

JARLLYTEC CO., LTD. AND SUBSIDIARIES

Consolidated Financial Statements

**With Independent Auditors' Review Report
For the Three Months Ended
March 31, 2024 and 2023**

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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, 2024 and 2023, the consolidated statements of comprehensive income for the three months ended March 31, 2024 and 2023, 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 International Standard on Review Engagements No. 2410 "Review of Interim 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\$1,603,009 thousand and NT\$1,475,495 thousand, constituting 15% and 17% of consolidated total assets as of March 31, 2024 and 2023, respectively, total liabilities amounted to NT\$555,091 thousand and NT\$593,106 thousand, constituting 11% and 15% of consolidated total liabilities as of March 31, 2024 and 2023 respectively, and total comprehensive income of these subsidiaries amounted to NT\$(38,692) thousand and NT\$25,760 thousand, constituting (16)% and 138% of the consolidated total comprehensive income for the three months ended March 31, 2024 and 2023, 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, 2024 and 2023, and of its consolidated financial performance and consolidated cash flows for the three months then ended March 31, 2024 and 2023 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 6, 2024

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.

(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, 2024 and 2023

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

		For the three months ended March 31,			
		2024		2023	
		Amount	%	Amount	%
4000	Operating revenue (Note 6(t))	\$2,387,584	100	1,319,114	100
5000	Operating costs (Note 6(e)(p))	1,976,993	83	1,150,069	87
	Net gross profit	401,591	17	169,045	13
	Operating expenses (Note 6(c)(n)(p)(u)):				
6100	Selling expenses	50,421	2	47,498	4
6200	Administrative expenses	135,689	6	73,936	7
6300	Research and development expenses	52,418	2	44,884	3
6450	Expected credit loss	457	-	1,130	-
	Total operating expenses	238,985	10	167,448	14
	Net operating income	162,606	7	1,597	(1)
	Non-operating income and expenses (Note 6(n)(v)):				
7010	Other income	20,879	1	26,639	2
7020	Other gains and losses	32,862	1	(21,806)	(2)
7050	Finance cost	(6,606)	-	(7,000)	(1)
7100	Interest income	16,378	1	15,700	1
	Total non-operating income and expenses	63,513	3	13,533	-
	Profit from continuing operations before tax	226,119	10	15,130	(1)
7950	Less: Income tax expenses (Note 6(q))	60,981	3	11,639	1
	Profit	165,138	7	3,491	(2)
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	95	-	2,881	-
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	95	-	2,881	-
8360	Components of other comprehensive income (loss) that will be reclassified to profit or loss				
8361	Exchange differences on translation of foreign financial statements	74,561	3	12,270	1
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
	Components of other comprehensive income (loss) that will be reclassified to profit or loss	74,561	3	12,270	1
8300	Other comprehensive income (loss), net of tax	74,656	3	15,151	1
8500	Total comprehensive income	<u>\$ 239,794</u>	<u>10</u>	<u>\$ 18,642</u>	<u>(1)</u>
	Earnings per share (NT dollars) (Note 6(s)):				
9750	Basic earnings per share	<u>\$ 2.50</u>		<u>\$ 0.06</u>	
9850	Diluted earnings per share	<u>\$ 2.40</u>		<u>\$ 0.06</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 Changes in Equity

For the Three months Ended March 31, 2024 and 2023

(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	Advance receipts for share capital	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings			
Balance at January 1, 2023	\$ 601,214	-	1,385,445	404,763	76,485	2,157,823	(58,328)	11,149	4,578,551
Profit	-	-	-	-	-	3,491	-	-	3,491
Other comprehensive income	-	-	-	-	-	-	12,270	2,881	15,151
Total comprehensive income	-	-	-	-	-	3,491	12,270	2,881	18,642
Appropriation and distribution of retained earnings:									
Cash dividends on ordinary shares	-	-	-	-	-	(180,364)	-	-	(180,364)
Balance at March 31, 2023	<u>\$ 601,214</u>	<u>-</u>	<u>1,385,445</u>	<u>404,763</u>	<u>76,485</u>	<u>1,980,950</u>	<u>(46,058)</u>	<u>14,030</u>	<u>4,416,829</u>
Balance at January 1, 2024	\$ 648,153	12,761	1,715,423	453,672	47,179	2,487,018	(128,105)	26,794	5,262,895
Profit	-	-	-	-	-	165,138	-	-	165,138
Other comprehensive income	-	-	-	-	-	-	74,561	95	74,656
Total comprehensive income	-	-	-	-	-	165,138	74,561	95	239,794
Changes in other capital surplus:									
Due to recognition of equity component of convertible bonds issued	-	-	151,174	-	-	-	-	-	151,174
Conversion of convertible bonds	12,761	(12,761)	-	-	-	-	-	-	-
Balance at March 31, 2024	<u>\$ 660,914</u>	<u>-</u>	<u>1,866,597</u>	<u>453,672</u>	<u>47,179</u>	<u>2,652,156</u>	<u>(53,544)</u>	<u>26,889</u>	<u>5,653,863</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, 2024 and 2023
(Expressed in Thousands of New Taiwan Dollars)

	For the three months ended March 31,	
	2024	2023
Cash flows from operating activities:		
Profit before tax	\$ 226,119	15,130
Adjustments:		
Adjustments to reconcile profit (loss)		
Depreciation expense	81,004	75,434
Amortization expense	9,997	6,453
Expected credit loss	457	1,130
Net loss on financial assets at fair value through profit or loss	(8,779)	(3,566)
Interest expense	6,606	7,000
Interest revenue	(16,378)	(15,700)
Dividend revenue	(4,842)	(2,921)
Loss from disposal of property, plant and equipment	2,290	2,466
Gain on disposals of investments	-	(365)
Total adjustments to reconcile profit (loss)	70,355	69,931
Changes in operating assets and liabilities:		
Current financial assets at fair value through profit or loss	(8,147)	(62,260)
Notes receivables	(1,135)	(292)
Accounts receivable	49,564	368,558
Other receivables	643	9,239
Inventories	3,852	(106,192)
Prepayments	16,033	2,391
Other current assets	102	605
Notes payables	-	8,980
Accounts payable	65,598	(112,079)
Other payables	(9,303)	(170,282)
Other current liabilities	2,599	7,735
Net defined benefit liability	(239)	(320)
Total changes in operating assets and liabilities	119,567	(53,917)
Total adjustments	189,922	16,014
Cash inflow generated from operations	416,041	31,144
Interest received	14,433	14,588
Interest paid	(2,672)	(5,905)
Income taxes paid	(72,047)	(44,406)
Net cash flows provided by (used in) operating activities	355,755	(4,579)
Cash flows from investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	-	(4,209)
Acquisition of financial assets at fair value through profit or loss	(577,007)	(721,367)
Proceeds from disposal of financial assets at fair value through profit or loss	167,504	155,450
Acquisition of property, plant and equipment	(52,710)	(61,344)
Disposal of property, plant and equipment	822	441
Acquisition of intangible assets	(2,581)	(3,070)
Increase in other non-current assets - others	(10,645)	(2,864)
Increase in prepayments for equipment	(81,502)	(41,328)
Dividends received	4,842	2,921
Net cash flows used in investing activities	(551,277)	(675,370)
Cash flows from financing activities:		
Decrease in short-term borrowings	(486,776)	(200,536)
Issuance of bonds	899,237	-
Repayments of long-term borrowings	(54,341)	(54,341)
Repayment of principal of lease liabilities	(11,938)	(10,926)
Increase in other non-current liabilities - others	146	150
Net cash flows provided by (used in) from financing activities	346,328	(265,653)
Effect of movements in exchange on cash and cash equivalents	74,692	11,364
Net increase (decrease) in cash and cash equivalents	225,498	(934,238)
Cash and cash equivalents at beginning of period	2,967,196	2,841,048
Cash and cash equivalents at end of period	\$ 3,192,694	1,906,810

(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, 2024 and 2023

JARLLYTEC CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the Three months Ended March 31, 2024 and 2023

(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 6, 2024.

(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, 2024.

- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
 - Amendments to IAS 1 “Non-current Liabilities with Covenants”
 - Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”
 - Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”
- (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
IFRS 18 “Presentation and Disclosure in Financial Statements”	The new standard introduces three categories of income and expenses, two income statement subtotals and one single note on management performance measures. The three amendments, combined with enhanced guidance on how to disaggregate information, set the stage for better and more consistent information for users, and will affect all the entities. • A more structured income statement: under	January 1, 2027

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

Standards or Interpretations	Content of amendment	Effective date per IASB
	<p>current standards, companies use different formats to present their results, making it difficult for investors to compare financial performance across companies. The new standard promotes a more structured income statement, introducing a newly defined ‘operating profit’ subtotal and a requirement for all income and expenses to be allocated between three new distinct categories based on a company’s main business activities.</p> <ul style="list-style-type: none"> • Management performance measures (MPMs): the new standard introduces a definition for management performance measures, and requires companies to explain in a single note to the financial statements why the measure provides useful information, how it is calculated and reconcile it to an amount determined under IFRS Accounting Standards. • Greater disaggregation of information: the new standard includes enhanced guidance on how companies group information in the financial statements. This includes guidance on whether information is included in the primary financial statements or is further disaggregated in the notes. 	
Amendments to IAS 1 “Non-current Liabilities with Covenants”	<p>After reconsidering the amendments to IAS 1 in 2020, the new amendments indicate only the covenants that an entity is required to comply with on or before the end of the reporting period affect the classification of a liability as current or non-current.</p> <p>Covenants that an entity shall comply with after the reporting period (future covenants) do not affect the classification of a liability at the reporting date. However, if a non-current liability is restricted by future covenants, the entity shall disclose the information to make the users of financial statements obtain an understanding of the risk of the liability that may be settled within 12 months after the reporting date.</p>	January 1, 2024

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 IAS21“Lack of Exchangeability”

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, 2023. For the related information, please refer to note 4 of the consolidated financial statements for the year ended December 31, 2023.

