 Other current liabilities	33,909	-	22,162	-	24,475	-
1410 Prepayments and other current assets (Note 6(f) and h)	176,519	2	131,490	3	118,049	2	2322 Long-term borrowings, current portion (Note 6(k) and 8)	273,447	3	249,978	3	52,868	1
<b>Total current assets</b>	<b>5,252,632</b>	<b>65</b>	<b>5,161,731</b>	<b>66</b>	<b>3,858,977</b>	<b>61</b>	<b>Total current liabilities</b>	<b>3,247,697</b>	<b>40</b>	<b>3,149,254</b>	<b>39</b>	<b>1,814,679</b>	<b>29</b>
<b>Non-current assets:</b>							<b>Non-Current liabilities:</b>						
1510 Non-current financial assets at fair value through profit or loss (Note 6(b))	3,000	-	2,877	-	-	-	2540 Long-term borrowings (Note 6(k) and 8)	405,327	5	394,835	6	317,010	5
1517 Non-current financial assets at fair value through other comprehensive income (Note 6(b))	88,657	1	93,225	1	66,947	1	2570 Deferred income tax liabilities	169,694	2	169,694	2	172,769	3
1600 Property, plant and equipment (Note 6(g) and 8)	2,269,168	28	2,226,593	27	2,039,080	33	2580 Non-current lease liabilities (Note 6(l))	43,503	1	53,856	1	82,431	1
1755 Right-of-use assets (Note 6(h))	182,803	2	194,659	3	207,923	3	2640 Net defined benefit liability, non-current	24,197	-	24,436	-	25,405	-
1780 Intangible assets (Note 6(i))	17,702	-	16,671	-	18,451	-	2670 Other non-current liabilities, others	3,807	-	4,582	-	3,968	-
1840 Deferred income tax assets	47,384	1	47,384	1	18,142	-	<b>Total non-current liabilities</b>	<b>646,528</b>	<b>8</b>	<b>647,403</b>	<b>9</b>	<b>601,583</b>	<b>9</b>
1915 Prepayments for business facilities	122,215	2	103,183	1	53,063	1	<b>Total liabilities</b>	<b>3,894,225</b>	<b>48</b>	<b>3,796,657</b>	<b>48</b>	<b>2,416,262</b>	<b>38</b>
1990 Other non-current assets, others (Note 6(f) and 8)	58,067	1	61,814	1	53,860	1	<b>Equity (Note 6(p)):</b>						
<b>Total non-current assets</b>	<b>2,788,996</b>	<b>35</b>	<b>2,746,406</b>	<b>34</b>	<b>2,457,466</b>	<b>39</b>	3110 Ordinary share	601,214	8	601,214	8	601,214	10
<b>Total assets</b>	<b>\$ 8,041,628</b>	<b>100</b>	<b>7,908,137</b>	<b>100</b>	<b>6,316,443</b>	<b>100</b>	3200 Capital surplus	1,334,534	17	1,334,534	17	1,334,534	21
							Retained earnings:						
							3310 Legal reserve	349,873	4	349,873	4	303,404	5
							3320 Special reserve	50,236	1	50,236	1	-	-
							3350 Unappropriated retained earnings	1,839,509	23	1,776,915	22	1,734,568	27
							Total retained earnings	2,239,618	28	2,177,024	27	2,037,972	32
							Other equity:						
							3410 Exchange differences on translation of foreign financial statements	(49,238)	(1)	(26,973)	-	(73,539)	(1)
							3420 Unrealized gain or loss on financial assets at fair value through other comprehensive income	21,275	-	25,681	-	-	-
							Other equity	(27,963)	(1)	(1,292)	-	(73,539)	(1)
							<b>Total equity</b>	<b>4,147,403</b>	<b>52</b>	<b>4,111,480</b>	<b>52</b>	<b>3,900,181</b>	<b>62</b>
							<b>Total liabilities and equity</b>	<b>\$ 8,041,628</b>	<b>100</b>	<b>7,908,137</b>	<b>100</b>	<b>6,316,443</b>	<b>100</b>

(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 of March 31, 2021 and 2020**  
**JARLLYTEC CO., LTD. AND SUBSIDIARIES**

**Consolidated Statements of Comprehensive Income**  
**For the Three Months Ended March 31, 2021 and 2020**

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

		For the three months ended March 31,			
		2021		2020	
		Amount	%	Amount	%
4000	<b>Operating revenue (Note 6(r))</b>	\$ 1,528,126	100	982,832	100
5000	<b>Operating costs (Note 6(e)(n))</b>	1,246,664	82	837,281	85
	<b>Net gross profit</b>	281,462	18	145,551	15
	<b>Operating expenses (Note 6(c)(l)(n)(s)):</b>				
6100	Selling expenses	100,269	6	49,194	5
6200	Administrative expenses	71,841	5	63,200	7
6300	Research and development expenses	67,258	4	43,741	4
6450	Expected credit gain	(6,127)	-	(8,825)	(1)
	<b>Total operating expenses</b>	233,241	15	147,310	15
	<b>Net operating income (loss)</b>	48,221	3	(1,759)	-
	<b>Non-operating income and expenses (Note 6(l)(t)):</b>				
7010	Other income	37,622	3	23,318	3
7020	Other gains and losses, net	4,940	-	11,899	1
7050	Finance cost	(3,055)	-	(2,665)	-
7100	Interest income	2,553	-	2,382	-
	<b>Total non-operating income and expenses</b>	42,060	3	34,934	4
	<b>Profit from continuing operations before tax</b>	90,281	6	33,175	4
7950	<b>Less: Income tax expenses (Note 6(o))</b>	27,687	2	17,135	2
	<b>Profit</b>	62,594	4	16,040	2
8300	<b>Other comprehensive income:</b>				
8310	<b>Components of other comprehensive income (loss) that will not be reclassified to profit or loss</b>				
8316	Unrealized gains from investments in equity instruments measured at fair value through other comprehensive income	(4,406)	-	-	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
	<b>Components of other comprehensive income (loss) that will not be reclassified to profit or loss</b>	(4,406)	-	-	-
8360	<b>Components of other comprehensive income (loss) that will be reclassified to profit or loss</b>				
8361	Exchange differences on translation of foreign financial statements	(22,265)	(2)	(23,303)	(2)
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
	<b>Components of other comprehensive income (loss) that will be reclassified to profit or loss</b>	(22,265)	(2)	(23,303)	(2)
8300	<b>Other comprehensive income, net of tax</b>	(26,671)	(2)	(23,303)	(2)
8500	<b>Total comprehensive income</b>	<u>\$ 35,923</u>	<u>2</u>	<u>(7,263)</u>	<u>-</u>
	<b>Earnings per share (NT dollars) (Note 6(q)):</b>				
9750	<b>Basic earnings per share</b>	<u>\$ 1.04</u>		<u>0.27</u>	
9850	<b>Diluted earnings per share</b>	<u>\$ 1.04</u>		<u>0.26</u>	

(See accompanying notes to financial statements)

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**JARLLYTEC CO., LTD. AND SUBSIDIARIES**

