

JARLLYTEC CO., LTD. AND SUBSIDIARIES

Consolidated Financial Statements

**With Independent Auditors' Review Report
For the Six Months Ended
June 30, 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 June 30, 2024 and 2023, the consolidated statements of comprehensive income for the three months ended June 30, 2024 and 2023, and changes in equity and cash flows for the six 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\$1,900,645 thousand and NT\$1,667,903 thousand, constituting 18% and 19% of consolidated total assets as of June 30, 2024 and 2023, respectively, total liabilities amounted to NT\$701,072 thousand and NT\$598,383 thousand, constituting 13% and 14% of consolidated total liabilities as of June 30, 2024 and 2023, respectively, and total comprehensive income of these subsidiaries amounted to NT\$(53,094) thousand, NT\$(32,218) thousand, NT\$(91,786) thousand and NT\$(6,458) thousand, constituting (33)%, (94)%, (23)% and (12)% of the consolidated total comprehensive income for the six months ended June 30, 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 June 30, 2024 and 2023, and of its consolidated financial performance as of and for the three-month periods ended June 30, 2024 and 2023, and its consolidated cash flows for the six months periods then ended in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and International Accounting Standard 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

KPMG

Taipei, Taiwan (Republic of China)
August 9, 2024

Notes to Readers

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Review only, not audited in accordance with Generally Auditing Standards as of June 30, 2024 and 2023**JARLLYTEC CO., LTD. AND SUBSIDIARIES****Consolidated Balance Sheets****June 30, 2024, December 31, 2023, June 30, 2023**

(Expressed in Thousands of New Taiwan Dollars)

		June 30, 2024		December 31, 2023		June 30, 2023				June 30, 2024		December 31, 2023		June 30, 2023	
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%
Assets															
Current assets:															
1100	Cash and cash equivalents (Note 6(a))	\$	3,188,458	30	2,967,196	29	1,581,801	19	2100	Short-term borrowings (Note 6(j) and 8)	\$	146,685	1	629,810	6
1110	Current financial assets at fair value through profit or loss (Note 6(b))		1,202,151	11	15,386	-	620,335	7	2170	Notes and accounts payable		2,190,995	20	2,431,380	24
1170	Notes and accounts receivable, net (Note 6(c)(t))		2,043,288	19	3,018,798	30	2,655,466	30	2200	Other payables (Note 6(k))		1,257,735	12	1,157,079	11
1200	Other receivables, net (Note 6(d))		25,975	-	37,930	-	41,128	-	2216	Cash dividends payable		297,411	3	-	-
1220	Current tax assets		19,479	-	6,120	-	2,690	-	2230	Current tax liabilities		60,639	1	74,508	1
130X	Inventories (Note 6(e))		787,034	7	866,940	9	730,852	8	2280	Current lease liabilities (Note 6(n))		32,905	-	29,273	-
1410	Prepayments and other current assets (Note 6(f))		92,004	1	106,371	1	69,726	1	2322	Long-term borrowings, current portion (Note 6(l) and 8)		84,428	1	186,111	2
Total current assets			7,358,389	68	7,018,741	69	5,701,998	65	2399	Other current liabilities		30,002	-	29,480	-
Non-current assets:															
1510	Non-current financial assets at fair value through profit or loss (Note 6(b))		2,672	-	254	-	661	-	2530	Total current liabilities		4,100,800	38	4,537,641	44
1517	Non-current financial assets at fair value through other comprehensive income (Note 6(b))		122,180	1	122,164	1	80,799	1	2540	Non-Current liabilities:					
1600	Property, plant and equipment (Note 6(g) and 8)		2,708,096	25	2,540,155	25	2,482,036	29	2570	Bonds payable (Note 6(m))		757,766	7	-	-
1755	Right-of-use assets (Note 6(h))		270,129	3	234,285	3	256,388	3	2580	Long-term borrowings (Note 6(l) and 8)		61,812	1	68,810	1
1780	Intangible assets (Note 6(i))		21,445	-	21,646	-	21,627	-	2640	Deferred income tax liabilities		181,442	2	181,442	2
1840	Deferred income tax assets		44,729	-	44,729	-	29,790	-	2670	Non-current lease liabilities (Note 6(n))		93,857	1	65,232	1
1915	Prepayments for business facilities		175,838	2	55,352	1	56,314	1		Net defined benefit liability, non-current		36,788	-	37,267	-
1990	Other non-current assets, others (Note 6(f))		51,821	1	118,953	1	56,791	1		Other non-current liabilities, others		3,120	-	2,992	-
Total non-current assets			3,396,910	32	3,137,538	31	2,984,406	35		Total non-current liabilities		1,134,785	11	355,743	4
										Total liabilities		5,235,585	49	4,893,384	48
										Equity attributable to owners of parent (Note 6(r)):					
									3110	Share capital:		660,914	6	648,153	7
									3140	Ordinary share		-	-	12,761	-
										Advance receipts for share capital		660,914	6	660,914	7
									3200	Total Share Capital		1,866,597	17	1,715,423	17
										Capital surplus					
									3310	Retained earnings:		506,588	5	453,672	4
									3320	Legal reserve		101,311	1	47,179	-
									3350	Special reserve		2,411,731	22	2,487,018	25
										Unappropriated retained earnings		3,019,630	28	2,987,869	29
										Total retained earnings					
									3410	Other equity:		(55,837)	-	(128,105)	(1)
									3420	Exchange differences on translation of foreign financial statements		28,410	-	26,794	-
										Unrealized gain or loss on financial assets at fair value through other comprehensive income		(27,427)	-	(101,311)	(1)
										Total other equity interest		5,519,714	51	5,262,895	52
										Total equity		\$ 10,755,299	100	10,156,279	100
Total assets		\$	10,755,299	100	10,156,279	100	8,686,404	100							

(See accompanying notes to financial statements)

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with Generally Auditing Standards
JARLLYTEC CO., LTD. AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income
As of and For the Three Months Ended June 30, 2024 and 2023
(Expressed in Thousands of New Taiwan Dollars)