(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
			2024.3.31	2022.12.31	2023.3.31	
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%	Note 1 、 Note 3
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%	100%	Note 1
Great Hinge	Jarlllytec (Vietnam) Co., Ltd. (Jarlllytec Vietnam)	Production and sales business of precision hinges	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	58.82%	58.82%	58.82%	-
Royal Jarlly	Fu Qing Jarlly Electronics Co., Ltd. (Fu Qing Jarlly)	Production and sales business of precision hinges	100%	100%	100%	Note 1
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

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

Name of Investor	Name of Subsidiary	Principal Activities	Percentage of Ownership (%)			Note
			2024.3.31	2022.12.31	2023.3.31	
Royal Jarlly	Jarlly Electronics Technology (Shanghai) Co., Ltd. (Jarlly Electronics Shanghai)	Production and sales business of precision hinges	100%	100%	100%	-
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
Royal Jarlly	Jarllytec (Thailand) Co., Ltd. (Jarllytec Thailand)	Production and sales business of precision hinges	100%	100%	100%	Note 1
Royal Jarlly	Zhejiang Jarlly Precision Technology Co., Ltd. (Zhejiang Jarlly)	Powder metallurgy and other metal products manufacturing and trading business	-%	100%	100%	Note 1 、 Note 2 、 Note 4
Fu Qing Jarlly	Shanghai Jarlly	Component equipment for the production and sale of materials business	41.18%	41.18%	41.18%	-
Shanghai Jarlly	Zhejiang Jarlly	Powder metallurgy and other metal products manufacturing and trading business	100%	-%	-%	Note 1 、 Note 2 、 Note 4

Note 1: Insignificant subsidiary.

Note 2: The Company indirectly invested in Royal Jarlly in March, 2023 through the Smart Hinge, which the Company holds 100% of ownership, and indirectly established Zhejiang Jarlly Precision Technology Co., Ltd. through Royal Jarlly, which is included in the consolidated financial statements since March, 2023.

Note 3: The Company has merged Jarson Precision on January 1, 2024. After the merger, the Company is the surviving company, and Jarson Precision is the dissolved company. Please refer to Note 11 for details.

Note 4: The company's Board of Directors resolved to change the investment structure of its investment in Zhejiang Jarlly Precision Technology Co., Ltd. on January 24, 2024. Jarlly Technology (Shanghai) Co., Ltd. acquired 100% of the shares of Zhejiang Jarlly Precision Technology Co., Ltd. from Royal Jarlly Holding Ltd. The based date is February 1, 2024. Please refer to Note 11 for details.

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

(c) Financial instruments

Derivative financial instruments

The Group holds derivative financial instruments to avoid risks of exposure to foreign currency and interest rate. Embedded derivatives will be handled separately from the host contract when certain conditions are met and the host contract is not a financial asset.

Derivatives are initially recognized at fair value; subsequently, they are measured at fair value, and the gain or loss arising from the re-measurement is directly included in profit or loss.

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

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

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Notes to the Consolidated Financial Statements

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

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

An entity shall classify a liability as current when:

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

(e) 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.

(f) 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, and adjusted for significant market fluctuations, significant curtailments, settlements, or other significant one-off events.

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

(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, 2023. For related information, please refer to Note 5 of the consolidated financial statements for the year ended December 31, 2023.

(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, 2022. Please refer to Note 6 of the consolidated financial statements for the year ended December 31, 2022.

(a) Cash and cash equivalents

	March 31, 2024	December 31, 2023	March 31, 2023
Cash on hand	\$ 587	740	840
Demand deposits and checking deposits	1,633,724	1,324,115	1,032,657
Time deposits	1,558,383	1,642,341	873,313
	<u>\$ 3,192,694</u>	<u>2,967,196</u>	<u>1,906,810</u>

(b) Financial instruments

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

	March 31, 2024	December 31, 2023	March 31, 2023
Current financial assets mandatorily measured at fair value through profit or loss			
Domestic listed stocks	\$ 28,040	15,386	25,002
Beneficiary certificates	-	-	70,095
Investment products	409,503	-	566,282
	<u>\$ 437,543</u>	<u>15,386</u>	<u>661,379</u>
Non-current financial assets mandatorily measured at fair value through profit or loss			
Private offered funds	\$ 286	254	461
Redemption right to convertible bonds	6,080	-	80
	<u>\$ 6,366</u>	<u>254</u>	<u>541</u>

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

	March 31, 2024	December 31, 2023	March 31, 2023
Equity investments at fair value through other comprehensive income-non-current:			
Stocks of domestic unlisted companies	\$ 92,878	92,784	60,170
Unlisted companies in Mainland China	29,931	29,380	30,086
Total	<u>\$ 122,809</u>	<u>122,164</u>	<u>90,256</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, 2024, December 31, 2023 and March 31, 2023, the aforementioned financial assets were not pledged as collateral.

(c) Notes and accounts receivable

	March 31, 2024	December 31, 2023	March 31, 2023
Notes receivables	\$ 1,496	361	1,436
Accounts receivable	2,976,626	3,026,383	2,038,835
Less: loss allowance	(8,435)	(7,946)	(14,357)
	<u>\$ 2,969,687</u>	<u>3,018,798</u>	<u>2,025,914</u>

The Group applies the simplified approach to provide for expected credit losses for notes receivables and accounts receivables, i.e. measurement by lifetime expected loss. To measure the expected credit losses, notes receivables and accounts receivables have been grouped based on shared credit risk characteristics of the customers' ability to pay off the amounts at maturity in accordance with the contract terms, as well as the incorporated forward-looking information. The expected credit losses of notes receivables and accounts receivables are analyzed as follows:

	March 31, 2024		
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 2,942,071	0%~1%	2,015
31 to 60 days past due	17,197	0%~10%	1,219
61 to 90 days past due	3,136	0%~20%	486
More than 90 days past due	15,718	30%~100%	4,715
	<u>\$ 2,978,122</u>		<u>8,435</u>

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December 31, 2023			
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	\$ 2,982,528	0%~1%	2,127
1 to 30 days past due	5,560	0%~5%	235
31 to 60 days past due	24,607	0%~10%	1,604
61 to 90 days past due	1,518	0%~15%	221
More than 90 days past due	12,531	30%~100%	3,759
	<u>\$ 3,026,744</u>		<u>7,946</u>
March 31, 2023			
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	\$ 1,986,408	0%~1%	5,183
1 to 30 days past due	12,262	0%~15%	1,277
31 to 60 days past due	31,583	0%~20%	4,955
61 to 90 days past due	2,938	0%~30%	818
More than 90 days past due	7,080	30%~100%	2,124
	<u>\$ 2,040,271</u>		<u>14,357</u>

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

	For the three months ended March 31,	
	2024	2023
Balance at January 1	\$ 7,946	13,318
Impairment losses recognized	457	1,130
Effect of movements in exchange	32	(91)
Balance at March 31	<u>\$ 8,435</u>	<u>14,357</u>

(d) Other receivables

	March 31, 2024	December 31, 2023	March 31, 2023
Tax refund receivable	\$ 15,438	8,101	16,568
Interest receivable	5,275	3,330	4,362
Others	18,519	26,499	17,052
	<u>\$ 39,232</u>	<u>37,930</u>	<u>37,982</u>

For further credit risk information, please refer to Note 6(v).

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(e) Inventories

Details are as follows:

	March 31, 2024	December 31, 2023	March 31, 2023
Raw materials and supplies	\$ 150,071	140,366	143,705
Work in process	245,910	204,698	220,278
Finished goods	467,107	521,876	421,213
	<u>\$ 863,088</u>	<u>866,940</u>	<u>785,196</u>

- (i) For the three months ended March 31, 2024, the amount of the loss on valuation of inventories for writing off inventory costs to net realizable value was NT\$37,945, wherein such loss was included in costs of goods sold.
- (ii) For the three months ended March 31, 2023, the amount of the loss on valuation of inventories for writing off inventory costs to net realizable value was NT\$21,317, wherein such loss was included in costs of goods sold.
- (iii) As of March 31, 2024, December 31, 2023 and March 31, 2023, the inventories were not pledged as collateral.