**Consolidated Statements of Changes in Equity**

**For the Three Months Ended March 31, 2021 and 2020**

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent					Other equity		Total 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	
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings			
<b>Balance at January 1, 2020</b>	\$ 601,214	1,334,534	303,404	-	1,718,528	(50,236)	-	3,907,444
Profit	-	-	-	-	16,040	-	-	16,040
Other comprehensive income	-	-	-	-	-	(23,303)	-	(23,303)
Total comprehensive income	-	-	-	-	16,040	(23,303)	-	(7,263)
<b>Balance at March 31, 2020</b>	<b>\$ 601,214</b>	<b>1,334,534</b>	<b>303,404</b>	<b>-</b>	<b>1,734,568</b>	<b>(73,539)</b>	<b>-</b>	<b>3,900,181</b>
<b>Balance at January 1, 2021</b>	\$ 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
<b>Balance at March 31, 2021</b>	<b>\$ 601,214</b>	<b>1,334,534</b>	<b>349,873</b>	<b>50,236</b>	<b>1,839,509</b>	<b>(49,238)</b>	<b>21,275</b>	<b>4,147,403</b>

(See accompanying notes to financial statements)

**JARLLYTEC CO., LTD. AND SUBSIDIARIES**

**Consolidated Statements of Cash Flows**

**For the Three Months Ended March 31, 2021 and 2020**

(Expressed in Thousands of New Taiwan Dollars)

	<b>For the three months ended March 31,</b>	
	<b>2021</b>	<b>2020</b>
<b>Cash flows from operating activities:</b>		
<b>Profit before tax</b>	\$ 90,281	33,175
<b>Adjustments:</b>		
Adjustments to reconcile profit (loss)		
Depreciation expense	58,699	52,962
Amortization expense	6,330	4,576
Expected credit gain	(6,127)	(8,825)
Interest expense	3,055	2,665
Interest revenue	(2,553)	(2,382)
Dividend revenue	(4,858)	(5,418)
Loss from disposal of property, plant and equipment	269	-
Net profit on financial assets or liabilities at fair value through profit or loss	(336)	-
Total adjustments to reconcile profit (loss)	54,479	43,578
Changes in operating assets and liabilities:		
Current financial assets at fair value through profit or loss	(1,640)	-
Notes receivables	(221)	(58)
Accounts receivables	68,288	383,834
Other receivables	(15,883)	10,093
Inventories	(319,255)	29,497
Prepayments	(46,290)	(404)
Other current assets	(5,543)	20,979
Notes payables	11,543	(10,112)
Accounts payables	256,460	(273,422)
Other payables	37,457	(91,294)
Other current liabilities	11,747	13,081
Net defined benefit liability	(239)	(1,043)
Total changes in operating assets and liabilities	(3,576)	81,151
Total adjustments	50,903	124,729
Cash inflow generated from operations	141,184	157,904
Interest received	3,270	2,255
Interest paid	(2,581)	(2,627)
Income taxes paid	(15,037)	(40,571)
<b>Net cash flows from operating activities</b>	126,836	116,961
<b>Cash flows used in investing activities:</b>		
Acquisition of financial assets at fair value through profit or loss	(469,804)	(817,726)
Proceeds from disposal of financial assets at fair value through profit or loss	225,454	395,715
Acquisition of property, plant and equipment	(108,033)	(144,832)
Proceeds from disposal of property, plant and equipment	9,735	68
Acquisition of intangible assets	(2,594)	(1,706)
Decrease (increase) in prepayments for equipment	(19,032)	80,374
Increase in other non-current-assets	(1,074)	(6,309)
Dividends received	4,858	5,418
<b>Net cash flows used in investing activities</b>	(360,490)	(488,998)
<b>Cash flows from financing activities:</b>		
Increase (decrease) in short-term borrowings	(250,055)	36,900
Proceeds from long-term borrowings	197,758	61,322
Repayments of long-term borrowings	(163,797)	-
Payment of lease liabilities	(10,657)	(12,116)
Decrease in other non-current liabilities	(775)	(46)
<b>Net cash flows (outflows) from financing activities</b>	(227,526)	86,060
<b>Effect of exchange rate changes on cash and cash equivalents</b>	(11,632)	(16,569)
<b>Net decrease in cash and cash equivalents</b>	(472,812)	(302,546)
<b>Cash and cash equivalents at beginning of period</b>	2,014,173	1,435,522
<b>Cash and cash equivalents at end of period</b>	\$ 1,541,361	1,132,976

(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 of March 31, 2021 and 2020**

## **JARLLYTEC CO., LTD. AND SUBSIDIARIES**

### **Notes to the Consolidated Financial Statements**

#### **For the Three Months Ended March 31, 2021 and 2020**

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

#### **(1) Company history**

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

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

These consolidated financial statements were authorized for issue by the Board of Directors on May 6, 2021.

#### **(3) New standards, amendments and interpretations adopted**

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

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2021.

- Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform – Phase 2”

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

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on April 1, 2021, would not have a significant impact on its consolidated financial statements.

- Amendments to IFRS 16 “Covid-19-Related Rent Concessions beyond 30 June 2021”

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

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

**JARLLYTEC CO., LTD. AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

**For the Three Months Ended March 31, 2021 and 2020**

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

<u>Standards or Interpretations</u>	<u>Content of amendment</u>	<u>Effective date per IASB</u>
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	<p>The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.</p> <p>The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.</p>	January 1, 2023
Amendments to IAS 37 “Onerous contracts-cost of fulfilling a contract”	<p>The amendments specify that the ‘cost of fulfilling’ a contract comprises the ‘costs that relate directly to the contract’:</p> <ul style="list-style-type: none"><li>• Incremental costs of fulfilling that contract – e.g., direct labor and materials; and</li><li>• An allocation of other costs that relate directly to fulfilling contracts – e.g., the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract.</li></ul>	January 1, 2022

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 16 “Property, Plant and Equipment – Proceeds before Intended Use”
- Amendments to IFRS 16 “Covid-19-Related Rent Concessions beyond 30 June 2021 that extends by one year”
- Annual Improvements to IFRS Standards 2018 2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”
- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”

**JARLLYTEC CO., LTD. AND SUBSIDIARIES****Notes to the Consolidated Financial Statements****For the Three Months Ended March 31, 2021 and 2020**

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

**(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, 2020. For the related information, please refer to note 4 of the consolidated financial statements for the year ended December 31, 2020.

## (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
			2021.3.31	2020.12.31	2020.3.31	
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%	- %	Note 1、Note 3
Great Hinge	Main Source Logistic Ltd. (Main Source)	Electronic professional equipment, tools/molds sales business	100%	100%	100%	Note 1
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%	-
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%	-

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## **JARLLYTEC CO., LTD. AND SUBSIDIARIES**

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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%	-
Royal Jarlly	Jarllytec (Thailand) Co., Ltd. (Jarllytec Thailand)	Production and sales business of precision hinges	100%	100%	100%	Note 1、Note 2

Note 1: Insignificant subsidiary.

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

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

(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 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, 2020. For related information, please refer to note 5 of the consolidated financial statements for the year ended December 31, 2020.

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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, 2020. Please refer to Note 6 of the consolidated financial statements for the year ended December 31, 2020.

(a) Cash and cash equivalents

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Cash on hand	\$ 851	818	682
Demand deposits	1,255,160	1,785,515	1,011,394
Time deposits	285,350	227,840	120,900
	<u>\$ 1,541,361</u>	<u>2,014,173</u>	<u>1,132,976</u>

Please refer to Note 6(21) for the exchange rate risk, interest rate risk, and sensitivity analysis of the financial assets and liabilities of the Group.