		For the three months ended June 30,				For the three months ended June 30,			
		2024		2023		2024		2023	
		Amount		%		Amount		%	
4000	Operating revenue (Note 6(t))	\$	2,284,669	100	1,970,994	100	4,663,253	100	3,290,108
5000	Operating costs (Note 6(e)(p))		1,865,316	82	1,668,981	85	3,842,309	82	2,819,050
	Net gross profit		419,353	18	302,013	15	820,944	18	471,058
	Operating expenses (Note 6(c)(n)(p)(u)):								
6100	Selling expenses		50,807	2	55,493	3	101,228	2	102,991
6200	Administrative expenses		128,185	6	108,118	5	263,874	6	182,054
6300	Research and development expenses		69,531	3	48,772	2	121,949	3	93,656
6450	Expected credit loss (gain)		(6,454)	-	(5,683)	-	(5,997)	-	(4,553)
	Total operating expenses		242,069	11	206,700	10	481,054	11	374,148
	Net operating income		177,284	7	95,313	5	339,890	7	96,910
	Non-operating income and expenses (Note 6(n)(o)(v)):								
7010	Other income		18,143	1	21,423	1	39,022	1	48,062
7020	Other gains and losses, net		20,286	1	58,427	3	53,148	1	36,621
7050	Finance cost		(6,245)	-	(5,168)	-	(12,851)	-	(12,168)
7100	Interest income		20,517	1	12,442	1	36,895	1	28,142
	Total non-operating income and expenses		52,701	3	87,124	5	116,214	3	100,657
	Profit from continuing operations before tax		229,985	10	182,437	10	456,104	10	197,567
7950	Less: Income tax expenses (Note 6(q))		65,951	3	59,956	3	126,932	3	71,595
	Profit		164,034	7	122,481	7	329,172	7	125,972
8300	Other comprehensive income:								
8310	Components of other comprehensive income that will not be reclassified to profit or loss								
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income		1,521	-	1,705	-	1,616	-	4,586
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss		-	-	-	-	-	-	-
	Components of other comprehensive income that will not be reclassified to profit or loss		1,521	-	1,705	-	1,616	-	4,586
8360	Components of other comprehensive income that will be reclassified to profit or loss								
8361	Exchange differences on translation of foreign financial statements		(2,293)	-	(89,951)	(5)	72,268	2	(77,681)
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss		-	-	-	-	-	-	-
	Components of other comprehensive income that will be reclassified to profit or loss		(2,293)	-	(89,951)	(5)	72,268	2	(77,681)
8300	Other comprehensive income, net		(772)	-	(88,246)	(5)	73,884	2	(73,095)
8500	Total comprehensive income	\$	163,262	7	34,235	2	403,056	9	52,877
	Net income attributable to:								
8610	Profit (loss), attributable to owners of parent	\$	164,034	7	122,481	7	329,172	7	125,972
	Total comprehensive income attributable to:								
8710	Comprehensive income, attributable to owners of parent	\$	163,262	7	34,235	2	403,056	9	52,877
	Earnings per share (NT dollars) (Note 6(s)):								
9750	Basic earnings per share	\$	2.48		2.04		4.98		2.10
9850	Diluted earnings per share	\$	2.38		1.87		4.78		1.93

(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 Six months Ended June 30, 2024 and 2023

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent						Other equity		Total equity
	Retained earnings					Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income		
	Ordinary shares	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	-	-	-	-	-	125,972	-	-	125,972
Other comprehensive income	-	-	-	-	-	-	(77,681)	4,586	(73,095)
Total comprehensive income	-	-	-	-	-	125,972	(77,681)	4,586	52,877
Appropriation and distribution of retained earnings:									
Legal reserve appropriated	-	-	-	48,909	-	(48,909)	-	-	-
Cash dividends on ordinary shares	-	-	-	-	-	(180,364)	-	-	(180,364)
Reversal of special reserve	-	-	-	-	(29,306)	29,306	-	-	-
Conversion of convertible bonds	-	14	83	-	-	-	-	-	97
Balance at June 30, 2023	\$ 601,214	14	1,385,528	453,672	47,179	2,083,828	(136,009)	15,735	4,451,161
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	-	-	-	-	-	329,172	-	-	329,172
Other comprehensive income	-	-	-	-	-	-	72,268	1,616	73,884
Total comprehensive income	-	-	-	-	-	329,172	72,268	1,616	403,056
Appropriation and distribution of retained earnings:									
Legal reserve appropriated	-	-	-	52,916	-	(52,916)	-	-	-
Cash dividends on ordinary shares	-	-	-	-	-	(297,411)	-	-	(297,411)
Special reserve appropriated	-	-	-	-	54,132	(54,132)	-	-	-
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 June 30, 2024	\$ 660,914	-	1,866,597	506,588	101,311	2,411,731	(55,837)	28,410	5,519,714

(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 Six months Ended June 30, 2024 and 2023

(Expressed in Thousands of New Taiwan Dollars)

	For the six months ended June 30,	
	2024	2023
Cash flows from operating activities:		
Profit before tax	\$ 456,104	197,567
Adjustments:		
Adjustments to reconcile profit (loss)		
Depreciation expense	170,445	154,212
Amortization expense	15,975	12,458
Expected credit gain	(5,997)	(4,553)
Net loss on financial assets at fair value through profit or loss	(8,618)	(3,745)
Interest expense	12,851	12,168
Interest income	(36,895)	(28,142)
Dividend income	(4,998)	(5,736)
Loss from disposal and scrap of property, plant and equipment	2,561	2,697
Gain on disposals of investments	-	(3,502)
Total adjustments to reconcile profit (loss)	145,324	135,857
Changes in operating assets and liabilities:		
Current financial assets at fair value through profit or loss	-	(114,492)
Notes receivables	(2,376)	229
Accounts receivable	983,983	(255,832)
Other receivables	14,028	4,661
Inventories	79,906	(51,848)
Prepayments	13,517	6,450
Other current assets	(2,577)	(1,313)
Notes payables	-	(2,134)
Accounts payable	(240,385)	184,718
Other payable	101,039	(133,796)
Other current liabilities	522	34,921
Net defined benefit liability	(479)	(480)
Total changes in operating assets and liabilities	947,178	(328,916)
Total adjustments	1,092,502	(193,059)
Cash inflow generated from operations	1,548,606	4,508
Interest received	34,822	28,462
Interest paid	(5,371)	(8,905)
Income taxes paid	(154,160)	(69,884)
Net cash flows provided by (used in) operating activities	1,423,897	(45,819)
Cash flows from investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	-	(4,068)
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	2,400	10,151
Acquisition of financial assets at fair value through profit or loss	(1,861,255)	(1,140,297)
Disposal of financial assets at fair value through profit or loss	682,530	670,852
Acquisition of property, plant and equipment	(198,929)	(85,962)
Disposal of property, plant and equipment	940	557
Acquisition of intangible assets	(4,776)	(4,651)
Increase (decrease) in other non-current assets	19,380	(4,452)
Increase in prepayments for equipment	(204,120)	(80,065)
Dividends received	4,998	5,736
Net cash flows used in investing activities	(1,558,832)	(632,199)
Cash flows from financing activities:		
Decrease in short-term borrowings	(486,665)	(394,398)
Issuance of corporate bonds	899,237	-
Repayments of long-term borrowings	(108,681)	(108,681)
Repayment of lease principals	(23,647)	(21,638)
Increase in other non-current liabilities	128	47
Net cash flows (used in) from financing activities	280,372	(524,670)
Effect of movements in exchange on cash and cash equivalents	75,825	(56,559)
Net increase (decrease) in cash and cash equivalents	221,262	(1,259,247)
Cash and cash equivalents at beginning of period	2,967,196	2,841,048
Cash and cash equivalents at end of period	\$ 3,188,458	1,581,801