(f) Prepayments, other current assets and other non-current assets

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

	March 31, 2024	December 31, 2023	March 31, 2023
Prepayment for mold	\$ 30,753	32,422	22,585
Other prepayments	31,923	33,138	24,982
Prepayments to suppliers	-	-	6
Input tax	4,680	-	3,775
Tax overpaid	14,402	35,087	16,009
Others	5,622	5,724	4,140
Total prepayments and other current assets	<u>\$ 87,380</u>	<u>106,371</u>	<u>71,497</u>
Other deferred expenses	\$ 65,211	58,974	47,465
Refundable deposits	8,013	11,282	9,176
Other financial assets - others	45,360	44,498	1,218
Others	3,207	4,199	998
Total other non-current assets - others	<u>\$ 121,791</u>	<u>118,953</u>	<u>58,857</u>

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(g) Property, plant and equipment

Information about the Group's property, plant and equipment were presented below:

	Land	Buildings and structures	Machine and equipment	Mold equipment	Rental equipment	Other facilities	Construction in progress and testing equip	Total
Cost:								
Balance at January 1, 2024	\$ 1,054,812	756,865	1,789,834	3,001	100,285	231,190	80,081	4,016,068
Additions	-	1,150	70,273	-	-	5,535	9,153	86,111
Reclassifications	-	38,386	18,984	-	-	(37,518)	(17,265)	2,587
Disposals	-	-	(12,940)	-	-	(1,971)	(12,710)	(27,621)
Effect of movements in exchange	(769)	4,208	12,619	11	1,877	1,479	440	19,865
Balance at March 31, 2024	<u>\$ 1,054,043</u>	<u>800,609</u>	<u>1,878,770</u>	<u>3,012</u>	<u>102,162</u>	<u>198,715</u>	<u>59,699</u>	<u>4,097,010</u>
Balance at January 1, 2023	\$ 1,054,470	745,848	1,625,169	3,012	98,296	214,401	152	3,741,348
Additions	-	-	94,040	-	-	2,623	99	96,762
Reclassifications	-	(3,886)	-	-	3,886	-	-	-
Disposals	-	-	(28,438)	-	-	(767)	-	(29,205)
Effect of movements in exchange	128	1,665	2,788	4	513	407	-	5,505
Balance at March 31, 202	<u>\$ 1,054,598</u>	<u>743,627</u>	<u>1,693,559</u>	<u>3,016</u>	<u>102,695</u>	<u>216,664</u>	<u>251</u>	<u>3,814,410</u>
Accumulated depreciation:								
Balance at January 1, 2024	\$ -	278,137	1,016,049	2,940	42,869	135,918	-	1,475,913
Depreciation	-	11,881	51,665	-	-	5,163	-	68,709
Reclassifications	-	12,269	2,074	-	772	(12,900)	-	2,215
Disposals	-	-	(9,888)	-	-	(1,830)	-	(11,718)
Effect of movements in exchange	-	2,120	3,664	10	803	975	-	7,572
Balance at March 31, 2024	<u>\$ -</u>	<u>304,407</u>	<u>1,063,564</u>	<u>2,950</u>	<u>44,444</u>	<u>127,326</u>	<u>-</u>	<u>1,542,691</u>
Balance at January 1, 2023	\$ -	243,092	883,532	2,950	38,956	118,629	-	1,287,159
Depreciation	-	10,679	47,292	-	-	5,140	-	63,111
Reclassifications	-	(2,412)	-	-	2,412	-	-	-
Disposals	-	-	(25,533)	-	-	(683)	-	(26,216)
Effect of movements in exchange	-	619	803	3	203	494	-	2,122
Balance at March 31, 2023	<u>\$ -</u>	<u>251,978</u>	<u>906,094</u>	<u>2,953</u>	<u>41,571</u>	<u>123,580</u>	<u>-</u>	<u>1,326,176</u>
Carrying amounts								
Balance at January 1, 2024	<u>\$ 1,054,812</u>	<u>478,728</u>	<u>773,785</u>	<u>61</u>	<u>57,416</u>	<u>95,272</u>	<u>80,081</u>	<u>2,540,155</u>
Balance at March 31, 2024	<u>\$ 1,054,043</u>	<u>496,202</u>	<u>815,206</u>	<u>62</u>	<u>57,718</u>	<u>71,389</u>	<u>59,699</u>	<u>2,554,319</u>
Balance at January 1, 2023	<u>\$ 1,054,470</u>	<u>502,756</u>	<u>741,637</u>	<u>62</u>	<u>59,340</u>	<u>95,772</u>	<u>152</u>	<u>2,454,189</u>
Balance at March 31, 2023	<u>\$ 1,054,598</u>	<u>491,649</u>	<u>787,465</u>	<u>63</u>	<u>61,124</u>	<u>93,084</u>	<u>251</u>	<u>2,488,234</u>

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Please refer to Note 8 for the details of the property, plant and equipment of the Group pledged as collaterals for bank borrowings and credit lines as of March 31, 2024, December 31, 2023 and March 31, 2023.

(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, 2024	\$ 149,203	254,726	777	404,706
Effect of movements in exchange	<u>1,980</u>	<u>4,768</u>	<u>-</u>	<u>6,748</u>
Balance at March 31, 2024	<u>\$ 151,183</u>	<u>259,494</u>	<u>777</u>	<u>411,454</u>
Balance at January 1, 2023	\$ 151,179	226,499	777	378,455
Effect of movements in exchange	<u>566</u>	<u>1,282</u>	<u>-</u>	<u>1,848</u>
Balance at March 31, 2023	<u>\$ 151,745</u>	<u>227,781</u>	<u>777</u>	<u>380,303</u>
Accumulated depreciation:				
Balance at January 1, 2024	\$ 16,427	153,433	561	170,421
Depreciation	933	11,297	65	12,295
Effect of movements in exchange	<u>264</u>	<u>2,982</u>	<u>-</u>	<u>3,246</u>
Balance at March 31, 2024	<u>\$ 17,624</u>	<u>167,712</u>	<u>626</u>	<u>185,962</u>
Balance at January 1, 2023	\$ 12,945	111,107	302	124,354
Depreciation	941	11,317	65	12,323
Effect of movements in exchange	<u>58</u>	<u>559</u>	<u>-</u>	<u>617</u>
Balance at March 31, 2023	<u>\$ 13,944</u>	<u>122,983</u>	<u>367</u>	<u>137,294</u>
Carrying amount:				
Balance at January 1, 2024	<u>\$ 132,776</u>	<u>101,293</u>	<u>216</u>	<u>234,285</u>
Balance at March 31, 2024	<u>\$ 133,559</u>	<u>91,782</u>	<u>151</u>	<u>225,492</u>
Balance at January 1, 2023	<u>\$ 138,234</u>	<u>115,392</u>	<u>475</u>	<u>254,101</u>
Balance at March 31, 2023	<u>\$ 137,801</u>	<u>104,798</u>	<u>410</u>	<u>243,009</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, 2024	\$ 108,246
Separate acquisitions	2,581
Disposals	(507)
Effect of movements in exchange	710
Balance at March 31, 2024	<u>\$ 111,030</u>
Balance at January 1, 2023	\$ 121,057
Separate acquisitions	3,070
Disposals	(47)
Effect of movements in exchange	166
Balance at March 31, 2023	<u>\$ 124,246</u>
Accumulated amortization:	
Balance at January 1, 2024	\$ 86,600
Amortization for the period	2,562
Disposals	(507)
Effect of movements in exchange	538
Balance at March 31, 2024	<u>\$ 89,193</u>
Balance at January 1, 2023	\$ 99,342
Amortization for the period	2,255
Disposals	(47)
Effect of movements in exchange	131
Balance at March 31, 2023	<u>\$ 101,681</u>
Carrying amounts :	
Balance at January 1, 2024	<u>\$ 21,646</u>
Balance at March 31, 2024	<u>\$ 21,837</u>
Balance at January 1, 2023	<u>\$ 21,715</u>
Balance at March 31, 2023	<u>\$ 22,565</u>

As of March 31, 2024, December 31, 2023 and March 31, 2023, none of the intangible assets were pledged as collateral.

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(j) Short-term borrowings

	March 31, 2024	December 31, 2023	March 31, 2023
Secured bank loans	\$ -	210,000	-
Unused bank loans	145,464	419,810	318,827
	\$ 145,464	629,810	318,827
Unused credit lines	\$ 979,390	518,280	1,105,311
Range of interest rates	<u>3.00%~3.10%</u>	<u>1.70%~3.00%</u>	<u>1.65%~5.45%</u>

(k) Other payables

	March 31, 2024	December 31, 2023	March 31, 2023
Payroll payables	\$ 177,517	210,257	146,835
Payables on equipment	35,562	33,455	2,484
Others	934,368	913,367	793,512
	\$ 1,147,447	1,157,079	942,831

(l) Long-term borrowings

The details, terms and conditions of long-term borrowings were as follows:

March 31, 2024				
	Currency	Interest range	Expiration	Amount
Secured bank loans	TWD	1.285%~1.825%	2024~2029	\$ 104,306
Unsecured bank loans	TWD	1.225%~1.275%	2024	96,274
Less: current portion				(135,269)
Total				\$ 65,311
Unused long-term credit lines				\$ -

112.12.31				
	Currency	Interest range	Expiration	Amount
Secured bank loans	TWD	1.16%~1.70%	2024~2029	\$ 126,555
Unsecured bank loans	TWD	1.10%~1.15%	2024	128,366
Less: current portion				(186,111)
Total				\$ 68,810
Unused long-term credit lines				\$ -

112.3.31				
	Currency	Interest range	Expiration	Amount
Secured bank loans	TWD	1.035%~1.575%	2024~2029	\$ 193,301
Unsecured bank loans	TWD	0.975%~1.025%	2024	224,640
Less: current portion				(217,361)
Total				\$ 200,580
Unused long-term credit lines				\$ 500,000

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(i) Issue and repayment of borrowings

The long-term borrowings issued amounted to both NT\$0 for the three months ended March 31, 2024 and 2023; the repayment amounts were both NT\$54,341 thousand.