(b) Financial instruments

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

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Current mandatorily measured at fair value through profit or loss			
Domestic stocks	\$ 20,653	18,786	-
Open-ended funds	9,000	9,014	-
investment product	244,350	-	422,011
	<u>\$ 274,003</u>	<u>27,800</u>	<u>422,011</u>
Non-current mandatorily measured at fair value through profit or loss			
Private offered funds	<u>\$ 3,000</u>	<u>2,877</u>	<u>-</u>

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

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Equity investments at fair value through other comprehensive income-non-current:			
Stocks unlisted on domestic market-Taiwan	\$ 67,415	71,821	46,140
Stocks unlisted on domestic market-China	<u>21,242</u>	<u>21,404</u>	<u>20,807</u>
Total	<u><u>\$ 88,657</u></u>	<u><u>93,225</u></u>	<u><u>66,947</u></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, 2021, December 31, 2020 and March 31, 2020, the aforementioned financial assets were not pledged as collateral.

(c) Notes and accounts receivables

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Notes receivables	\$ 881	660	222
Accounts receivables	2,271,509	2,339,810	1,630,108
Less: loss allowance	<u>(2,452)</u>	<u>(8,592)</u>	<u>(3,015)</u>
	<u><u>\$ 2,269,938</u></u>	<u><u>2,331,878</u></u>	<u><u>1,627,315</u></u>

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

	<u>March 31, 2021</u>		
	<u>Gross carrying amount</u>	<u>Weighted-average loss rate</u>	<u>Loss allowance provision</u>
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	<u>11,656</u>	50%~100%	<u>1,688</u>
	<u><u>\$ 2,272,390</u></u>		<u><u>2,452</u></u>

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	<b>December 31, 2020</b>		
	<b>Gross carrying amount</b>	<b>Weighted-average loss rate</b>	<b>Loss allowance provision</b>
Current	\$ 2,275,531	0%~1%	-
1 to 30 days past due	22,870	0%~1%	-
31 to 60 days past due	26,536	0%~1%	338
61 to 90 days past due	7,681	0%~1%	402
More than 90 days past due	7,852	50%~100%	7,852
	<b><u>\$ 2,340,470</u></b>		<b><u>8,592</u></b>
	<b>March 31, 2020</b>		
	<b>Gross carrying amount</b>	<b>Weighted-average loss rate</b>	<b>Loss allowance provision</b>
Current	\$ 1,541,057	0%	-
1 to 30 days past due	65,272	0%	-
31 to 60 days past due	20,216	1%	202
61 to 90 days past due	981	1%	9
More than 90 days past due	2,804	100%	2,804
	<b><u>\$ 1,630,330</u></b>		<b><u>3,015</u></b>

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

	<b>For the three months ended March 31,</b>	
	<b>2021</b>	<b>2020</b>
Balance at January 1	8,592	11,798
Impairment losses reversed	(6,127)	(8,825)
Foreign exchange gain (loss)	(13)	42
Balance at December 31	<b><u>2,452</u></b>	<b><u>3,015</u></b>

(d) Other receivables

	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
Other accounts receivable-loans	\$ -	5,000	10,000
Overpaid business tax returned	11,785	12,946	8,602
Interest receivable	561	1,278	1,029
Others	34,318	12,274	5,953
	<b><u>\$ 46,664</u></b>	<b><u>31,498</u></b>	<b><u>25,584</u></b>

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

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(e) Inventories

	<b>March 31,</b> <b>2021</b>	<b>December 31,</b> <b>2020</b>	<b>March 31,</b> <b>2020</b>
Raw materials and supplies	\$ 314,389	151,004	127,373
Work in process	148,565	105,110	114,696
Finished goods	458,083	345,668	267,849
	<b><u>\$ 921,037</u></b>	<b><u>601,782</u></b>	<b><u>509,918</u></b>

(i) 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.

(ii) For the three months ended March 31, 2020, the amount of the loss on valuation of inventories was NT\$26,562, wherein such loss was included in cost of sales.

(iii) As of March 31, 2021, December 31, 2020 and March 31, 2020, the inventories were not pledged.

(f) Other current assets and others

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

	<b>March 31,</b> <b>2021</b>	<b>December 31,</b> <b>2020</b>	<b>March 31,</b> <b>2020</b>
Prepayment for mold	\$ 30,876	25,798	20,644
Other prepayments	23,029	14,767	33,973
Input tax	8,356	440	2,449
Tax overpaid	75,686	57,458	20,751
Other financial assets	12,084	15,021	20,939
Others	26,488	18,006	19,293
Total prepayments and other current assets	<b><u>\$ 176,519</u></b>	<b><u>131,490</u></b>	<b><u>118,049</u></b>
Other deferred expenses	\$ 46,328	49,558	40,707
Refundable deposits	8,979	8,725	9,551
Other financial assets	1,141	1,139	1,209
Others	1,619	2,392	2,393
Total other noncurrent assets	<b><u>\$ 58,067</u></b>	<b><u>61,814</u></b>	<b><u>53,860</u></b>

As of March 31, 2021, December 31, 2020 and March 31, 2020, other financial assets pledged as collateral for Forward Exchange Transaction and investment product were NT\$1,315 NT\$2,314 and NT\$2,379. 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 March 31, 2021 and 2020 were as follows:

	Land	Buildings and construction	Machine and equipment	Mold equipment	Rental equipment	Other facilities	Construction in progress and testing equip	Total
Cost:								
Balance at January 1, 2021	\$ 1,057,119	519,597	1,171,787	3,618	183,708	152,272	61,304	3,149,405
Additions	-	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>1,243,109</u>	<u>3,613</u>	<u>82,065</u>	<u>169,070</u>	<u>67,224</u>	<u>3,231,830</u>
Balance at January 1, 2020	\$ 1,016,281	445,126	892,526	9,540	180,686	132,135	31,131	2,707,425
Additions	-	3,402	111,982	-	-	8,231	21,217	144,832
Reclassifications	-	6,329	-	-	-	-	(6,329)	-
Disposals	-	-	(629)	-	-	(81)	-	(710)
Effect of movements in exchange	-	(2,275)	(2,288)	(8)	(2,099)	(670)	-	(7,340)
Balance at March 31, 2020	<u>\$ 1,016,281</u>	<u>452,582</u>	<u>1,001,591</u>	<u>9,532</u>	<u>178,587</u>	<u>139,615</u>	<u>46,019</u>	<u>2,844,207</u>
Accumulated depreciation:								
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>
Balance at January 1, 2020	\$ -	123,721	492,148	9,479	54,857	87,228	-	767,433
Depreciation	-	4,939	31,458	-	1,348	3,821	-	41,566
Disposals	-	-	(567)	-	-	(75)	-	(642)
Effect of movements in exchange	-	(744)	(1,381)	(7)	(637)	(461)	-	(3,230)
Balance at March 31, 2020	<u>\$ -</u>	<u>127,916</u>	<u>521,658</u>	<u>9,472</u>	<u>55,568</u>	<u>90,513</u>	<u>-</u>	<u>805,127</u>
Carrying amounts								
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>390,168</u>	<u>598,239</u>	<u>61</u>	<u>88,708</u>	<u>69,401</u>	<u>67,224</u>	<u>2,269,168</u>
Balance at January 1, 2020	<u>\$ 1,016,281</u>	<u>321,405</u>	<u>400,378</u>	<u>61</u>	<u>125,829</u>	<u>44,907</u>	<u>31,131</u>	<u>1,939,992</u>
Balance at March 31, 2020	<u>\$ 1,016,281</u>	<u>324,666</u>	<u>479,933</u>	<u>60</u>	<u>123,019</u>	<u>49,102</u>	<u>46,019</u>	<u>2,039,080</u>