(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 June 30, 2024 and 2023

JARLLYTEC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the Six months Ended June 30, 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 August 9, 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

(Continued)

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”

(Continued)

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

- IFRS 19 “Subsidiaries without Public Accountability: Disclosures”
- Amendments to IFRS 9 and IFRS 7 “Amendments to the Classification and Measurement of Financial Instruments”
- Annual Improvements to IFRS Accounting Standards

(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
			2024.6.30	2023.12.31	2023.6.30	
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	74.07%	58.82%	58.82%	Note 5
Royal Jarlly	Fu Qing Jarlly Electronics Co., Ltd. (Fu Qing Jarlly)	Production and sales business of precision hinges	100%	100%	100%	Note 1

(Continued)

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

Name of Investor	Name of Subsidiary	Principal Activities	Percentage of Ownership (%)			Note
			2024.6.30	2023.12.31	2023.6.30	
Royal Jarlly	Dong Guan Jarlly Electronics Co., Ltd. (Dong Guan Jarlly)	Production and sales business of precision hinges	100%	100%	100%	Note 1
Royal Jarlly	Kunshan Jarlly Electronics Ltd. (Kunshan Jarlly)	Production and sales business of precision hinges	100%	100%	100%	Note 1
Royal Jarlly	Jarlly Electronics Technology (Shanghai) Co., Ltd. (Jarlly Electronics Shanghai)	Production and sales business of precision hinges	100%	100%	100%	-
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)	Production and sales business of precision hinges	-%	100%	100%	Note 1, Note 2, Note 4
Fu Qing Jarlly	Shanghai Jarlly	Component equipment for the production and sale of materials business	25.93%	41.18%	41.18%	Note 5
Shanghai Jarlly	Zhejiang Jarlly	Production and sales business of precision hinges	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.

Note 5: The Company has resolved by the board of directors on March 8, 2024 the indirect investment to Royal Jarlly through the 100% held investee, Smart Hinge, and invested US\$500 million to Shanghai Jarlly through capital increase by Royal Jarlly. The base date is April 1, 2024. As Fu Qing Jarlly did not increase the investments in accordance in proportion to percentage of ownership, the percentage of ownership has decreased from 41.18% to 25.93%, and the percentage of ownership of Royal Jarlly to Shanghai Jarlly has increased from 58.82% to 74.07%.

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

(Continued)

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

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

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

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

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

An entity shall classify a liability as current when:

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

(d) Income taxes

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

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

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

(e) 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.

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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, 2023. Please refer to Note 6 of the consolidated financial statements for the year ended December 31, 2023.

(a) Cash and cash equivalents

	June 30, 2024	December 31, 2023	June 30, 2023
Cash on hand	\$ 666	740	635
Demand deposits	2,050,662	1,324,115	835,580
Time deposits	1,137,130	1,642,341	745,586
	<u><u>\$ 3,188,458</u></u>	<u><u>2,967,196</u></u>	<u><u>1,581,801</u></u>

(b) Financial instruments

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

	June 30, 2024	December 31, 2023	June 30, 2023
Current mandatorily measured at fair value through profit or loss			
Domestic stocks	\$ 23,426	15,386	21,964
Open-ended funds	-	-	125,424
Investment products	1,178,725	-	472,947
	<u><u>\$ 1,202,151</u></u>	<u><u>15,386</u></u>	<u><u>620,335</u></u>
Non-current mandatorily measured at fair value through profit or loss			
Private offered funds	\$ 272	254	421
Redemption right to convertible bonds	2,400	-	240
	<u><u>\$ 2,672</u></u>	<u><u>254</u></u>	<u><u>661</u></u>

(Continued)

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

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

	June 30, 2024	December 31, 2023	June 30, 2023
Equity investments at fair value through other comprehensive income-non-current:			
Stocks unlisted on domestic market-Taiwan	\$ 94,399	92,784	51,724
Stocks unlisted on domestic market-China	27,781	29,380	29,075
Total	<u>\$ 122,180</u>	<u>122,164</u>	<u>80,799</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 June 30, 2024, December 31, 2023 and June 30, 2023, the aforementioned financial assets were not pledged as collateral.

(c) Notes and accounts receivable

	June 30, 2024	December 31, 2023	June 30, 2023
Notes receivables	\$ 2,737	361	915
Accounts receivable	2,042,400	3,026,383	2,663,313
Less: loss allowance	(1,849)	(7,946)	(8,762)
	<u>\$ 2,043,288</u>	<u>3,018,798</u>	<u>2,655,466</u>

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

The loss allowance provisions were determined as follows:

	June 30, 2024	
	Gross carrying amount	Weighted-average loss rate
		Loss allowance provision
Current	\$ 2,024,915	0%~1% -
1 to 30 days past due	8,105	0%~5% 33
31 to 60 days past due	703	0%~10% 12
61 to 90 days past due	7,580	0%~15% 654
More than 90 days past due	3,834	30%~100% 1,150
	<u>\$ 2,045,137</u>	<u>1,849</u>

(Continued)

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

	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>

	June 30, 2023		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	\$ 2,598,595	0%~1%	2,067
1 to 30 days past due	36,433	0%~15%	1,228
31 to 60 days past due	790	0%~20%	41
61 to 90 days past due	18,036	0%~30%	2,314
More than 90 days past due	10,374	30%~100%	3,112
	<u>\$ 2,664,228</u>		<u>8,762</u>

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

	For the six months ended June 30	
	2024	2023
Balance at January 1	\$ 7,946	13,318
Impairment losses reversed	(5,997)	(4,553)
Effect of movements in exchange	(100)	(3)
Balance at June 30	<u>\$ 1,849</u>	<u>8,762</u>

(d) Other receivables

	June 30, 2024	December 31, 2023	June 30, 2023
Overpaid business tax returned	\$ 8,836	8,101	17,119
Interest receivable	5,403	3,330	2,930
Others	11,736	26,499	21,079
	<u>\$ 25,975</u>	<u>37,930</u>	<u>41,128</u>

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

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

(e) Inventories

	June 30, 2024	December 31, 2023	June 30, 2023
Raw materials and supplies	\$ 97,983	140,366	129,915
Work in process	259,895	204,698	183,465
Finished goods	429,156	521,876	417,472
	<u>\$ 787,034</u>	<u>866,940</u>	<u>730,852</u>

- (i) For the three months ended June 30, 2024, the amount of the loss on valuation of inventories was NT\$20,723, wherein such loss was included in cost of sales.
- (ii) For the six months ended June 30, 2024, the amount of the loss on valuation of inventories was NT\$58,668, wherein such loss was included in cost of sales.
- (iii) For the three months ended June 30, 2023, the amount of the decrease in operating costs was NT\$17,630, as the factors that previously caused the net realizable value of inventories to be lower than cost no longer exist.
- (iv) For the six months ended June 30, 2023, the amount of the loss on valuation of inventories was NT\$3,687, wherein such loss was included in cost of sales.
- (v) As of June 30, 2024, December 31, 2023 and June 30, 2023, the inventories were not pledged as collateral.