(ii) Collaterals for bank borrowings

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

(m) Bonds payable

The details of bonds payables were as follows:

	March 31, 2024	December 31, 2023	March 31, 2023
Total convertible bonds issued	\$ 800,000	400,000	400,000
Discount on bonds payable, balance unamortized	(46,319)	-	(12,147)
Cumulative amount redeemed	-	-	-
Cumulative amount converted	-	(400,000)	-
Balance at March 31, 2024	<u>\$ 753,681</u>	<u>-</u>	<u>387,853</u>
Embedded derivatives-redemption right (carried at financial assets at fair value through profit or loss – non-current)	<u>\$ 6,080</u>	<u>-</u>	<u>80</u>
Equity component-conversion right (carried at capital surplus)	<u>\$ 151,174</u>	<u>-</u>	<u>50,911</u>

	For the three months ended March 31, 2024	For the six months ended March 31, 2023
Gain or loss arising from the re-measurement of embedded derivatives at fair value	<u>\$ 4,240</u>	<u>(320)</u>

The Group's rights and obligations to the outstanding unsecured convertible bonds issued are as follows:

Item	2nd domestic unsecured convertible corporate bonds
Total amount issued	NT\$800,000 thousand
Issue date	January 8, 2024
Issue period	January 8, 2024 ~ January 8, 2027
Coupon rate	0%
Trustee	Bank Sincac Co., Ltd.
Terms of repayment	Unless the bonds are converted to ordinary shares of the Company in accordance with Article 10 of these Regulations, or the Company redeems in advance in accordance with Article 18 of these Regulations, or the Company buys back from the TPEX for the cancellation, the Company shall repay in cash one lump sum according to the bond face value when the convertible bonds mature. Payments shall be made within five business days (including the fifth business day) after the due date.
Terms of redemption	(1) From the day following the three-month period after the issuance of the

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prior to maturity	<p>convertible bonds (April 9, 2024) to 40 days before the expiry of the issuance period (November 19, 2026), when the closing price of the Company's ordinary shares exceeds the current conversion price by 30% (inclusive) for 30 consecutive business days, the Company may, within the next 30 business days, send the "Bond Redemption Notice" expiring 30 days by registered mail (the aforesaid period starts from the date the Company sends the letter, and the expiry date of the period is the base date for bond redemption, and the aforesaid period shall not be the conversion closure period as stated in Article 9) to the bond holders (subject to the name list of bond holders on the fifth business day prior to the date of dispatch of the "Bond Redemption Notice"; for bond holders who acquire the convertible bonds due to trading or other reasons thereafter, the announcement shall be followed). The redemption price is set as the denomination of the bonds, and all the bonds will be redeemed in cash, and a notification letter will be delivered to the TPEx for the announcement. When the Company executes the redemption request, it shall redeem the convertible bonds in cash within five business days from the bond redemption base date.</p> <p>(2) From the day following the three-month period after the issuance of the convertible bonds (April 9, 2024) to 40 days before the expiry of the issuance period (November 19, 2026), when the outstanding balance of the convertible bonds is lower than 10% of the original total issued amount, the Company may, at any time thereafter, send the "Bond Redemption Notice" expiring 30 days by registered mail (the aforesaid period starts from the date the Company sends the letter, and the expiry date of the period is the base date for bond redemption, and the aforesaid period shall not be the conversion closure period as stated in Article 9) to the bond holders (subject to the name list of bond holders on the fifth business day prior to the date of dispatch of the "Bond Redemption Notice"; for bond holders who acquire the convertible bonds due to trading or other reasons thereafter, the announcement shall be followed). The redemption price is set as the denomination of the bonds, and all the bonds will be redeemed in cash, and a notification letter will be delivered to the TPEx for the announcement. When the Company executes the redemption request, it shall redeem the convertible bonds in cash within five business days from the bond redemption base date.</p> <p>(3) If the creditor fails to reply in writing to the Company's stock transfer agent before the bond redemption base date as stated in the "Bond Redemption Notice" (it will take effect immediately upon delivery, and the postmark date shall be used as the basis for the post mails), the Company will redeem the convertible bonds in cash at the bond par value within five business days after the bond redemption base date.</p> <p>(4) If the Company executes the redemption request, the deadline for bond holders to request for conversion is the second business day after the trading day on TPEx of the converted bonds is terminated.</p>
Conversion period	<p>From the day following the three-month period after the issuance of the convertible bonds (April 9, 2024) to the maturity date (January 8, 2027), the bond holders may, through the original trading securities company, notify Taiwan Depository & Clearing Corporation (hereinafter referred to as "TDCC") to the Company's stock transfer agent to request the conversion of the convertible bonds into the Company's ordinary shares in accordance with these Regulations and the provisions of Article 10, Article 11, Article 13 and Article 15 of these Regulations; except (1) the book closure period of the</p>

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	<p>ordinary shares according to law; (2) from the 15 business days prior to the closure date of the Company's stock dividends, the closure date of cash dividends, or the closure date of cash capital increase subscription, to the ex-dividend date; (3) from the capital reduction base date to the day before the trading day of producing the new stock certificates due to the capital reduction; (4) from the starting date of the conversion (subscription) closure date for changing the denomination of the stock to the day before the trading day of producing the new stock certificates.</p> <p>The starting date the conversion closure date for changing the denomination of the stock in the preceding paragraph is the business day before applying to the Ministry of Economic Affairs for the change registration. The Company shall announce four business days before the starting date of the conversion closure period.</p>
Conversion price	NT\$199

Item	1st domestic unsecured convertible corporate bonds
Total amount issued	NT\$400,000 thousand
Issue date	April 28, 2022
Issue period	April 28, 2022 ~ April 28, 2025
Coupon rate	0%
Trustee	Bank Sincac Co., Ltd.
Terms of repayment	Unless the bonds are converted to ordinary shares of the Company in accordance with Article 10 of these Regulations, or the Company redeems in advance in accordance with Article 18 of these Regulations, or the Company buys back from the TPEx for the cancellation, the Company shall repay in cash one lump sum according to the bond face value when the convertible bonds mature. Payments shall be made within five business days (including the fifth business day) after the due date.
Terms of redemption prior to maturity	<p>(1) From the day following the three-month period after the issuance of the convertible bonds (July 29, 2022) to 40 days before the expiry of the issuance period (March 19, 2025), when the closing price of the Company's ordinary shares exceeds the current conversion price by 30% (inclusive) for 30 consecutive business days, the Company may, within the next 30 business days, send the "Bond Redemption Notice" expiring 30 days by registered mail (the aforesaid period starts from the date the Company sends the letter, and the expiry date of the period is the base date for bond redemption, and the aforesaid period shall not be the conversion closure period as stated in Article 9) to the bond holders (subject to the name list of bond holders on the fifth business day prior to the date of dispatch of the "Bond Redemption Notice"; for bond holders who acquire the convertible bonds due to trading or other reasons thereafter, the announcement shall be followed). The redemption price is set as the denomination of the bonds, and all the bonds will be redeemed in cash, and a notification letter will be delivered to the TPEx for the announcement. When the Company executes the redemption request, it shall redeem the convertible bonds in cash within five business days from the bond redemption base date.</p> <p>(2) From the day following the three-month period after the issuance of the convertible bonds (July 29, 2022) to 40 days before the expiry of the issuance period (March 19, 2025), when the outstanding balance of the convertible</p>

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	<p>bonds is lower than 10% of the original total issued amount, the Company may, at any time thereafter, send the “Bond Redemption Notice” expiring 30 days by registered mail (the aforesaid period starts from the date the Company sends the letter, and the expiry date of the period is the base date for bond redemption, and the aforesaid period shall not be the conversion closure period as stated in Article 9) to the bond holders (subject to the name list of bond holders on the fifth business day prior to the date of dispatch of the “Bond Redemption Notice”; for bond holders who acquire the convertible bonds due to trading or other reasons thereafter, the announcement shall be followed). The redemption price is set as the denomination of the bonds, and all the bonds will be redeemed in cash, and a notification letter will be delivered to the TPEx for the announcement. When the Company executes the redemption request, it shall redeem the convertible bonds in cash within five business days from the bond redemption base date.</p> <p>(3) If the creditor fails to reply in writing to the Company’s stock transfer agent before the bond redemption base date as stated in the “Bond Redemption Notice” (it will take effect immediately upon delivery, and the postmark date shall be used as the basis for the post mails), the Company will redeem the convertible bonds in cash at the bond par value within five business days after the bond redemption base date.</p> <p>(4) If the Company executes the redemption request, the deadline for bond holders to request for conversion is the second business day after the trading day on TPEx of the converted bonds is terminated.</p>
Conversion period	<p>From the day following the three-month period after the issuance of the convertible bonds (July 29, 2022) to the maturity date (April 28, 2025), the bond holders may, through the original trading securities company, notify Taiwan Depository & Clearing Corporation (hereinafter referred to as “TDCC”) to the Company’s stock transfer agent to request the conversion of the convertible bonds into the Company’s ordinary shares in accordance with these Regulations and the provisions of Article 10, Article 11, Article 13 and Article 15 of these Regulations; except (1) the book closure period of the ordinary shares according to law; (2) from the 15 business days prior to the closure date of the Company’s stock dividends, the closure date of cash dividends, or the closure date of cash capital increase subscription, to the ex-dividend date; (3) from the capital reduction base date to the day before the trading day of producing the new stock certificates due to the capital reduction; (4) from the starting date of the conversion (subscription) closure date for changing the denomination of the stock to the day before the trading day of producing the new stock certificates.</p> <p>The starting date the conversion closure date for changing the denomination of the stock in the preceding paragraph is the business day before applying to the Ministry of Economic Affairs for the change registration. The Company shall announce four business days before the starting date of the conversion closure period.</p>
Conversion price	NT\$67

(n) Lease liabilities

The carrying amounts of lease liabilities were as follows:

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	March 31, 2024	December 31, 2023	March 31, 2023
Current	<u>\$ 23,272</u>	<u>29,273</u>	<u>27,387</u>
Non-current	<u>\$ 58,693</u>	<u>65,232</u>	<u>67,513</u>

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

The amounts recognized in profit or loss were as follows:

	For the three months ended March 31,	
	2024	2023
Interest on lease liabilities	<u>\$ 485</u>	<u>521</u>
Expenses relating to short-term leases	<u>\$ 4,096</u>	<u>2,953</u>

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

	For the three months ended March 31,	
	2024	2023
Total cash outflow for leases	<u>\$ 16,519</u>	<u>14,400</u>

(i) Leases of buildings and structures

The Group leases buildings and structures 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 to apply the exemption rules and not to recognize its right-of-use assets and lease liabilities for these leases.