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

(h) Right-of-use assets

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

	<u>Land</u>	<u>Buildings and construction</u>	<u>Other equipment</u>	<u>Total</u>
Cost:				
Balance at January 1, 2021	\$ 107,112	167,823	487	275,422
Effect of movements in exchange	<u>(808)</u>	<u>(1,252)</u>	<u>-</u>	<u>(2,060)</u>
Balance at March 31, 2021	<b><u>\$ 106,304</u></b>	<b><u>166,571</u></b>	<b><u>487</u></b>	<b><u>273,362</u></b>
Balance at January 1, 2020	\$ 105,350	145,286	487	251,123
Additions	-	7,827	-	7,827
Effect of movements in exchange	<u>(1,223)</u>	<u>(1,661)</u>	<u>-</u>	<u>(2,884)</u>
Balance at March 31, 2020	<b><u>\$ 104,127</u></b>	<b><u>151,452</u></b>	<b><u>487</u></b>	<b><u>256,066</u></b>
Accumulated depreciation and impairment losses:				
Balance at January 1, 2021	\$ 5,637	74,749	377	80,763
Depreciation	705	9,693	46	10,444
Others	-	56	-	56
Effect of movements in exchange	<u>(48)</u>	<u>(656)</u>	<u>-</u>	<u>(704)</u>
Balance at March 31, 2021	<b><u>\$ 6,294</u></b>	<b><u>83,842</u></b>	<b><u>423</u></b>	<b><u>90,559</u></b>
Balance at January 1, 2020	\$ 2,772	34,351	189	37,312
Depreciation	694	10,655	47	11,396
Effect of movements in exchange	<u>(41)</u>	<u>(524)</u>	<u>-</u>	<u>(565)</u>
Balance at March 31, 2020	<b><u>\$ 3,425</u></b>	<b><u>44,482</u></b>	<b><u>236</u></b>	<b><u>48,143</u></b>
Carrying amount:				
Balance at January 1, 2021	<b><u>\$ 101,475</u></b>	<b><u>93,074</u></b>	<b><u>110</u></b>	<b><u>194,659</u></b>
Balance at March 31, 2021	<b><u>\$ 100,010</u></b>	<b><u>82,729</u></b>	<b><u>64</u></b>	<b><u>182,803</u></b>
Balance at January 1, 2020	<b><u>\$ 102,578</u></b>	<b><u>110,935</u></b>	<b><u>298</u></b>	<b><u>213,811</u></b>
Balance at March 31, 2020	<b><u>\$ 100,702</u></b>	<b><u>106,970</u></b>	<b><u>251</u></b>	<b><u>207,923</u></b>

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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, 2021	\$ 100,675
Additions	2,594
Effect of movement in exchange rates	<u>(247)</u>
Balance at March 31, 2021	<u><b>\$ 103,022</b></u>
Balance at January 1, 2020	\$ 96,172
Additions	1,706
Effect of movement in exchange rates	<u>(339)</u>
Balance at March 31, 2020	<u><b>\$ 97,539</b></u>
Accumulated amortization and impairment losses:	
Balance at January 1, 2021	\$ 84,004
Amortization for the period	1,509
Effect of movement in exchange rates	<u>(193)</u>
Balance at March 31, 2021	<u><b>\$ 85,320</b></u>
Balance at January 1, 2020	\$ 77,954
Amortization for the period	1,403
Effect of movement in exchange rates	<u>(269)</u>
Balance at March 31, 2020	<u><b>\$ 79,088</b></u>
Carrying amounts :	
Balance at January 1, 2021	<u><b>\$ 16,671</b></u>
Balance at March 31, 2021	<u><b>\$ 17,702</b></u>
Balance at January 1, 2020	<u><b>\$ 18,218</b></u>
Balance at March 31, 2020	<u><b>\$ 18,451</b></u>

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

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(j) Short-term borrowings

	March 31, 2021	December 31, 2020	March 31, 2020
Secured bank loans	\$ 134,183	234,238	59,000
Unsecured bank loans	-	150,000	70,000
Total	<u>\$ 134,183</u>	<u>384,238</u>	<u>129,000</u>
Unused short-term credit lines	<u>\$ 879,000</u>	<u>630,000</u>	<u>770,500</u>
Range of interest rates	<u>0.79%~1.71%</u>	<u>0.83%~2.38%</u>	<u>1.00%~1.90%</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, 2021			
	Currency	Interest range	Expiration	Amount
Secured bank loans	TWD	0.66%~0.91%	110~118	\$ 320,494
Unsecured bank loans	TWD	0.35%~0.88%	110~113	358,280
Less: current portion				<u>(273,447)</u>
Total				<u>\$ 405,327</u>
Unused long-term credit lines				<u>\$ 886,602</u>

	December 31, 2020			
	Currency	Interest range	Expiration	Amount
Secured bank loans	TWD	0.66%~1.15%	110~118	\$ 404,244
Unsecured bank loans	TWD	0.35%~0.88%	110	240,569
Less: current portion				<u>(249,978)</u>
Total				<u>\$ 394,835</u>
Unused long-term credit lines				<u>\$ 950,737</u>

	March 31, 2020			
	Currency	Interest range	Expiration	Amount
Secured bank loans	TWD	0.66%~1.16%	113~118	\$ 316,274
Unsecured bank loans	TWD	0.60%~0.65%	113	53,604
Less: current portion				<u>(52,868)</u>
Total				<u>\$ 317,010</u>
Unused long-term credit lines				<u>\$ 756,922</u>

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(i) Borrowings issue and repayment

The long-term borrowings amounted to NT\$197,758 thousand and NT\$61,322 thousand for the three-month periods ended March 31, 2021 and 2020, respectively; the repayment amounts were NT\$163,797 thousand and NT\$0.

(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:

	<u>March 31,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>	<u>March 31,</u> <u>2020</u>
Current	<u>\$ 21,556</u>	<u>26,270</u>	<u>17,631</u>
Non-current	<u>\$ 43,503</u>	<u>53,856</u>	<u>82,431</u>

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

The amount recognized in profit or loss were as follows:

	<u>For the three months ended March 31,</u>	
	<u>2021</u>	<u>2020</u>
Interest on lease liabilities	<u>\$ 588</u>	<u>1,153</u>
Expenses relating to short-term leases	<u>\$ 3,758</u>	<u>4,428</u>

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

	<u>For the three months ended March 31,</u>	
	<u>2021</u>	<u>2020</u>
Total cash outflow for leases	<u>\$ 15,059</u>	<u>17,697</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:

	<u>March 31,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>	<u>March 31,</u> <u>2020</u>
Less than one year	\$ 24,348	20,822	28,764
One to two years	20,101	18,238	24,110
Two to three years	13,903	13,497	19,765
Three to four years	8,403	9,985	13,682
Four to five years	5,234	6,828	8,277
Over five years	-	-	5,155
	<u>\$ 71,989</u>	<u>69,370</u>	<u>99,753</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 event in the prior reporting date, pension cost in the interim financial statement is measured and disclosed in accordance with the actuarial report measured on December 31, 2020 and 2019.

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

	<u>For the three months ended March 31,</u>	
	<u>2021</u>	<u>2020</u>
Operating costs	\$ -	-
Operating expenses	\$ -	-

(ii) Defined contribution plans

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

	<u>For the three months ended March 31,</u>	
	<u>2021</u>	<u>2020</u>
Operating costs	\$ 7,907	3,880
Operating expenses	\$ 3,751	1,972

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(o) Income taxes

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

	<u>For the three months ended March 31,</u>	
	<u>2021</u>	<u>2020</u>
Current tax expense		
Current period	\$ 27,687	17,135
Deferred tax expense		
Origination and reversal of temporary differences	-	-
	<u>\$ 27,687</u>	<u>17,135</u>

(ii) The Group's tax returns for the years through 2018 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, 2021 and 2020. For the related information, please refer to Note 6(p) of the consolidated financial statements for the year ended December 31, 2020.