(f) Prepayments, other current assets and others

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

	June 30, 2024	December 31, 2023	June 30, 2023
Prepayment for mold	\$ 25,864	32,422	23,579
Other prepayments	32,754	33,138	27,438
Input tax	7,211	-	5,971
Tax overpaid	17,874	35,087	6,680
Others	8,301	5,724	6,058
Total prepayments and other current assets	<u>\$ 92,004</u>	<u>106,371</u>	<u>69,726</u>
Other deferred expenses	\$ 38,921	58,974	44,561
Refundable deposits	8,456	11,282	9,986
Other financial assets - others	1,298	44,498	1,246
Others	3,146	4,199	998
Total other noncurrent assets - others	<u>\$ 51,821</u>	<u>118,953</u>	<u>56,791</u>

(Continued)

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

(g) Property, plant and equipment

Changes in property, plant and equipment held by the Group was presented below:

	Land	Buildings and construction	Machine and equipment	Mold equipment	Rental equipment	Other facilities	Construction in progress and testing equipment	Total
Cost:								
Balance at January 1, 2024	\$ 1,054,812	756,865	1,789,834	3,001	100,285	231,190	80,081	4,016,068
Additions	-	4,978	243,200	-	-	18,905	16,357	283,440
Reclassifications	-	46,214	19,124	-	(771)	674	(47,352)	17,889
Disposals	-	-	(27,153)	-	-	(3,794)	(195)	(31,142)
Effect of movements in exchange	(641)	6,757	17,943	17	2,734	2,220	979	30,009
Balance at June 30, 2024	<u>\$ 1,054,171</u>	<u>814,814</u>	<u>2,042,948</u>	<u>3,018</u>	<u>102,248</u>	<u>249,195</u>	<u>49,870</u>	<u>4,316,264</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	-	-	120,400	-	-	5,830	53,163	179,393
Reclassifications	-	(3,756)	(99)	-	3,756	99	-	-
Disposals	-	(1,664)	(42,304)	-	-	(2,516)	-	(46,484)
Effect of movements in exchange	(513)	(8,865)	(15,268)	(17)	(2,810)	(2,220)	-	(29,693)
Balance at June 30, 2023	<u>\$ 1,053,957</u>	<u>731,563</u>	<u>1,687,898</u>	<u>2,995</u>	<u>99,242</u>	<u>215,594</u>	<u>53,315</u>	<u>3,844,564</u>
Accumulated depreciation:								
Balance at January 1, 2024	\$ -	278,137	1,016,049	2,940	42,869	135,918	-	1,475,913
Depreciation	-	23,908	104,694	-	-	15,844	-	144,446
Reclassification	-	11,843	2,074	-	1,198	(11,334)	-	3,781
Disposals	-	-	(23,220)	-	-	(3,544)	-	(26,764)
Effect of movements in exchange	-	3,188	4,948	15	1,169	1,472	-	10,792
Balance at June 30, 2024	<u>\$ -</u>	<u>317,076</u>	<u>1,104,545</u>	<u>2,955</u>	<u>45,236</u>	<u>138,356</u>	<u>-</u>	<u>1,608,168</u>
Balance at January 1, 2023	\$ -	243,092	883,532	2,950	38,956	118,629	-	1,287,159
Depreciation	-	21,316	97,704	-	-	10,832	-	129,852
Reclassifications	-	(3,081)	(89)	-	3,081	89	-	-
Disposals	-	(1,664)	(39,238)	-	-	(2,309)	-	(43,211)
Effect of movements in exchange	-	(3,527)	(5,149)	(16)	(1,114)	(1,466)	-	(11,272)
Balance at June 30, 2023	<u>\$ -</u>	<u>256,136</u>	<u>936,760</u>	<u>2,934</u>	<u>40,923</u>	<u>125,775</u>	<u>-</u>	<u>1,362,528</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 June 30, 2024	<u>\$ 1,054,171</u>	<u>497,738</u>	<u>938,403</u>	<u>63</u>	<u>57,012</u>	<u>110,839</u>	<u>49,870</u>	<u>2,708,096</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 June 30, 2023	<u>\$ 1,053,957</u>	<u>475,427</u>	<u>751,138</u>	<u>61</u>	<u>58,319</u>	<u>89,819</u>	<u>53,315</u>	<u>2,482,036</u>

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JARLLYTEC CO., LTD. AND SUBSIDIARIES
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As of June 30, 2024, December 31, 2023 and June 30, 2023, the property, plant and equipment of the Group had been pledged as collateral for bank borrowings. Please refer to Note 8.

(h) Right-of-use assets

Changes in right-of-use assets held by the Group 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
Additions	-	56,753	-	56,753
Effect of movements in exchange	2,890	6,946	-	9,836
Balance at June 30, 2024	<u>\$ 152,093</u>	<u>318,425</u>	<u>777</u>	<u>471,295</u>
Balance at January 1, 2023	\$ 151,179	226,499	777	378,455
Additions	-	31,929	-	31,929
Effect of movements in exchange	(3,084)	(6,354)	-	(9,438)
Balance at June 30, 2023	<u>\$ 148,095</u>	<u>252,074</u>	<u>777</u>	<u>400,946</u>
Accumulated depreciation and impairment losses:				
Balance at January 1, 2024	\$ 16,427	153,433	561	170,421
Depreciation	1,880	23,989	130	25,999
Effect of movements in exchange	383	4,363	-	4,746
Balance at June 30, 2024	<u>\$ 18,690</u>	<u>181,785</u>	<u>691</u>	<u>201,166</u>
Balance at January 1, 2023	\$ 12,945	111,107	302	124,354
Depreciation	1,871	22,359	130	24,360
Effect of movements in exchange	(365)	(3,791)	-	(4,156)
Balance at June 30, 2023	<u>\$ 14,451</u>	<u>129,675</u>	<u>432</u>	<u>144,558</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 June 30, 2024	<u>\$ 133,403</u>	<u>136,640</u>	<u>86</u>	<u>270,129</u>
Balance at January 1, 2023	<u>\$ 138,234</u>	<u>115,392</u>	<u>475</u>	<u>254,101</u>
Balance at June 30, 2023	<u>\$ 133,644</u>	<u>122,399</u>	<u>345</u>	<u>256,388</u>