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(o) Operating lease

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

	March 31, 2024	December 31, 2023	March 31, 2023
Less than one year	\$ 16,803	18,825	15,134
One to two years	11,530	15,575	15,946
Two to three years	325	327	331
Three to four years	244	327	-
	<u>\$ 28,902</u>	<u>35,054</u>	<u>31,411</u>

(p) Employee benefits

(i) Defined benefit plans

Given there was no significant volatility of the market fluctuations or any significant reimbursements, settlement or other one-time events since the reporting date of the prior year. As a result, pension cost in interim period was measured and disclosed in accordance with the actuarial report measured as of December 31, 2023 and 2022.

The details of those recognized as expenses were as follows:

	For the three months ended March 31,	
	2024	2023
Operating costs	\$ -	-
Operating expenses	\$ -	-

(ii) Defined contribution plans

The details of pension expenses under the defined contribution plans were as follows:

	For the three months ended March 31,	
	2024	2023
Operating costs	<u>\$ 12,502</u>	<u>10,406</u>
Operating expenses	<u>\$ 4,747</u>	<u>4,116</u>

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(q) Income taxes

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

		For the three months ended March 31,	
		2024	2023
Current tax expense			
Current period	\$	60,981	11,639
Deferred tax expense			
Origination and reversal of temporary differences		-	-
	\$	<u>60,981</u>	<u>11,639</u>

(ii) The Group's tax returns of Profit-seeking Enterprise Income Tax for the years through 2021 were assessed by the tax authorities.

(r) 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, 2024 and 2023. For the related information, please refer to Note 6(r) of the consolidated financial statements for the year ended December 31, 2023.

(i) Ordinary share capital

As of March 31, 2024, December 31, 2023 and March 31, 2023, the authorized capitals were \$1,200,000, \$1,200,000, and \$1,000,000, respectively. In addition, the number of issued shares were 66,091, 64,815, and 60,121, with a par value of \$10 per share. All the issued shares are ordinary shares.

(ii) Capital surplus

The balances of capital surplus were as follows:

	March 31, 2024	December 31, 2023	March 31, 2023
Additional paid-in capital	\$ 1,694,899	1,694,899	1,314,010
Treasury share transactions	6,195	6,195	6,195
Employee share options (including those expired)	14,329	14,329	14,329
Issuance of stock options of convertible bond	151,174	-	50,911
	<u>\$ 1,866,597</u>	<u>1,385,445</u>	<u>1,385,445</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.

When providing special reserve in accordance with regulations, the Company shall allocate special reserve in an amount equivalent to the portion of the amount of the net increase in fair value of investment properties and the net amount of other deductions from equity. However, if there remains any insufficiency, allocate it from the amount of the after-tax net profit for the period, plus items other than after-tax net profit for the period, that are included in the undistributed earnings of the period.

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

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

1) Legal reserve

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

2) Special reserve

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 2022 and 2021 had been approved during the board meetings on March 13, 2023 and May 11, 2022, respectively. The amounts of dividends distributed to shareholders were as follows:

	2023		2022	
	Amount per share	Total Amount	Amount per share	Total Amount
Dividends distributed to ordinary shareholders				
Cash	\$ 4.50	<u>297,411</u>	3.00	<u>180,364</u>

(iv) Other equity

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Total
Balance at January 1, 2024	\$ (128,105)	26,794	(101,311)
Exchange differences on translation of net assets of foreign operations	74,561	-	74,561
Unrealized losses from financial assets measured at fair value through other comprehensive income	-	95	95
Balance at March 31, 2024	<u>\$ (53,544)</u>	<u>26,889</u>	<u>(26,655)</u>
	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, 2023	\$ (58,328)	11,149	(47,179)
Exchange differences on translation of net assets of foreign operations	12,270	-	12,270
Unrealized losses from financial assets measured at fair value through other comprehensive income	-	2,881	2,881
Balance at March 31, 2023	<u>\$ (46,058)</u>	<u>14,030</u>	<u>(32,028)</u>

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(s) Earnings per share

	For the three months ended March 31,	
	2024	2023
Basic earnings per share		
Profit attributable to ordinary shareholders of the Company	<u>\$ 165,138</u>	<u>3,491</u>
Weighted average number of outstanding ordinary shares (in thousands)	<u>66,091</u>	<u>60,121</u>
Basic earnings per share (in dollars)	<u>\$ 2.50</u>	<u>0.06</u>
Diluted earnings per share		
Profit attributable to ordinary shareholders of the Company (basic)	\$ 165,138	3,491
After-tax effect of convertible bonds (Note)	3,022	-
Profit attributable to ordinary shareholders of the Company (diluted)	<u>\$ 168,160</u>	<u>3,491</u>
Weighted average number of outstanding ordinary shares (in thousands)	66,091	60,121
Effect of employee share bonus (in thousands)	170	646
Effect of conversion of convertible bonds (in thousands) (Note)	3,711	-
Weighted average number of outstanding ordinary shares (after adjustments of effects of dilutive potential ordinary shares) (in thousands)	<u>69,972</u>	<u>60,767</u>
Diluted earnings per share (in dollars)	<u>\$ 2.40</u>	<u>0.06</u>

Note: As the item is anti-dilutive, it is not included in the calculation of diluted earnings per share.

(t) Revenue from contracts with customers

(i) Details of revenue

	For the three months ended March 31, 2024		
	Hinge department	Fiber optic department	Total
Primary geographical markets:			
China	\$ 2,187,250	40,118	2,227,368
America	9,663	15,080	24,743
Thailand	58,986	-	58,986
Taiwan	18,238	151	18,389
Other country	47,973	1,125	49,098
	<u>\$ 2,322,110</u>	<u>56,474</u>	<u>2,378,584</u>
Main product/service line:			
Electronic component manufacturing and sales	<u>\$ 2,322,110</u>	<u>56,474</u>	<u>2,378,584</u>

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For the three months ended March 31, 2023			
	Hinge department	Fiber optic department	Total
Primary geographical markets:			
China	\$ 1,226,887	30,072	1,256,959
America	5,317	23,825	29,142
Thailand	224	-	224
Taiwan	27,018	308	27,326
Other country	4,336	1,127	5,463
	<u>\$ 1,263,782</u>	<u>55,332</u>	<u>1,319,114</u>
Main product/service line:			
Electronic component manufacturing and sales	<u>\$ 1,263,782</u>	<u>55,332</u>	<u>1,319,114</u>

(ii) Contract balances

	March 31, 2024	December 31, 2023	March 31, 2023
Notes receivables	\$ 1,496	361	1,436
Accounts receivable	2,976,626	3,026,383	2,038,835
Less: loss allowance	(8,435)	(7,946)	(14,357)
Total	<u>\$ 2,969,687</u>	<u>3,018,798</u>	<u>2,025,914</u>

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

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(u) 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, 2024 and 2023, the Company accrued and recognized its employee remuneration amounting to \$14,154 and \$363, respectively; as well as its remuneration to directors amounting to \$3,538 and \$68, 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 2024 and 2023, the Company recognized its employee remuneration amounting to \$47,162 and \$50,996, respectively, and its remuneration to directors of \$11,791 and \$12,749, respectively. The amounts, as stated in the consolidated financial statements, are identical to those of the actual distribution for 2024 and 2023. Related information is available on the Market Observation Post System website.

(v) Non-operating income and expenses

(i) Other income

The details of other income were as follows:

	For the three months ended March 31,	
	2024	2023
Rent income	\$ 6,131	8,570
Dividend income	4,842	2,921
Sample income	672	542
Mold and jig income	2,785	1,197
Others	6,449	13,409
	<u>\$ 20,879</u>	<u>26,639</u>

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(ii) Other gains and losses

The details of other gains and losses were as follows:

	For the three months ended March 31,	
	2024	2023
Losses on disposal of property, plant and equipment	\$ (2,290)	(2,466)
Foreign exchange gains	30,309	(16,092)
Exchange gains (losses)	9,231	3,931
Gains (losses) on financial assets at fair value through profit or loss	(1,414)	(1,261)
Sample expenses	-	(357)
Mold expenses	(2,974)	(5,561)
	<u>\$ 32,862</u>	<u>(21,806)</u>

(iii) Finance costs

The details of finance costs were as follows:

	For the three months ended March 31,	
	2024	2023
Interest expense for bank loans	\$ (2,343)	(5,047)
Interest expense for lease liabilities	(485)	(521)
Amortization of discount on convertible bonds	(3,778)	(1,432)
	<u>\$ (6,606)</u>	<u>(7,000)</u>

(iv) Interest income

The details of interest income were as follows:

	For the three months ended March 31,	
	2024	2023
Interest income from bank deposits	\$ 16,360	15,633
Other interest income	18	67
	<u>\$ 16,378</u>	<u>15,700</u>

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(w) 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(w) of the consolidated financial statements for the year ended December 31, 2023.

(i) Liquidity risk

The following table shows the contractual maturities of financial liabilities, including the effects of estimated interest payments.