(i) Ordinary shares

As of March 31, 2021, December 31, 2020 and March 31, 2020, the number of authorized ordinary share each consisted were \$1,000,000, \$1,000,000 and \$700,000, respectively. In addition, the issuance of ordinary shares each consisted of 60,121 thousand, with a par value of \$10 per share.

(ii) Capital surplus

The balances of capital surplus were as follows:

	<u>March 31,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>	<u>March 31,</u> <u>2020</u>
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 article of incorporation stipulate that any Company's net earnings should first be used to offset the prior years' deficits, before paying any income taxes. Then 10% of the remaining balance is to be appropriated as legal reserve, unless such legal reserve has amounted to the paid-in capital. The remainder, if any, should be set aside as special reserve in accordance with the operating requirement and the laws, together with any undistributed retained earnings that can be distributed up to 90% of the shareholder dividend after the board of directors has made the proposal of earnings distribution, wherein the distributable dividend and bonus may be paid by issuing new shares after a resolution has been adopted in the shareholders' meeting.

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

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

1) Legal reserve

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

2) Special reserve

In accordance with Ruling No. 1010012865 issued by the FSC on April 6, 2012, 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 2020 and 2019 had been approved during the board meetings on May 6, 2021 and May 6, 2020, respectively. The relevant dividend distributions to shareholders were as follows:

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

(iv) OCI accumulated in reserves, net of tax

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Total
Balance at January 1, 2021	\$ (26,973)	25,681	(1,292)
Exchange differences on foreign operations	(22,265)	-	(22,265)
Unrealized gains (losses) 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>
Balance at January 1, 2020	\$ (50,236)	-	(50,236)
Exchange differences on foreign operations	(23,303)	-	(23,303)
Balance at March 31, 2020	<u>\$ (73,539)</u>	<u>-</u>	<u>(73,539)</u>

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(q) Earnings per share

	For the three months ended March 31,	
	2021	2020
<b>Basic earnings per share</b>		
Profit attributable to ordinary shareholders of the Company	\$ <u>62,594</u>	<u>16,040</u>
Weighted average number of ordinary shares at March 31 (in thousands)	<u>60,121</u>	<u>60,121</u>
Basic earnings per share (in dollars)	<u>1.04</u>	<u>0.27</u>
<b>Diluted earnings per share</b>		
Profit attributable to ordinary shareholders of the Company	\$ <u>62,594</u>	<u>16,040</u>
Weighted average number of ordinary shares at March 31 (in thousands)	60,121	60,121
Effect of employee share bonus (in thousands)	236	531
Weighted average number of ordinary shares (diluted) at March 31 (in thousands)	<u>60,357</u>	<u>60,652</u>
Diluted earnings per share (in dollars)	<u>\$ 1.04</u>	<u>0.26</u>

(r) Revenue from contracts with customers

(i) Details of revenue

	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
	<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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	<u>For the three months ended March 31,</u>		
	<u>2020</u>		
	<u>Hinge department</u>	<u>Fiber optic department</u>	<u>Total</u>
Primary geographical markets:			
China	\$ 909,596	9,250	918,846
America	14,530	19,476	34,006
Thailand	6,456	-	6,456
Taiwan	16,874	382	17,256
Other country	4,773	1,495	6,268
Total	<u>\$ 952,229</u>	<u>30,603</u>	<u>982,832</u>
Main product/service line:			
Electronic component manufacturing and sales	<u>\$ 952,229</u>	<u>30,603</u>	<u>982,832</u>

(ii) Contract balances

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
tes receivables	\$ 881	660	222
counts receivables	2,271,509	2,339,810	1,630,108
ss: loss allowance	(2,452)	(8,592)	(3,015)
tal	<u>\$ 2,269,938</u>	<u>2,331,878</u>	<u>1,627,315</u>

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

(s) Remuneration to employees, and directors

The 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.

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For the three-months period ended March 31, 2021 and 2020, the Company accrued and recognized its employee remuneration amounting to \$4,891 and \$1,801, respectively; as well as its remuneration to directors amounting to \$1,199 and \$447, respectively. These amounts were calculated by using the Company's pre-tax net profit for the period before deducting the amounts of the remuneration to employees and directors, multiplied by the distribution of ratio of the remuneration to employees and directors based on the Company's articles of incorporation, and expensed under operating expenses. If there is difference between the aforementioned distribution and the estimation, it will be dealt with changes in accounting estimation, and will be recognized in profit or loss next year.

As of December 31, 2020 and 2019, the Company recognized its employee compensation of \$17,926 and \$45,248, respectively, and its remuneration to directors of \$4,481 and \$11,312, respectively. There was no difference between the aforementioned distribution approved in the board of directors and the estimation in the 2020 and 2019 consolidated financial statements. Related information is available on the MOPS.

(t) Non-operating income and expenses

(i) Interest income

The details of interest income were as follows:

	<b>For the three months ended March 31,</b>	
	<b>2021</b>	<b>2020</b>
Interest income from bank deposits	\$ 2,462	2,382
Other interest income	91	-
	<b>\$ 2,553</b>	<b>2,382</b>

(ii) Other income

The details of other income were as follows:

	<b>For the three months ended March 31,</b>	
	<b>2021</b>	<b>2020</b>
Rent income	\$ 9,927	10,703
Dividend income	4,858	5,418
Sample income	12,887	711
Mold income	2,804	1,667
Others	7,146	4,819
	<b>\$ 37,622</b>	<b>23,318</b>

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(iii) Other gains and losses

The details of other gains and losses were as follows:

	<b>For the three months ended March 31,</b>	
	<b>2021</b>	<b>2020</b>
Losses on disposal of property, plant and equipment	\$ (269)	-
Gains on financial assets at fair value through profit or loss	3,435	-
Compensation paid	-	(576)
Sample expenses	(3,620)	(2,706)
Mold expenses	(1,942)	(1,858)
Foreign exchange gains	10,882	20,039
Others	(3,546)	(3,000)
	<b>\$ 4,940</b>	<b>11,899</b>

(iv) Finance costs

The details of finance costs were as follows:

	<b>For the three months ended March 31,</b>	
	<b>2021</b>	<b>2020</b>
Interest expense	<b>\$ 3,055</b>	<b>2,665</b>

(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, 2020.