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

(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	4,776
Disposals	(507)
Effect of movements in exchange	1,036
Balance at June 30, 2024	<u><u>\$ 113,551</u></u>
Balance at January 1, 2023	\$ 121,057
Separate acquisitions	4,651
Disposals	(21,117)
Effect of movements in exchange	(912)
Balance at June 30, 2023	<u><u>\$ 103,679</u></u>
Accumulated amortization:	
Balance at January 1, 2024	\$ 86,600
Amortization	5,222
Disposals	(507)
Effect of movements in exchange	791
Balance at June 30, 2024	<u><u>\$ 92,106</u></u>
Balance at January 1, 2023	\$ 99,342
Amortization	4,606
Disposals	(21,117)
Effect of movements in exchange	(779)
Balance at June 30, 2023	<u><u>\$ 82,052</u></u>
Carrying amounts :	
Balance at January 1, 2024	<u><u>\$ 21,646</u></u>
Balance at June 30, 2024	<u><u>\$ 21,445</u></u>
Balance at January 1, 2023	<u><u>\$ 21,715</u></u>
Balance at June 30, 2023	<u><u>\$ 21,627</u></u>

As of June 30, 2024, December 31, 2023 and June 30, 2023, none of the intangible assets were pledged as collateral.

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

(j) Short-term borrowings

	June 30, 2024	December 31, 2023	June 30, 2023
Secured bank loans	\$ -	210,000	-
Unused bank loans	146,685	419,810	119,456
	<u>\$ 146,685</u>	<u>629,810</u>	<u>119,456</u>
Unused credit lines	<u>\$ 619,000</u>	<u>518,280</u>	<u>659,000</u>
Range of interest rates	<u>3.00%~3.10%</u>	<u>1.70%~3.00%</u>	<u>1.65%~3.70%</u>

(k) Other payables

	June 30, 2024	December 31, 2023	June 30, 2023
Payroll payables	\$ 207,315	210,257	179,318
Payables on equipment	113,158	33,455	7,484
Others	937,262	913,367	792,546
	<u>\$ 1,257,735</u>	<u>1,157,079</u>	<u>979,348</u>

(l) Long-term borrowings

The details were as follows:

June 30, 2024			
Currency	Interest range	Expiration	Amount
Secured bank loans	TWD	1.285%~1.825%	2024~2029
			\$ 82,057
Unsecured bank loans	TWD	1.225%~1.275%	2024
			64,183
Less: current portion			(84,428)
Total			<u>\$ 61,812</u>
Unused long-term credit lines			<u>\$ -</u>

December 31, 2023			
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			<u>\$ 68,810</u>
Unused long-term credit lines			<u>\$ -</u>

June 30, 2023			
Currency	Interest range	Expiration	Amount
Secured bank loans	TWD	1.16%~1.70%	2024~2029
			\$ 171,052
Unsecured bank loans	TWD	1.10%~1.15%	2024
			192,549
Less: current portion			(217,361)
Total			<u>\$ 146,240</u>
Unused long-term credit lines			<u>\$ 500,000</u>

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

(i) Borrowings issue and repayment

The long-term borrowings amounted to NT\$0 and NT\$0 for the six months ended June 30, 2024 and 2023, respectively; the repayment amounts were NT\$108,681 and NT\$108,681.

(ii) Collaterals for bank secured borrowings

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

(m) Bonds payable

The details were as follows:

	June 30, 2024	December 31, 2023	June 30, 2023
Total convertible bonds issued	\$ 800,000	400,000	400,000
Discount on bonds payable, balance unamortized	(42,234)	-	(10,697)
Cumulative amount redeemed	-	-	-
Cumulative amount converted	-	(400,000)	(100)
Balance at June 30, 2024	<u>\$ 757,766</u>	<u>-</u>	<u>389,203</u>
Embedded derivatives-redemption right (carried at financial assets-non current at fair value through profit or loss)	<u>\$ 2,400</u>	<u>-</u>	<u>240</u>
Equity component-conversion right (carried at capital surplus)	<u>\$ 151,174</u>	<u>-</u>	<u>50,898</u>

	For the three months ended June 30,		For the six months ended June 30,	
	2024	2023	2024	2023
Gain or loss arising from the re-measurement of embedded derivatives at fair value	<u>\$ (3,680)</u>	<u>(160)</u>	<u>560</u>	<u>160</u>
Financial costs – amortization of discounts on convertible bonds	<u>\$ (4,085)</u>	<u>(1,447)</u>	<u>(7,863)</u>	<u>(2,879)</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	SinoPac Securities
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

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JARLLYTEC CO., LTD. AND SUBSIDIARIES
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	date.
Terms of redemption prior to maturity	<p>(1) 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 29, 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 29, 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 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</p>

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JARLLYTEC CO., LTD. AND SUBSIDIARIES
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	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.
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	SinoPac Securities
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 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</p>

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JARLLYTEC CO., LTD. AND SUBSIDIARIES
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	at the bond par value within five business days after the bond redemption base date. (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.
Conversion period	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. 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.
Conversion price	NT\$67

Pursuant to Article 18 of The Company's Regulations Governing the Issuance and Conversion of the 1st Domestic Unsecured Convertible Bonds, on October 23, 2023. The Company exercised its right to redeem the bonds, commencing on October 31, 2023, and ending on November 29, 2023. The redemption price was set at 100% of the principal amount of the bonds. The redemption base date for the convertible bonds was determined to be November 29, 2023, and the bonds were delisted from the OTC market on November 30, 2023. All convertible bonds were converted into common shares in 2023.

(n) Lease liabilities

The carrying amounts of lease liabilities were as follows:

	June 30, 2024	December 31, 2023	June 30, 2023
Current	<u>\$ 32,905</u>	<u>29,273</u>	<u>31,895</u>
Non-current	<u>\$ 93,857</u>	<u>65,232</u>	<u>81,595</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 June 30,		For the six months ended June 30,	
	2024	2023	2024	2023
Interest on lease liabilities	<u>\$ 591</u>	<u>690</u>	<u>1,076</u>	<u>1,211</u>
Expenses relating to short-term leases	<u>\$ 4,088</u>	<u>3,908</u>	<u>8,184</u>	<u>6,861</u>

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JARLLYTEC CO., LTD. AND SUBSIDIARIES
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The amounts recognized in the statement of cash flows for the Group were as follows:

	For the six months ended June 30,	
	2024	2023
Total cash outflow for leases	\$ 32,907	29,710

(i) Real estate leases

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

(ii) Other leases

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

(o) Operating lease

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

	June 30, 2024	December 31, 2023	June 30, 2023
Less than one year	\$ 21,442	18,825	24,144
One to two years	9,844	15,575	15,793
Two to three years	-	327	8,068
Three to four years	-	327	-
	\$ 31,286	35,054	48,005

(p) Employee benefits

(i) Defined benefit plans

Given there was no significant volatility of the market or any significant reimbursement, settlement or other one-time events since prior fiscal year. As a result, pension cost in the accompanying interim consolidated financial statement was measured and disclosed in accordance with the actuarial report measured as of December 31, 2023 and 2022.