	Carrying amount	Contractu al cash flow	Within six months	6-12 months	1-2 years	2-5 years	Over 5 years
March 31, 2024							
Non derivative financial liabilities							
Short-term borrowings	\$ 145,464	146,029	132,616	13,413	-	-	-
Notes and accounts payables	2,496,978	2,496,978	2,496,978	-	-	-	-
Other payables	1,147,447	1,147,447	1,147,447	-	-	-	-
Corporate bonds payables	753,681	800,000	-	-	-	800,000	-
Lease liabilities	81,965	97,105	20,806	16,426	30,521	29,352	-
Long-term borrowings (current portion included)	200,580	204,104	97,198	39,602	14,752	43,177	9,375
	\$ 4,826,115	4,891,663	3,895,045	69,441	45,273	872,529	9,375
December 31, 2023							
Non derivative financial liabilities							
Short-term borrowings	\$ 629,810	632,321	632,321	-	-	-	-
Notes and accounts payables	2,431,380	2,431,380	2,431,380	-	-	-	-
Other payables	1,157,079	1,157,079	1,157,079	-	-	-	-
Lease liabilities	94,505	107,044	22,430	17,938	32,445	34,231	-
Long-term borrowings (current portion included)	254,921	258,827	109,951	78,071	14,719	43,183	12,903
	\$ 4,567,695	4,586,651	4,353,161	96,009	47,164	77,414	12,903
March 31, 2023							
Non derivative financial liabilities							
Short-term borrowings	\$ 318,827	320,649	320,649	-	-	-	-
Notes and accounts payable	1,470,716	1,470,716	1,470,716	-	-	-	-
Other payables	942,831	942,831	942,831	-	-	-	-
Dividends payables	180,364	180,364	180,364	-	-	-	-
Corporate bonds payables	387,853	400,000	-	-	-	400,000	-
Lease liabilities	94,900	109,421	20,339	20,597	30,625	37,860	-
Long-term borrowings (current portion included)	417,941	425,055	110,984	110,310	136,652	43,547	23,562
	\$ 3,813,432	3,849,036	3,045,883	130,907	167,277	481,407	23,562

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

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(ii) Foreign currency risk

1) Exposure to foreign currency risk

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

	March 31, 2024			December 31, 2023			March 31, 2022		
	Foreign currency	Exchange rate	New Taiwan Dollars	Foreign currency	Exchange rate	New Taiwan Dollars	Foreign currency	Exchange rate	New Taiwan Dollars
<u>Financial assets</u>									
<u>Monetary items</u>									
USD	\$ 87,322	32.000	2,794,304	91,329	30.705	2,804,257	90,328	30.450	2,750,488
<u>Financial liabilities</u>									
<u>Monetary items</u>									
USD	31,232	32.000	999,424	32,492	30.705	997,667	41,963	30.450	1,277,773

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, 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, 2024 and 2023 would have increased (decreased) the net profit before tax by \$89,744 and \$73,636, 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, 2024 and 2023, the foreign exchange gain (loss) (including realized and unrealized portions) amounted to \$30,309 and \$(16,092), 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 \$865 and \$1,842 for the three-month periods ended March 31, 2024 and 2023, assuming all other variable factors remain constant. This is mainly due to the Group's borrowing in floating variable rates.

(iv) Other price risk

The impacts on items of comprehensive income by the changes in prices of equity securities at the reporting date (The analyses of the two periods are on the same basis, and assume other variable factors remain constant.) are as follows:

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Security price at the reporting date	For the three months ended March 31, 2024		For the three months ended March 31, 2023	
	Other comprehensive income, net of tax	Profit or loss before tax	Other comprehensive income, net of tax	Profit or loss before tax
Increase by 1%	\$ <u>1,228</u>	<u>280</u>	<u>903</u>	<u>250</u>
Decrease by 1%	\$ <u>(1,228)</u>	<u>(280)</u>	<u>(903)</u>	<u>(250)</u>

(v) Fair value of financial instruments

1) Fair value hierarchy

The carrying amount and fair value of the Group's financial assets and liabilities are as follows (including the information on fair value hierarchy; however, 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):

	March 31, 2024				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	\$ 443,909	28,040	6,080	409,789	443,909
Financial assets at fair value through other comprehensive income	122,809	-	-	122,809	122,809
Loans to others and receivables					
Cash and cash equivalents	3,192,694	-	-	-	-
Notes and accounts receivables	2,969,687	-	-	-	-
Other receivables	39,232	-	-	-	-
Subtotal	6,201,613	-	-	-	-
Total	<u>\$ 6,768,331</u>	<u>28,040</u>	<u>6,080</u>	<u>532,598</u>	<u>566,718</u>
Financial liabilities at amortized cost					
Short-term borrowings	\$ 145,464	-	-	-	-
Notes and accounts payables	2,496,978	-	-	-	-
Other payables	1,147,447	-	-	-	-
Corporate bonds payables	753,681	-	-	-	-
Lease liabilities	81,965	-	-	-	-
Long-term borrowings (current portion included)	200,580	-	-	-	-
Subtotal	4,826,115	-	-	-	-
Total	<u>\$ 4,826,115</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	December 31, 2023				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	\$ 15,640	15,386	-	254	15,640
Financial assets at fair value through other comprehensive income	122,164	-	-	122,164	122,164
Loans to others and receivables					
Cash and cash equivalents	2,967,196	-	-	-	-
Notes and accounts receivables	3,018,798	-	-	-	-

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Other receivables	37,930	-	-	-	-
Subtotal	6,023,924	-	-	-	-
Total	\$ 6,161,728	15,386	-	122,418	137,804
Financial liabilities at amortized cost					
Short-term borrowings	\$ 629,810	-	-	-	-
Notes and accounts payables	2,431,380	-	-	-	-
Other payables	1,157,079	-	-	-	-
Lease liabilities	94,505	-	-	-	-
Long-term borrowings (current portion included)	254,921	-	-	-	-
Subtotal	4,567,695	-	-	-	-
Total	\$ 4,567,695	-	-	-	-

	March 31, 2023				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	\$ 661,920	95,097	80	566,743	661,920
Financial assets at fair value through other comprehensive income	90,256	-	-	90,256	90,256
Loans to others and receivables					
Cash and cash equivalents	1,906,810	-	-	-	-
Notes and accounts receivables	2,025,914	-	-	-	-
Other receivables	37,982	-	-	-	-
Subtotal	3,970,706	-	-	-	-
Total	\$ 4,722,882	95,097	80	656,999	752,176
Financial liabilities at amortized cost					
Short-term borrowings	\$ 318,827	-	-	-	-
Notes and accounts payables	1,470,716	-	-	-	-
Other payables	942,831	-	-	-	-
Dividends payables	180,364	-	-	-	-
Corporate bonds payables	387,853	-	-	-	-
Lease liabilities	94,900	-	-	-	-
Long-term borrowings (current portion included)	417,941	-	-	-	-
Subtotal	3,813,432	-	-	-	-
Total	\$ 3,813,432	-	-	-	-

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Notes to the Consolidated Financial Statements

2) Valuation techniques for financial instruments not measured at fair value

The methods and assumptions used for estimating the instruments not measured at fair value are as follows:

(2.1) Financial assets at amortized cost

If public quoted prices in active markets are available, the market prices are the fair value. If there is no market price for reference, the fair value shall be estimated by valuation method or the counterparty prices.

(2.2) Financial assets and liabilities at amortized cost

If quoted prices of deals or market makers are available, fair value shall be evaluated on the basis of the recent deal prices or quoted prices. If there is no market price for reference, fair value shall be estimated by valuation method. The estimates and assumptions used in the valuation method are estimating fair value by the discounted cash flows.

3) Valuation techniques for financial instruments measured at fair value

(3.1) non-derivative financial instruments

If there are public quoted prices in an active market for a financial instrument, the public quoted prices are the fair value of the financial instrument.

The market prices in major exchanges, and the market prices of hot bonds declared by central government bond OTC center are the basis of listed equity instruments and debt instruments with market public quoted prices in active markets.

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. If the aforementioned conditions do not conform, then the market is regarded as inactive. In general, a market with high bid-ask spreads, significant increase in bid-ask spreads, or low trading volume is indicated as inactive.

Unquoted equity instruments: the fair value shall be estimated by discounted cash flow model, which is assumed on the investors' expected future cash flows that are discounted by the rate of return reflecting time value of money and investment risk.

(3.2) Derivatives

Valuations are based on valuation models widely accepted by market users, such as discounting methods and option pricing models. Forward exchange agreements are usually valued based on the current forward rate. Structured interest rate derivatives are based on an appropriate option pricing model (such as the Black-Scholes model) or other evaluation methods, such as Monte Carlo simulation.

JARLLYTEC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

4) Details of changes in level 3 fair value measurement

	Measured at fair value through profit or loss	Measured at fair value through other comprehensive income
Balance at January 1, 2024	\$ 254	122,164
Total gains or losses		
Recognized in profit or loss	32	-
Recognized in other comprehensive income	-	95
Additions	577,007	-
Disposals	(167,504)	-
Effect of movements in exchange	-	550
Balance at March 31, 2024	<u><u>\$ 409,789</u></u>	<u><u>122,809</u></u>
Balance at January 1, 2023	\$ 457	83,032
Total gains or losses		
Recognized in profit or loss	4	-
Recognized in other comprehensive income	-	2,881
Additions	721,367	4,209
Disposals	(155,085)	-
Effect of movements in exchange	-	134
Balance at March 31, 2023	<u><u>\$ 566,743</u></u>	<u><u>90,256</u></u>

The aforementioned total gains or losses were presented under “other gains and losses” and “unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income.” The portion related to the assets held by the Group as of March 31, 2024 and 2023 is as follows:

	For the three months ended March 31,	
	2024	2023
Total gains or losses		
Recognized in profit or loss (presented under “other gains and losses”)	\$ 32	4
Recognized in other comprehensive income (presented under “unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income”)	95	2,881

JARLLYTEC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

The Group's financial instruments classified as Level 3 fair value measurements primarily consist of "financial assets measured at fair value through profit or loss - equity investments."

The majority of fair value measurements of the Group are classified as Level 3 are with only single significant unobservable input. Only equity investments without active markets are with multiple significant unobservable input. As the significant unobservable inputs are independent with each other, while there is no interrelationship among them.