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(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
<b>March 31, 2021</b>							
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
	<b>\$ 3,621,168</b>	<b>3,633,953</b>	<b>3,098,715</b>	<b>80,960</b>	<b>158,039</b>	<b>268,354</b>	<b>27,885</b>
<b>December 31, 2020</b>							
Non derivative financial liabilities							
Short-term borrowings	\$ 384,238	384,939	384,939	-	-	-	-
Notes and accounts payable	1,690,857	1,690,857	1,690,857	-	-	-	-
Other payables	746,949	746,949	746,949	-	-	-	-
Lease liabilities	80,126	88,160	21,634	21,691	30,090	14,745	-
Long-term borrowings (current portion included)	644,813	653,812	194,536	59,010	117,495	252,272	30,499
	<b>\$ 3,546,983</b>	<b>3,564,717</b>	<b>3,038,915</b>	<b>80,701</b>	<b>147,585</b>	<b>267,017</b>	<b>30,499</b>
<b>March 31, 2020</b>							
Non derivative financial liabilities							
Short-term borrowings	\$ 129,000	129,195	129,195	-	-	-	-
Notes and accounts payable	1,018,692	1,018,692	1,018,692	-	-	-	-
Other payables	546,677	546,677	546,677	-	-	-	-
Lease liabilities	100,062	117,862	19,789	17,596	28,531	51,946	-
Long-term borrowings (current portion included)	369,878	379,955	14,464	42,147	89,455	225,037	8,852
	<b>\$ 2,164,309</b>	<b>2,192,381</b>	<b>1,728,817</b>	<b>59,743</b>	<b>117,986</b>	<b>276,983</b>	<b>8,852</b>

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, 2021			December 31, 2020			March 31, 2020		
	Foreign currency	Exchange rate	New Taiwan Dollars	Foreign currency	Exchange rate	New Taiwan Dollars	Foreign currency	Exchange rate	New Taiwan Dollars
<b>Financial assets</b>									
<b>Monetary items</b>									
USD	\$ 105,432	28.535	3,008,497	109,503	28.480	3,118,649	55,024	30.225	1,663,100
<b>Financial liabilities</b>									
<b>Monetary items</b>									
USD	33,407	28.535	953,275	31,487	28.480	896,739	9,486	30.225	286,714

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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, 2021 and 2020 would have increased (decreased) the net profit before tax by \$102,762 and \$68,819, respectively. The analysis for the two periods were 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-month periods ended March 31, 2021 and 2020, the foreign exchange gain (loss) (including realized and unrealized portions) amounted to \$10,882 and \$20,039, 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 \$2,032 and \$1,247 for the three-month periods ended March 31, 2021 and 2020, assuming all other variable factors remain constant. This is mainly due to the Group's borrowing in floating variable rates and investment in variable-rate bills.

(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, 2020				
	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss	\$ 422,011	-	-	422,011	422,011
Financial assets at fair value through other comprehensive income	66,947	-	-	66,947	66,947
Financial assets measured at amortized cost					
Cash and cash equivalents	1,132,976	-	-	-	-
Notes and accounts receivable	1,627,315	-	-	-	-
Other receivables	25,584	-	-	-	-
Subtotal	2,785,875	-	-	-	-
Total	<u>\$ 3,274,833</u>	<u>-</u>	<u>-</u>	<u>488,958</u>	<u>488,958</u>
Financial liabilities at amortized cost					
Short-term borrowings	\$ 129,000	-	-	-	-
Notes and accounts payable	1,018,692	-	-	-	-
Other payables	546,677	-	-	-	-
Lease liabilities	100,062	-	-	-	-
Long-term borrowings (current portion included)	369,878	-	-	-	-
Subtotal	2,164,309	-	-	-	-
Total	<u>\$ 2,164,309</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:

<u>Item</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Inter-relationship between significant unobservable inputs and fair value measurement</u>
Financial assets at fair value through other comprehensive income (Available-for-sale financial assets) equity investments without an active market	Net Asset Value Method	<ul style="list-style-type: none"> <li>• Net asset value</li> <li>• The market illiquidity discount rate (30% on March 31, 2021 and December 31, 2020, and 20% on March 31, 2020)</li> </ul>	• The market illiquidity discount 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:

	<u>Input</u>	<u>Assumptions</u>	<u>Profit or loss</u>		<u>Other comprehensive income</u>	
			<u>Favorable</u>	<u>Unfavorable</u>	<u>Favorable</u>	<u>Unfavorable</u>
<b>March 31, 2021</b>						
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)
<b>December 31, 2020</b>						
Financial assets at fair value through profit or loss – Private offered funds	Net asset value	5%	144	(144)	-	-
Financial assets at fair value through other comprehensive income						
Equity investments without an active market	30%	5%	-	-	4,661	(4,661)
<b>March 31, 2020</b>						
Financial assets at fair value through other comprehensive income						
Equity investments without an active market	20%	5%	-	-	3,347	(3,347)

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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, 2020.

(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, 2020. There were no significant changes of quantitative data of capital management compared with the consolidated financial statements for the year ended December 31, 2020. Please refer to Note 6(w) of the consolidated financial statements for the year ended December 31, 2020.

**(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:

	<b>For the three months ended March 31,</b>	
	<b>2021</b>	<b>2020</b>
Short-term employee benefits	\$ 5,797	4,247
Post-employment benefits	133	112
	<b>\$ 5,930</b>	<b>4,359</b>

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**(8) Pledged assets**

The carrying values of pledged assets were as follows:

<u>Pledged assets</u>	<u>Object</u>	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Land	Secured loans	\$ 1,016,281	1,016,281	1,016,281
Buildings	Secured loans	230,661	241,154	193,307
Bank deposits (classified as prepayments and other current assets)	Performance guarantee	-	1,000	1,000
Bank guarantee (classified as prepayments and other current assets)	Performance guarantee	174	175	170
Bank deposits (classified as other non-current assets-other)	Performance guarantee	1,141	1,139	1,209
		<u>\$ 1,248,257</u>	<u>1,259,749</u>	<u>1,211,967</u>

**(9) Commitments and contingencies**

The Group's significant contractual commitments were as follows:

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Acquisition of property, plant and equipment	<u>\$ 129,311</u>	<u>90,432</u>	<u>128,205</u>

**(10) Losses due to major disasters: None.**

**(11) Subsequent events: None.**

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**(12) Other**

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

By item	By function	2021			2020		
		Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Employee benefits							
Salaries		203,211	89,968	293,179	102,474	64,600	167,074
Labor and health insurance		9,285	5,197	14,482	7,668	4,832	12,500
Pension		7,907	3,751	11,658	3,880	1,972	5,852
Remuneration of directors		-	1,679	1,679	-	927	927
Others		10,462	5,933	16,395	5,505	5,006	10,511
Depreciation		50,978	7,721	58,699	45,901	7,061	52,962
Amortization		2,107	4,223	6,330	1,153	3,423	4,576

**(13) Other disclosures**

## (a) Information on significant transactions

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

## (i) Loans to other parties:

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Nature of financing (Note 3)	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits (Note 1 & 2)	Maximum limit of fund financing (Note 1 & 2)
													Item	Value		
0	The Company	Jason Precision Technology Co., Ltd.	Other receivables	Yes	40,000	20,000	8,000 (Note 4)	2%	2	-	Operating turnover	-	-	-	552,987	1,658,961
0	The Company	Chian Fuh Enterprise Co., Ltd.	Other receivables	No	5,000	5,000	-	2%	2	-	Operating turnover	-	(Note 5)	-	552,987	1,658,961
1	Jarilly Technology (Shanghai) Co., Ltd.	Kunshan Jarilly Electronics Ltd.	Other receivables	Yes	17,376	-	-	2%	2	-	Operating turnover	-	-	-	283,843	283,843
2	Fu Qing Jarilly Electronics Co., Ltd.	Xiamen Jarilly Electronics Co., Ltd.	Other receivables	Yes	65,160	65,160	52,128 (Note 4)	2%	2	-	Operating turnover	-	-	-	547,342	547,342
2	Fu Qing Jarilly Electronics Co., Ltd.	Kunshan Jarilly Electronics Ltd.	Other receivables	Yes	65,160	65,160	65,160 (Note 4)	2%	2	-	Operating turnover	-	-	-	547,342	547,342
3	Jarilly Technology (Chongqing) Co., Ltd.	Kunshan Jarilly Electronics Ltd.	Other receivables	Yes	30,408	30,408	30,408 (Note 4)	2%	2	-	Operating turnover	-	-	-	182,440	182,440
3	Jarilly Technology (Chongqing) Co., Ltd.	Jarilly Technology (Shanghai) Co., Ltd.	Other receivables	Yes	43,440	43,440	-	2%	2	-	Operating turnover	-	-	-	182,440	182,440

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.