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

	For the three months ended June 30,		For the six months ended June 30,	
	2024	2023	2024	2023
Operating costs	\$ -	-	-	-
Operating expenses	\$ -	-	-	-

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JARLLYTEC CO., LTD. AND SUBSIDIARIES
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(ii) Defined contribution plans

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

	For the three months ended June 30,		For the six months ended June 30,	
	2024	2023	2024	2023
Operating costs	<u>\$ 13,832</u>	<u>11,850</u>	<u>26,334</u>	<u>22,357</u>
Operating expenses	<u>\$ 4,930</u>	<u>4,023</u>	<u>9,677</u>	<u>8,139</u>

(q) Income taxes

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

	For the three months ended June 30,		For the six months ended June 30,	
	2024	2023	2024	2023
Current tax expense				
Current period	<u>\$ 65,951</u>	<u>59,956</u>	<u>126,932</u>	<u>71,595</u>
Deferred tax expense				
Origination and reversal of temporary differences	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 65,951</u>	<u>59,956</u>	<u>126,932</u>	<u>71,595</u>

(ii) The Company has resolved by the board of directors in March, 2023 that the deferred tax assets and liabilities for temporary differences (including unappropriated earnings, etc.) associated with investments in subsidiaries located in Mainland China will not be recognized since 2023, as the Company is able to control the timing of the reversal of the temporary differences, and it is probable that the temporary differences will not reverse in the foreseeable future.

(iii) The Group's tax returns for the years through 2021 were assessed by the National Taiwan Bureau.

(r) Capital and other equity

There was no significant change for capital and other equity for the periods from for the six months ended June 30, 2024 and 2023. For the related information, please refer to Note 6(q) of the consolidated financial statements for the year ended December 31, 2023.

(i) Ordinary shares

As of June 30, 2024, December 31, 2023 and June 30, 2023, the numbers of authorized ordinary share each consisted were \$1,200,000. 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.

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JARLLYTEC CO., LTD. AND SUBSIDIARIES
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(ii) Capital surplus

The balances of capital surplus were as follows:

	June 30, 2024	December 31, 2023	June 30, 2023
Additional paid-in capital	\$ 1,314,010	1,314,010	1,314,010
Conversion premium of convertible bonds	380,889	380,889	96
Treasury share transactions	6,195	6,195	6,195
Employee share options (including those expired)	14,329	14,329	14,329
Issuance of convertible bond options	151,174	-	50,898
	<u><u>\$ 1,866,597</u></u>	<u><u>\$ 1,715,423</u></u>	<u><u>\$ 1,385,528</u></u>

(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 the Company sets aside the special reserve according to law, the same amount of special reserve shall be set aside from the prior-period undistributed earnings before the distribution of earnings, for the net increment of prior-period cumulative investment properties fair value and the insufficient amount of prior-period cumulative other equity net deduction. If there is still an insufficient amount, the current after-tax net profit plus other items shall be included in the current undistributed earnings to be set aside.

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.

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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.

3) Earnings distribution

The amounts of cash dividends on the appropriations of earnings for 2023 and 2022 had been approved during the board meetings on May 6, 2024 and March 13, 2023, 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) OCI accumulated in reserves, net of tax

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Total
Balance at January 1, 2024	\$ (128,105)	26,794	(101,311)
Exchange differences on foreign operations	72,268	-	72,268
Unrealized losses from financial assets measured at fair value through other comprehensive income	-	1,616	1,616
Balance at June 30, 2024	<u>\$ (55,837)</u>	<u>28,410</u>	<u>(27,427)</u>

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	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 foreign operations	(77,681)	-	(77,681)
Unrealized losses from financial assets measured at fair value through other comprehensive income	-	4,586	4,586
Balance at June 30, 2023	<u>\$ (136,009)</u>	<u>15,735</u>	<u>(120,274)</u>

(s) Earnings per share

	For the three months ended June 30,		For the six months ended June 30,	
	2024	2023	2024	2023
Basic earnings per share				
Profit attributable to ordinary shareholders of the Company	<u>\$ 164,034</u>	<u>122,481</u>	<u>329,172</u>	<u>125,972</u>
Weighted average number of ordinary shares (in thousands)	<u>66,091</u>	<u>60,121</u>	<u>66,091</u>	<u>60,121</u>
Basic earnings per share (in dollars)	<u>\$ 2.48</u>	<u>2.04</u>	<u>4.98</u>	<u>2.10</u>
Diluted earnings per share				
Profit attributable to ordinary shareholders of the Company (basic)	164,034	122,481	329,172	125,972
After-tax effect of convertible bonds	<u>3,268</u>	<u>1,158</u>	<u>6,290</u>	<u>2,304</u>
Profit attributable to ordinary shareholders of the Company (diluted)	<u>\$ 167,302</u>	<u>123,639</u>	<u>335,462</u>	<u>128,276</u>
Weighted average number of ordinary shares (in thousands)	66,091	60,121	66,091	60,121
Effect of employee share bonus (in thousands)	82	117	217	440
Effect of convertible bonds (in thousands)	<u>4,020</u>	<u>5,739</u>	<u>3,865</u>	<u>5,739</u>
Weighted average number of ordinary shares (diluted) (in thousands)	<u>70,193</u>	<u>65,977</u>	<u>70,173</u>	<u>66,300</u>
Diluted earnings per share (in dollars)	<u>\$ 2.38</u>	<u>1.87</u>	<u>4.78</u>	<u>1.93</u>

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(t) Revenue from contracts with customers

(i) Details of revenue

For the three months ended June 30, 2024			
	Hinge department	Fiber optic department	Total
Primary geographical markets:			
China	\$ 2,126,273	29,984	2,156,257
America	6,331	23,284	29,615
Thailand	31,990	-	31,990
Taiwan	11,458	1,015	12,473
Vietnam	45,889	-	45,889
Other country	6,935	1,510	8,445
	<u>\$ 2,228,876</u>	<u>55,793</u>	<u>2,284,669</u>
Main product/service line:			
Electronic component manufacturing and sales	<u>\$ 2,228,876</u>	<u>55,793</u>	<u>2,284,669</u>
For the three months ended June 30, 2023			
	Hinge department	Fiber optic department	Total
Primary geographical markets:			
China	\$ 1,889,569	30,059	1,919,628
America	(4,915)	12,473	7,558
Taiwan	20,564	270	20,834
Other country	21,401	1,573	22,974
	<u>\$ 1,926,619</u>	<u>44,375</u>	<u>1,970,994</u>
Main product/service line:			
Electronic component manufacturing and sales	<u>\$ 1,926,619</u>	<u>44,375</u>	<u>1,970,994</u>
For the six months ended June 30, 2024			
	Hinge department	Fiber optic department	Total
Primary geographical markets:			
China	\$ 4,313,523	70,102	4,383,625
America	15,994	38,364	54,358
Thailand	90,976	-	90,976
Taiwan	29,696	1,166	30,862
Vietnam	89,970	-	89,970
Other country	10,827	2,635	13,462
	<u>\$ 4,550,986</u>	<u>112,267</u>	<u>4,663,253</u>
Main product/service line:			
Electronic component manufacturing and sales	<u>\$ 4,550,986</u>	<u>112,267</u>	<u>4,663,253</u>