Quantified information of significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets at fair value through other comprehensive income - equity investments without an active market	Net Asset Value Method	<ul style="list-style-type: none"> Net asset value Discount on lack of market liquidity (30% as of March 31, 2023, December 31, 2022, and March 31, 2022) 	<ul style="list-style-type: none"> The higher the discount on lack of market liquidity, the lower fair value
Financial assets at fair value through profit or loss-Financial products	Discounted Cash Flow Method	<ul style="list-style-type: none"> Discount rate (1.60%~3.15%, -, and 1.50%~3.10% as of March 31, 2024, December 31, 2023, and March 31, 2023, respectively.) 	<ul style="list-style-type: none"> The higher the discount rate, the lower fair value
Financial assets at fair value through profit or loss-Private placement funds	Net Asset Value Method	<ul style="list-style-type: none"> Net asset value 	Not applicable

6) Fair value measurements in Level 3 — sensitivity analysis of reasonably possible alternative assumptions

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

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		Upward or downward	Changes in fair value reflecting in profit or loss		Changes in fair value reflecting in other comprehensive income	
			Favorable	Unfavorable	Favorable	Unfavorable
March 31, 2024						
Financial assets at fair value through profit or loss-Financial products	Discount rate	5%	168	(168)	-	-
Financial assets at fair value through profit or loss-Private offered funds	Net asset value	5%	14	(14)	-	-
Financial assets at fair value through other comprehensive income						
Equity investments without an active market	30%	5%	-	-	6,140	(6,140)
December 31, 2023						
Financial assets at fair value through profit or loss-Private offered funds	Net asset value	5%	13	(13)	-	-
Financial assets at fair value through other comprehensive income						
Equity investments without an active market	30%	5%	-	-	6,108	(6,108)
March 31, 2023						
Financial assets at fair value through profit or loss-Financial products	Discount rate	5%	188	(188)		
Financial assets at fair value through profit or loss-Private offered funds	Net asset value	5%	23	(23)		
Financial assets at fair value through other comprehensive income						
Equity investments without an active market	30%	5%	-	-	4,513	(4,513)

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.

JARLLYTEC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(x) Financial risk management

The Group's objectives and policies for managing the financial risk are consistent with those disclosed in the Note 6(x) of the consolidated financial statements for the year ended December 31, 2023.

(y) 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, 2023. There were no significant changes of quantitative data of capital management compared with the consolidated financial statements for the year ended December 31, 2023. Please refer to Note 6(y) of the consolidated financial statements for the year ended December 31, 2023.

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

The Group's investments and financing activities through non-cash transactions for the three-month periods ended March 31, 2024 and 2023 were as follows:

(i) Right-of-use assets are acquired through leasing. Please refer to Note 6(h).

(ii) The Group's assets through financing activities and reconciliation were as follows:

	Non-cash changes						March 31, 2024
	January 1, 2024	Cash flows	Acquisition	Changes in exchange rate	Interest expense	Others	
Short-term borrowings	\$ 629,810	(486,776)	-	2,430	-	-	145,464
Long-term borrowings (current portion included)	254,921	(54,341)	-	-	-	-	200,580
Bonds payables	-	899,237	-	-	3,778	(149,334)	753,681
Lease liabilities	94,505	(11,938)	-	1,769	-	(2,371)	81,965
Total liabilities arising from financing activities	<u>\$ 979,236</u>	<u>346,182</u>	<u>-</u>	<u>4,199</u>	<u>3,778</u>	<u>(151,705)</u>	<u>1,181,690</u>

	Non-cash changes						March 31, 2023
	January 1, 2023	Cash flows	Acquisition	Changes in exchange rate	Interest expense	Others	
Short-term borrowings	\$ 515,833	(200,536)	-	3,530	-	-	318,827
Long-term borrowings (current portion included)	472,282	(54,341)	-	-	-	-	417,941
Lease liabilities	109,053	(10,926)	-	564	-	(3,791)	94,900
Bonds payables	386,421	-	-	-	1,432	-	387,853
Total liabilities arising from financing activities	<u>\$ 1,483,589</u>	<u>(265,803)</u>	<u>-</u>	<u>4,094</u>	<u>1,432</u>	<u>(3,791)</u>	<u>1,219,521</u>

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Notes to the Consolidated Financial Statements

(7) Related-party transactions

- (a) Parent company and ultimate controlling company

The Company is the ultimate controlling party of the Group.

- (b) Key management personnel compensation

Key management personnel compensation comprised:

	For the three months ended March 31,	
	2024	2023
Short-term employee benefits	\$ 4,878	6,929
Post-employment benefits	220	211
	<u>\$ 5,098</u>	<u>7,140</u>

(8) Pledged assets

The carrying values of pledged assets were as follows:

Pledged assets	Object	March 31, 2024	December 31, 2023	March 31, 2023
Land	Secured loans	\$ 684,947	1,016,281	1,016,281
Buildings	Secured loans	181,528	226,692	227,078
		<u>\$ 866,475</u>	<u>1,242,973</u>	<u>1,243,359</u>

(9) Commitments and contingencies

The Group's significant contractual commitments were as follows:

	March 31, 2024	December 31, 2023	March 31, 2023
Acquisition of property, plant and equipment	<u>\$ 101,595</u>	<u>86,249</u>	<u>48,481</u>

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

- (11) Subsequent events: None.**

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Notes to the Consolidated Financial Statements

(12) Other

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

By function By item	For the three months ended March 31, 2024			For the three months ended March 31, 2023		
	Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Employee benefits						
Salaries	237,479	110,623	348,102	176,668	65,930	242,598
Labor and health insurance	12,560	6,632	19,192	11,778	6,065	17,843
Pension	12,502	4,747	17,249	10,406	4,116	14,522
Remuneration of directors	-	3,964	3,964	-	410	410
Others	12,208	7,021	19,229	8,443	4,788	13,231
Depreciation	67,890	13,114	81,004	63,265	12,169	75,434
Amortization	3,378	6,619	9,997	2,175	4,023	6,198

- (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, 2024:

- (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	Jarlllytec (Vietnam) Co., Ltd.	Other receivables	Yes	128,000	128,000	-	3%	2	-	Operating turnover	-		-	753,848	2,261,545
1	Fu Qing Jarlly Electronics Co., Ltd.	Kunshan Jarlly Electronics Ltd.	Other receivables	Yes	44,080	-	-	2%	2	-	Operating turnover	-		-	637,495	637,495
2	Jarlly Technology (Chongqing) Co., Ltd.	Kunshan Jarlly Electronics Ltd.	Other receivables	Yes	30,856	30,856	30,856 (Note 4)	2%	2	-	Operating turnover	-		-	276,625	276,625
3	Smart Hinge Holdings Ltd.	Great Hinge Trading Ltd.	Other receivables	Yes	57,600	57,600	57,600 (Note 4)	0%	2	-	Operating turnover	-		-	2,377,640	2,377,640
4	Jarlly Electronics Technology (Shanghai) Co., Ltd.	Jarlly Technology (Shanghai) Co., Ltd.	Other receivables	Yes	132,240	132,240	-	3%	2	-	Operating turnover	-		-	283,880	283,880
5	Jarlly Technology (Shanghai) Co., Ltd.	Kunshan Jarlly Electronics Ltd.	Other receivables	Yes	44,080	44,080	-	3%	2	-	Operating turnover	-		-	730,057	730,057

Note 1: The Company

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

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Notes to the Consolidated Financial Statements

(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.

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.

(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	1,884,621	256,000	256,000	-	-	4.53%	2,261,545	Y	N	Y
0	The Company	Jarllly Technology (Chongqing) Co., Ltd.	2	1,884,621	64,000	64,000	-	-	1.13%	2,261,545	Y	N	Y
0	The Company	Kunshan Jarllly Electronics Ltd.	2	1,884,621	60,390	60,390	-	-	1.07%	2,261,545	Y	N	Y
0	The Company	Jellytec (Vietnam) Co., Ltd.	2	1,884,621	128,000	128,000	-	-	2.26%	2,261,545	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, 2024); 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.

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(iii) Securities held as of March 31, 2024 (excluding investment in subsidiaries, associates and joint ventures):

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
The Company	WK Technology Fund IX Ltd., stock	-	Non-current financial assets at fair value through other comprehensive income	3,599	63,044	4.61 %	63,044	-
Jarwin Investment Co., Ltd.	Second phase Stock of WK Innovation Ltd.	-	Non-current financial assets at fair value through other comprehensive income	3,000	29,834	2.67 %	29,834	-
Fu Qing Jarlly Electronics Co., Ltd.	Fuqing Jelly Plastic Product Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	-	3,527	16.00 %	3,527	-
Fu Qing Jarlly Electronics Co., Ltd.	Chongqing Jelly Plastics Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	-	4,761	18.00 %	4,761	-
Fu Qing Jarlly Electronics Co., Ltd.	Chongqing Yuli Hardware Products Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	-	2,380	18.00 %	2,380	-
Xiamen Jarlly Electronics Co., Ltd.	Xiamen Jinli Hardware Products Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	-	4,188	19.00 %	4,188	-
Xiamen Jarlly Electronics Co., Ltd.	Xiamen Jinyaoli Precision Hardware Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	-	8,375	19.00 %	8,375	-
Kunshan Jarlly Electronics Co., Ltd.	Kunshan Huli Precision Hardware Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	-	6,700	19.00 %	6,700	-
Jarlly Technology (Shanghai) Co., Ltd.	SinoPac Bank (China) structured deposits - financial products	-	Current financial assets at fair value through profit or loss	-	103,588	- %	103,588	-
Jarlly Electronics Technology (Shanghai) Co., Ltd.	SinoPac Bank (China) structured deposits - financial products	-	Current financial assets at fair value through profit or loss	-	130,036	- %	130,036	-
Jarlly Electronics Technology (Shanghai) Co., Ltd.	Fubon Bank (China) structured deposits - financial products	-	Current financial assets at fair value through profit or loss	-	8,816	- %	8,816	-
Jarlly Technology (Chongqing) Co., Ltd.	SinoPac Bank (China) structured deposits - financial products	-	Current financial assets at fair value through profit or loss	-	79,785	- %	79,785	-
Dong Guan Jarlly Electronics Co., Ltd.	Fubon Bank (China) structured deposits - financial products	-	Current financial assets at fair value through profit or loss	-	13,224	- %	13,224	-
Dong Guan Jarlly Electronics Co., Ltd.	DRC Bank structured deposits - financial products	-	Current financial assets at fair value through profit or loss	-	29,974	- %	29,974	-
Xiamen Jarlly Electronics Co., Ltd.	China Merchants Bank structured deposits - financial products	-	Current financial assets at fair value through profit or loss	-	44,080	- %	44,080	-
Jarwin Investment Co., Ltd.	TSMC, stock	-	Current financial assets at fair value through profit or loss	20	15,580	- %	15,580	-