Note 5: Chian Fuh Enterprise Co., Ltd. provided the note payable of NT\$10,000 thousand for collateral.

## (ii) Guarantees and endorsements for other parties:

Number	Name of guarantor and endorsements	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantee and endorsements during the period	Balance of guarantees and endorsements as of report date (Note 3)	Actual usage amount during the period	Property pledged for guarantee and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements (Note 1)	Parent company endorsements/guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/guarantees to third parties on behalf of parent company	Endorsements/guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company (Note 2)										
0	The Company	Jarllly Technology (Shanghai) Co., Ltd.	2	1,382,467	342,420	342,420	114,140	-	8.26%	1,658,961	Y	N	Y
0	The Company	Jason Precision Technology Co., Ltd.	2	1,382,467	30,000	30,000	20,000	-	0.72%	1,658,961	Y	N	N
0	The Company	Jarllly Technology (Chongqing) Co., Ltd.	2	1,382,467	57,070	57,070	-	-	1.38%	1,658,961	Y	N	Y
0	The Company	Kunshan Jarllly Electronics Ltd.	2	1,382,467	57,070	57,070	-	-	1.38%	1,658,961	Y	N	Y

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, 2021); and the total amount for endorsement provided to one entity shall not exceed one third of the Company's net worth.

Note 2: 7 forms of relationships in which corporate guarantees exist are defined as follows:

- (a) Entities have business relations with the Company.
- (b) The Company directly or indirectly holds more than 50% of voting shares of its subsidiaries.
- (c) Investees directly or indirectly own more than 50% of voting shares of the Company.
- (d) The Company directly or indirectly holds 90% of voting shares of its subsidiaries.
- (e) Entities have construction contract agreements with the Company.
- (f) The reason for The Company jointly invested in the entities is to provide proportionate endorsements.
- (g) The Company has contractual pre-sold home agreements with its related parties under the Consumer Protection Law.

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

## (iii) Securities held as of March 31, 2021 (excluding investment in subsidiaries, associates and joint ventures):

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance			Note	
				Shares (thousands)	Carrying value	Percentage of ownership (%)		Fair value
The Company	WK Technology Fund IX Ltd.	-	Non-current financial assets at fair value through other comprehensive income	4,614	67,415	4.61%	67,415	-
Fu Qing Jarllly Electronics Co., Ltd.	Fuqing Jelly Plastic Product Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	-	3,475	16.00%	3,475	-
Fu Qing Jarllly Electronics Co., Ltd.	Chongqing Jelly Plastics Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	-	4,691	18.00%	4,691	-

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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
Fu Qing Jarly Electronics Co., Ltd.	Chongqing Yuli Hardware Products Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	-	2,346	18.00%	2,346	-
Xiamen Jarly Electronics Co., Ltd.	Xiamen Jinli Precision Hardware Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	-	4,127	19.00%	4,127	-
Kunshan Jarly Electronics Ltd.	Kunshan Huli Precision Hardware Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	-	6,603	19.00%	6,603	-
Jarly Electronics Technology (Shanghai) Co., Ltd.	Product of Fubon China (Redemption)	-	Current financial assets at fair value through profit or loss	-	62,119	- %	62,119	-
Jarly Technology (Shanghai) Co., Ltd.	Product of Fubon China (Redemption)	-	Current financial assets at fair value through profit or loss	-	30,843	- %	30,843	-
Dong Guan Jarly Electronics Co., Ltd.	Product of DRC Bank (Redemption)	-	Current financial assets at fair value through profit or loss	-	43,440	- %	43,440	-
Dong Guan Jarly Electronics Co., Ltd.	7-day rolling product of DRC Bank (Redemption)	-	Current financial assets at fair value through profit or loss	-	16,724	- %	16,724	-
Jarly Technology (Chongqing) Co., Ltd.	Product of Fubon China (Redemption)	-	Current financial assets at fair value through profit or loss	-	65,160	- %	65,160	-
Xiamen Jarly Electronics Co., Ltd.	Product of China Construction Bank	-	Current financial assets at fair value through profit or loss	-	26,064	- %	26,064	-
Jarwin Investment Co., Ltd.	ELITE MATERIAL CO., LTD.	-	Current financial assets at fair value through profit or loss	10	1,626	- %	1,626	-
Jarwin Investment Co., Ltd.	INTERNATIONAL GAMES SYSTEM CO., LTD. Stock	-	Current financial assets at fair value through profit or loss	6	4,568	- %	4,568	-
Jarwin Investment Co., Ltd.	GENIUS ELECTRONIC OPTICAL CO., LTD. Stock	-	Current financial assets at fair value through profit or loss	5	2,762	- %	2,762	-
Jarwin Investment Co., Ltd.	Global Lighting Technologies Inc.	-	Current financial assets at fair value through profit or loss	20	2,092	- %	2,092	-
Jarwin Investment Co., Ltd.	Zhen Ding Technology Holding Limited Stock	-	Current financial assets at fair value through profit or loss	15	1,934	- %	1,934	-
Jarwin Investment Co., Ltd.	MPI CORPORATION	-	Current financial assets at fair value through profit or loss	10	1,221	- %	1,221	-
Jarwin Investment Co., Ltd.	Ventec International Group Co., Ltd. Stock	-	Current financial assets at fair value through profit or loss	75	6,450	- %	6,450	-
Jarwin Investment Co., Ltd.	SinoPac TWD Money Market Fund	-	Current financial assets at fair value through profit or loss	643	9,000	- %	9,000	-
Jarwin Investment Co., Ltd.	Treasure Cay Private Equity Fund	-	Non-current financial assets at fair value through profit or loss	1	3,000	- %	3,000	-

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- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

Name of company	Related party	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)	
Jarllly Technology (Shanghai) Co., Ltd.	Royal Jarllly Holding Ltd.	Associates	Sale	(108,709)	54.46%	150 days	-	Related parties are 150 days, third parties are ranged from 30 to 180 days.	241,809	63.49%	Note
Royal Jarllly Holding Ltd.	Jarllly Technology (Shanghai) Co., Ltd.	Associates	Purchase	108,709	41.28%	150 days	-	Related parties are 150 days, third parties are ranged from 30 to 180 days.	(241,809)	40.14%	Note
Kunshan Jarllly Electronics Ltd.	Royal Jarllly Holding Ltd.	Associates	Sale	(107,183)	38.28%	150 days	-	Related parties are 150 days, third parties are ranged from 30 to 180 days.	273,088	50.74%	Note
Royal Jarllly Holding Ltd.	Kunshan Jarllly Electronics Ltd.	Associates	Purchase	107,183	40.70%	150 days	-	Related parties are 150 days, third parties are ranged from 30 to 180 days.	(273,088)	45.33%	Note

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

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

Name of company	Counter-party	Nature of relationship	Ending balance (Note)	Turnover rate	Overdue		Amounts received in subsequent period	Allowance for bad debts
					Amount	Action taken		
Kunshan Jarllly Electronics Ltd.	The Company	Associates	132,569	2.71	-	-	43,240	-
Jarllly Precision Technology Co., Ltd.	The Company	Associates	160,047	2.22	-	-	16	-
Jarllly Technology (Shanghai) Co., Ltd.	Royal Jarllly Holding Ltd.	Associates	241,809	1.92	-	-	42,911	-
Kunshan Jarllly Electronics Ltd.	Royal Jarllly Holding Ltd.	Associates	273,088	1.74	-	-	3,258	-

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

- (ix) Trading in derivative instruments: None.