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	For the six months ended June 30, 2023		
	Hinge department	Fiber optic department	Total
Primary geographical markets:			
China	\$ 3,116,456	60,131	3,176,587
America	402	36,298	36,700
Thailand	224	-	224
Taiwan	47,582	578	48,160
Other country	25,737	2,700	28,437
Total	<u>\$ 3,190,401</u>	<u>99,707</u>	<u>3,290,108</u>
Main product/service line:			
Electronic component manufacturing and sales	<u>\$ 3,190,401</u>	<u>99,707</u>	<u>3,290,108</u>

(ii) Contract balances

	June 30, 2024	December 31, 2023	June 30, 2023
Notes receivables	\$ 2,737	361	915
Accounts receivable	2,042,400	3,026,383	2,663,313
Less: loss allowance	(1,849)	(7,946)	(8,762)
Total	<u>\$ 2,043,288</u>	<u>3,018,798</u>	<u>2,655,466</u>

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

(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 June 30, 2024 and the six months ended June 30, 2024, the Company accrued and recognized its employee remuneration amounting to \$15,809 and \$29,963, respectively; as well as its remuneration to directors amounting to \$3,953 and \$7,490, 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

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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 the three months ended June 30, 2023 and the six months ended June 30, 2023, the Company accrued and recognized its employee remuneration amounting to \$8,785 and \$9,148, respectively; as well as its remuneration to directors amounting to \$2,981 and \$3,049, 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 2023 and 2022, 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 2023 and 2022. 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 June 30,		For the six months ended June 30,	
	2024	2023	2024	2023
Rent income	\$ 6,115	5,011	12,246	13,581
Dividend income	156	2,815	4,998	5,736
Sample income	3,451	2,363	4,123	2,905
Mold income	688	3,585	3,473	4,782
Others	7,733	7,649	14,182	21,058
	\$ 18,143	21,423	39,022	48,062

(Continued)

JARLLYTEC CO., LTD. AND SUBSIDIARIES
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(ii) Other gains and losses

The details of other gains and losses were as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2024	2023	2024	2023
Gains (Losses) on disposal of property, plant and equipment	\$ (271)	(231)	(2,561)	(2,697)
Foreign exchange gains	23,795	62,612	54,104	46,520
Gains (Losses) on financial assets at fair value through profit or loss	2,859	3,316	12,090	7,247
Sample expenses	(1,984)	(2,277)	(3,398)	(3,538)
Mold expenses	(1,115)	(1,617)	(1,115)	(1,974)
Others	(2,998)	(3,376)	(5,972)	(8,937)
	<u>\$ 20,286</u>	<u>58,427</u>	<u>53,148</u>	<u>36,621</u>

(iii) Finance costs

The details of other gains and losses were as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2024	2023	2024	2023
Interest expense for bank loans	\$ (1,569)	(3,031)	(3,912)	(8,078)
Interest expense for lease liabilities	(591)	(690)	(1,076)	(1,211)
Amortization of discount on convertible bonds	(4,085)	(1,447)	(7,863)	(2,879)
	<u>\$ (6,245)</u>	<u>(5,168)</u>	<u>(12,851)</u>	<u>(12,168)</u>

(iv) Interest income

The details of interest income were as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2024	2023	2024	2023
Interest income from bank deposits	\$ 20,498	12,356	36,858	27,989
Other interest income	19	86	37	153
	<u>\$ 20,517</u>	<u>12,442</u>	<u>36,895</u>	<u>28,142</u>

(Continued)

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

(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(v) 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 estimated interest payments and excluding the impact of netting agreements.

	Carrying amount	Contractu al cash flow	Within six months	6-12 months	1-2 years	2-5 years	Over 5 years
June 30, 2024							
Non derivative financial liabilities							
Short-term borrowings	\$ 146,685	148,086	134,664	13,422	-	-	-
Notes and accounts payable	2,190,995	2,190,995	2,190,995	-	-	-	-
Other payables	1,257,735	1,257,735	1,257,735	-	-	-	-
Cash dividends payable	297,411	297,411	297,411	-	-	-	-
Bonds payable	757,766	800,000	-	-	-	800,000	-
Lease liabilities	126,762	145,974	25,541	23,628	42,254	54,551	-
Long-term borrowings	146,240	149,161	78,141	7,421	14,707	43,042	5,850
(current portion included)							
	<u>\$4,923,594</u>	<u>4,989,362</u>	<u>3,984,487</u>	<u>44,471</u>	<u>56,961</u>	<u>897,593</u>	<u>5,850</u>
December 31, 2023							
Non derivative financial liabilities							
Short-term borrowings	\$ 629,810	632,321	632,321	-	-	-	-
Notes and accounts payable	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	254,921	258,827	109,951	78,071	14,719	43,183	12,903
(current portion included)							
	<u>\$4,567,695</u>	<u>4,586,651</u>	<u>4,353,161</u>	<u>96,009</u>	<u>47,164</u>	<u>77,414</u>	<u>12,903</u>
June 30, 2023							
Non derivative financial liabilities							
Short-term borrowings	\$ 119,456	121,574	62,018	59,556	-	-	-
Notes and accounts payable	1,756,399	1,756,399	1,756,399	-	-	-	-
Other payables	979,348	979,348	979,348	-	-	-	-
Cash dividends payable	180,364	180,364	180,364	-	-	-	-
Bonds payable	389,203	399,900	-	-	399,900	-	-
Lease liabilities	113,490	129,128	23,196	22,197	33,658	50,077	-
Long-term borrowings	363,601	369,495	110,669	109,951	85,451	43,425	19,999
(current portion included)							
	<u>\$3,901,861</u>	<u>3,936,208</u>	<u>3,111,994</u>	<u>191,704</u>	<u>519,009</u>	<u>93,502</u>	<u>19,999</u>

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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JARLLYTEC CO., LTD. AND SUBSIDIARIES
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(ii) Currency risk