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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	
Jarwin Investment Co., Ltd.	ASUSTEK COMPUTER INC., stock	-	Current financial assets at fair value through profit or loss	20	8,590	- %	8,590	
Jarwin Investment Co., Ltd.	Evergreen Marine Corporation, stock	-	Current financial assets at fair value through profit or loss	12	2,064	- %	2,064	-
Jarwin Investment Co., Ltd.	O-TA Precision Industry Co., LTD., stock	-	Current financial assets at fair value through profit or loss	20	1,806	- %	1,806	-
Jarwin Investment Co., Ltd.	Treasure Cay Private Equity Fund	-	Non-current financial assets at fair value through profit or loss	-	286	1.587%	286	

- (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)	
Kunshan Jarly Electronics Ltd.	The Company	Associates	Sale	(128,104)	52.77%	150 days	-	Related parties are 150 days, third parties are ranged from 30 to 180 days.	183,412	50.43%	Note
The Company	Kunshan Jarly Electronics Ltd.	Associates	Purchase	128,104	33.33%	150 days	-	Related parties are 150 days, third parties are ranged from 30 to 180 days.	(183,412)	31.31%	Note
Jarly Technology (Chongqing) Co., Ltd.	The Company	Associates	Sale	(117,549)	46.54%	150 days	-	Related parties are 150 days, third parties are ranged from 30 to 180 days.	208,886	51.52%	Note
The Company	Jarly Technology (Chongqing) Co., Ltd.	Associates	Purchase	117,549	30.58%	150 days	-	Related parties are 150 days, third parties are ranged from 30 to 180 days.	(208,886)	35.66%	Note

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

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Notes to the Consolidated Financial Statements

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

Name of company	Counter-party	Nature of relationship	Ending balance (Note)	Turnover rate	Overdue		Amounts received in subsequent period	Allowance for bad debts
					Amount	Action taken		
Kunshan Jarlly Electronics Ltd.	The Company	Associates	183,412	3.09	-	-	34,595	-
Jarlly Technology (Chongqing) Co., Ltd.	The Company	Associates	208,886	2.26	-	-	74,010	-
Fu Qing Jarlly Electronics Co., Ltd.	Jarllytec (Thailand) Co., Ltd.	Associates	133,168	0.57	-	-	38,763	-

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

(ix) Trading in derivative instruments: Please refer to Note 6(b) and (l).

(x) Business relationships and significant intercompany transactions:

Num ber	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	Smart Hinge	Great Hinge	3	Other receivables	57,600	Follow the agreement	0.53%
2	Chongqing Jarlly	The Company	2	Sales revenue	117,549	Mark up by cost	4.94%
2	Chongqing Jarlly	The Company	2	Accounts receivable	208,886	150 days	1.94%
2	Chongqing Jarlly	Kunshan Jarlly	3	Other receivables	30,856	Follow the agreement	0.29%
3	Dong Guan Jarlly	The Company	2	Sales revenue	18,574	Mark up by cost	0.78%
3	Dong Guan Jarlly	The Company	2	Accounts receivable	23,396	150 days	0.22%
4	Fu Qing Jarlly	The Company	2	Sales revenue	11,940	Mark up by cost	0.50%
4	Fu Qing Jarlly	The Company	2	Accounts receivable	12,011	150 days	0.11%
4	Fu Qing Jarlly	Kunshan Jarlly	3	Sales revenue	36,157	Mark up by cost	1.52%
4	Fu Qing Jarlly	Kunshan Jarlly	3	Accounts receivable	83,818	150 days	0.78%
4	Fu Qing Jarlly	Jarllytec Thailand	3	Sales revenue	19,509	Mark up by cost	0.82%
4	Fu Qing Jarlly	Jarllytec Thailand	3	Accounts receivable	133,168	150 days	1.23%
5	Kunshan Jarlly	The Company	2	Sales revenue	128,104	Mark up by cost	5.39%
5	Kunshan Jarlly	The Company	2	Accounts receivable	183,412	150 days	1.70%
5	Shanghai Jarlly	The Company	2	Accounts receivable	10,577	150 days	0.10%
6	Xiamen Jarlly	The Company	2	Accounts receivable	12,180	150 days	0.11%

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, 2024 (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, 2024			Net income (losses) of investee	Share of profits/losses of investee	Note
				March 31, 2024	December 31, 2023	Shares	Percentage of ownership	Carrying value			
The Company	Great Hinge Trading Ltd.	British Virgin Islands	Investments	64,208	64,208	12	100.00%	79,360	(3,846)	(3,672)	Note
The Company	Smart Hinge Holdings Ltd.	British Virgin Islands	Investments	1,062,626	904,601	33,434	100.00%	3,946,313	172,292	169,933	Note
The Company	Jarson Precision Technology Co., Ltd.	Republic of China	Powder metallurgy industry	-	134,076	-	- %	-	-	-	Note
The Company	Jarwin Investment Co., Ltd.	Republic of China	Investments	80,000	80,000	8,000	100.00%	87,251	4,608	4,608	Note
The Company	Jarlllytec Singapore Pt. Ltd.	Singapore	Computer design and service	423	423	-	100.00%	895	51	51	Note
Great Hinge Trading Ltd.	Jarlllytec (Vietnam) Co., Ltd.	Vietnam	Sale and produce Precision Hinge	230,613	230,613	-	100.00%	154,814	(3,834)	(3,834)	Note
Smart Hinge Holdings Ltd.	Royal Jarly Holding Ltd.	Hong Kong	Investments	1,062,626	904,601	33,434	100.00%	3,904,748	175,687	175,687	Note
Royal Jarly Holding Ltd.	Jarlllytec (Thailand) Co., Ltd.	Thailand	Sale and produce Precision Hinge	189,973	189,973	2,000	100.00%	149,087	(11,842)	(11,842)	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	125,858	100.00%	125,858	1,000,957	-
Fu Qing Jarly Electronics Co., Ltd.	Sale and produce Precision Hinge	240,658	(2)	27,370	-	-	27,370	15,698	100.00%	15,698	753,429	-
Dong Guan Jarly Electronics Co., Ltd.	Sale and produce Precision Hinge	81,466	(2)	81,466	-	-	81,466	485	100.00%	485	117,487	15,366
Kunshan Jarly Electronics Ltd.	Sale and produce Precision Hinge	71,906	(2)	65,369	-	-	65,369	16,709	100.00%	16,709	205,659	-
Jarllly Electronics Technology (Shanghai) Co., Ltd.	Sale and produce Precision Hinge	473,450	(2)	386,330	-	-	386,330	1,959	100.00%	1,959	473,134	-
Xiamen Jarly Electronics Co., Ltd.	Sale and produce Precision Hinge	43,801	(2)	29,281	-	-	29,281	2,048	100.00%	2,048	112,809	-
Jarllly Technology (Chongqing) Co., Ltd.	Sale and produce Precision Hinge	61,722	(2)	29,500	-	-	29,500	35,946	100.00%	35,946	461,042	-
Zhejiang Jarly Precision Technology Co., Ltd.	Powder metallurgy and other metal products manufacturing and trading business	154,013	(2)	154,013	-	-	154,013	(16,085)	100.00%	(16,085)	215,806	-

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, 2024	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
904,601 (USD28,434)	1,325,888 (USD41,434)	3,392,318

(iii) Significant transactions:

As of the three months ended of March 31, 2023, 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	9.22%
Dellson Investment Co., Ltd.		3,864,000	5.84%

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, 2024				
	Hinge department	Fiber optic department	Reconciliati on and elimination	Total
Revenue:				
Revenue from external customers	\$ 2,322,110	56,474	-	2,378,584
Intersegment revenues	-	-	-	-
Total revenue	<u>\$ 2,322,110</u>	<u>56,474</u>	<u>-</u>	<u>2,378,584</u>
Reportable segment profit or loss	<u>\$ 220,823</u>	<u>5,296</u>	<u>-</u>	<u>226,119</u>

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	Hinge department	Fiber optic department	Reconciliati on and elimination	Total
Revenue:				
Revenue from external customers	\$ 1,263,782	55,332	-	1,319,114
Intersegment revenues	-	-	-	-
Total revenue	<u>\$ 1,263,782</u>	<u>55,332</u>	<u>-</u>	<u>1,319,114</u>
Reportable segment profit or loss	<u>\$ 8,251</u>	<u>6,879</u>	<u>-</u>	<u>15,130</u>

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