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(x) Business relationships and significant intercompany transactions:

Number	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			Percentage of the consolidated net revenue or total assets
				Account name	Amount	Trading terms	
1	Jarson Precision	The Company	2	Sales revenue	90,494	Mark up by cost	5.92%
1	Jarson Precision	The Company	2	Accounts receivables	160,047	150 days	1.99%
2	Royal Jarlly	The Company	2	Other receivables	35,198	150 days	0.44%
3	Chongqing Jarlly	The Company	2	Sales revenue	41,189	Mark up by cost	2.70%
3	Chongqing Jarlly	The Company	2	Accounts receivables	45,680	150 days	0.57%
3	Chongqing Jarlly	Kunshan Jarlly	3	Other receivables	30,408	Follow the agreement	0.38%
3	Chongqing Jarlly	Royal Jarlly	3	Sales revenue	48,106	Mark up by cost	3.15%
3	Chongqing Jarlly	Royal Jarlly	3	Accounts receivables	86,442	150 days	1.07%
4	Dong Guan Jarlly	The Company	2	Sales revenue	67,424	Mark up by cost	4.41%
4	Dong Guan Jarlly	The Company	2	Accounts receivables	94,993	150 days	1.18%
5	Fu Qing Jarlly	The Company	2	Sales revenue	42,253	Mark up by cost	2.77%
5	Fu Qing Jarlly	The Company	2	Accounts receivables	56,076	150 days	0.70%
5	Fu Qing Jarlly	Xiamen Jarlly	3	Other receivables	52,128	Follow the agreement	0.65%
5	Fu Qing Jarlly	Kunshan Jarlly	3	Other receivables	65,160	Follow the agreement	0.81%
6	Kunshan Jarlly	The Company	2	Sales revenue	88,768	Mark up by cost	5.81%
6	Kunshan Jarlly	The Company	2	Accounts receivables	132,569	150 days	1.65%
6	Kunshan Jarlly	Royal Jarlly	3	Sales revenue	107,183	Mark up by cost	7.01%
6	Kunshan Jarlly	Royal Jarlly	3	Accounts receivables	273,088	150 days	3.40%
7	Shanghai Jarlly	The Company	2	Sales revenue	52,471	Mark up by cost	3.43%
7	Shanghai Jarlly	The Company	2	Accounts receivables	74,884	150 days	0.93%
7	Shanghai Jarlly	Royal Jarlly	3	Sales revenue	108,709	Mark up by cost	7.11%
7	Shanghai Jarlly	Royal Jarlly	3	Accounts receivables	241,809	150 days	3.01%
8	Xiamen Jarlly	The Company	2	Sales revenue	13,688	Mark up by cost	0.90%
8	Xiamen Jarlly	The Company	2	Accounts receivables	27,332	150 days	0.34%

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, 2021 (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, 2021			Net income (losses) of investee	Share of profits/losses of investee	Note
				March 31, 2021	December 31, 2020	Shares	Percentage of ownership	Carrying value			
The Company	Great Hinge Trading Ltd.	British Virgin Islands	Investments	318	318	10	100.00%	80,545	(3,841)	(3,841)	Note
The Company	Smart Hinge Holdings Ltd.	British Virgin Islands	Investments	750,588	750,588	23,434	100.00%	2,376,482	31,721	32,578	Note
The Company	Jarson Precision Technology Co., Ltd.	Republic of China	Powder metallurgy industry	134,076	134,076	11,480	100.00%	218,181	22,138	21,239	Note
The Company	JARLLY TEC USA L.L.C.	America	Computer design and service	2,959	2,959	-	100.00%	492	(1,237)	(1,237)	Note
The Company	Jarwin Investment Co., Ltd.	Republic of China	Investments	50,000	50,000	5,000	100.00%	52,899	3,066	3,066	Note
Great Hinge Trading Ltd.	Main Source Logistic Ltd.	British Virgin Islands	Electronic equipment and mold trading	318	318	10	100.00%	(650)	(3,841)	(3,841)	Note
Smart Hinge Holdings Ltd.	Royal Jarly Holding Ltd.	Hong Kong	Investments	750,588	750,588	23,434	100.00%	2,376,782	31,722	31,722	Note
Royal Jarly Holding Ltd.	JARLLYTEC (THAILAND) CO., LTD.	Thailand	Sale and produce Precision Hinge	149,229	149,229	2,000	100.00%	140,515	1,312	1,312	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, 2021	Investment flows		Accumulated outflow of investment form Taiwan as of March 31, 2021	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
					匯出	收回						
Jarly Technology (Shanghai) Co., Ltd.	Sale and produce special purpose material of component equipment	261,462	(2)	131,272	-	-	131,272	(16,422)	100.00%	(16,422)	473,072	-
Fu Qing Jarly Electronics Co., Ltd.	Sale and produce Precision Hinge	240,658	(2)	27,370	-	-	27,370	19,596	100.00%	19,596	910,025	-
Dong Guan Jarly Electronics Co., Ltd.	Sale and produce Precision Hinge	81,466	(2)	81,466	-	-	81,466	2,181	100.00%	2,181	109,329	-
Kunshan Jarly Electronics Ltd.	Sale and produce Precision Hinge	71,906	(2)	65,369	-	-	65,369	4,918	100.00%	4,918	41,749	-
Jarly Electronics Technology (Shanghai) Co., Ltd.	Sale and produce Precision Hinge	473,450	(2)	386,330	-	-	386,330	1,027	100.00%	1,027	444,988	-
Xiamen Jarly Electronics Co., Ltd.	Sale and produce Precision Hinge	43,801	(2)	29,281	-	-	29,281	4,637	100.00%	4,637	66,162	-
Jarly Technology (Chongqing) Co., Ltd.	Sale and produce Precision Hinge	58,890	(2)	29,500	-	-	29,500	5,585	100.00%	5,585	304,067	-

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, 2021	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
735,222	735,222	2,488,441

(iii) Significant transactions:

As of the three-month period ended of March 31, 2021, 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.		3,392,000	5.64%

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:

	<b>For the three months ended March 31,</b>			
	<b>2021</b>			
	<b>Hinge</b>	<b>Fiber optic</b>	<b>Reconciliati</b>	
	<b>department</b>	<b>department</b>	<b>on and</b>	<b>Total</b>
			<b>elimination</b>	
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>

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

Reviewed only, not audited in accordance with Generally Auditing Standards of March 31, 2021 and 2020

**JARLLYTEC CO., LTD. AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

**For the Three Months Ended March 31, 2021 and 2020**

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

	<b>2020</b>			
	<u>Hinge</u>	<u>Fiber optic</u>	<u>Reconciliati</u>	<u>Total</u>
	<u>department</u>	<u>department</u>	<u>on and</u>	
			<u>elimination</u>	
Revenue:				
Revenue from external customers	\$ 952,229	30,603	-	982,832
Intersegment revenues	-	-	-	-
Total revenue	<u>\$ 952,229</u>	<u>30,603</u>	<u>-</u>	<u>982,832</u>
<b>Reportable segment profit or loss</b>	<u>\$ 29,131</u>	<u>4,044</u>	<u>-</u>	<u>33,175</u>

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