1) Exposure to foreign currency risk

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

	June 30, 2024			December 31, 2023			June 30, 2023		
	Foreign currency	Exchange rate	New Taiwan Dollars	Foreign currenc y	Exchang e rate	New Taiwan Dollars	Foreign currenc y	Exchang e rate	New Taiwan Dollars
<u>Financial assets</u>									
<u>Monetary items</u>									
USD	\$ 95,497	32.450	3,098,878	91,329	30.705	2,804,257	85,316	31.140	2,656,740
<u>Financial liabilities</u>									
<u>Monetary items</u>									
USD	35,696	32.450	1,158,335	32,492	30.705	997,667	37,091	31.140	1,155,014

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 six-month periods ended June 30, 2024 and 2023 would have increased (decreased) the net profit before tax by \$97,027 and \$75,086, 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 June 30, 2024 and 2023 and the six months ended June 30, 2024 and 2023, the foreign exchange gain (loss) (including realized and unrealized portions) amounted to \$23,795, \$62,612, \$54,104 and \$46,520, 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 \$1,465 and \$2,415 for the six-month periods ended June 30, 2024 and 2023, assuming all other variable factors remain constant. This is mainly due to the Group's borrowing in floating variable rates.

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JARLLYTEC CO., LTD. AND SUBSIDIARIES
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(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:

Security price at the reporting date	For the six months ended June 30, 2024		For the six months ended June 30, 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>1,222</u>	<u>234</u>	<u>808</u>	<u>220</u>
Decrease by 1%	\$ <u>(1,222)</u>	<u>(234)</u>	<u>(808)</u>	<u>(220)</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, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and for equity investments that has no quoted prices in the active markets and whose fair value cannot be reliably measured, disclosure of fair value information is not required:

	June 30, 2024				
	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss	\$ 1,204,823	23,426	2,400	1,178,997	1,204,823
Financial assets at fair value through other comprehensive income	122,180	-	-	122,180	122,180
Financial assets measured at amortized cost					
Cash and cash equivalents	3,188,458	-	-	-	-
Notes and accounts receivable	2,043,288	-	-	-	-
Other receivables	25,975	-	-	-	-
Subtotal	5,257,721	-	-	-	-
Total	\$ <u>6,584,724</u>	<u>23,426</u>	<u>2,400</u>	<u>1,301,177</u>	<u>1,327,003</u>
Financial liabilities at amortized cost					
Short-term borrowings	\$ 146,685	-	-	-	-
Notes and accounts payable	2,190,995	-	-	-	-
Other payables	1,257,735	-	-	-	-
Cash dividends payable	297,411	-	-	-	-
Bonds payable	757,766	-	-	-	-
Lease liabilities	126,762	-	-	-	-
Long-term borrowings (current portion included)	146,240	-	-	-	-
Subtotal	4,923,594	-	-	-	-
Total	\$ <u>4,923,594</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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JARLLYTEC CO., LTD. AND SUBSIDIARIES
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December 31, 2023					
	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
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
Financial assets measured at amortized cost					
Cash and cash equivalents	2,967,196	-	-	-	-
Notes and accounts receivable	3,018,798	-	-	-	-
Other receivables	37,930	-	-	-	-
Subtotal	6,023,924	-	-	-	-
Total	<u>\$ 6,161,728</u>	<u>15,386</u>	<u>-</u>	<u>122,418</u>	<u>137,804</u>
Financial liabilities at amortized cost					
Short-term borrowings	\$ 629,810	-	-	-	-
Notes and accounts payable	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	<u>\$ 4,567,695</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

June 30, 2023					
	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss	\$ 620,996	147,388	240	473,368	620,996
Financial assets at fair value through other comprehensive income	80,799	-	-	80,799	80,799
Financial assets measured at amortized cost					
Cash and cash equivalents	1,581,801	-	-	-	-
Notes and accounts receivable	2,655,466	-	-	-	-
Other receivables	41,128	-	-	-	-
Subtotal	4,278,395	-	-	-	-
Total	<u>\$ 4,980,190</u>	<u>147,388</u>	<u>240</u>	<u>554,167</u>	<u>701,795</u>
Financial liabilities at amortized cost					
Short-term borrowings	\$ 119,456	-	-	-	-
Notes and accounts payable	1,756,399	-	-	-	-
Other payables	979,348	-	-	-	-
Cash dividends payable	180,364	-	-	-	-
Bonds payable	389,203	-	-	-	-
Lease liabilities	113,490	-	-	-	-
Long-term borrowings (current portion included)	363,301	-	-	-	-
Subtotal	3,901,561	-	-	-	-
Total	<u>\$ 3,901,561</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

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JARLLYTEC CO., LTD. AND SUBSIDIARIES
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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.

4) Details of changes in level 3 fair value measurement

	<u>Measured at fair value through profit or loss</u>	<u>Measured at fair value through other comprehensive income</u>
Balance at January 1, 2024	\$ 254	122,164
Total gains or losses		
Recognized in profit or loss	18	-
Recognized in other comprehensive income	-	1,616
Additions	1,861,255	-
Disposals	(682,530)	-
Other refund of paid-up capital		(2,400)
Effect of movements in exchange	-	800
Balance at June 30, 2024	<u>\$ 1,178,997</u>	<u>122,180</u>
Balance at January 1, 2023	\$ 457	83,032
Total gains or losses		
Recognized in profit or loss	(36)	-
Recognized in other comprehensive income	-	4,586
Additions	1,140,297	4,068
Disposals	(667,350)	-
Refund of paid-up capital due to capital reduction	-	(10,151)
Effect of movements in exchange	-	(736)
Balance at June 30, 2023	<u>\$ 473,368</u>	<u>80,799</u>

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

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 June 30, 2024 and 2023 is as follows:

	For the six months ended June 30, 2024	For the six months ended June 30, 2023
Total gains or losses		
Recognized in profit or loss (presented under “other gains and losses”)	\$ 18	(36)
Recognized in other comprehensive income (presented under “unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income”)	1,616	4,586

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

The Group’s financial instruments that use Level 3 inputs to measure fair value primarily include “fair value through other comprehensive income – equity investments”.

Most of the Group’s financial instruments that use Level 3 inputs have only single significant unobservable inputs. Only those equity investments without an active market have plural significant unobservable inputs. The significant unobservable inputs of equity investment without an active market are independent with one another, so they are not correlated. 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	·Net asset value ·The market illiquidity discount rate (30% on June 30, 2024, December 31, 2023 and June 30, 2023)	·The market illiquidity discount was lower (higher)
Financial assets at fair value through profit or loss — Investment product	Discounted Cash Flow Method	·Discount rate (1.12%~3.15%, -%. and 1.50%~3.10% on June 30, 2024, December 31, 2023 and June 30, 2023)	·The discount rate was lower (higher)
Financial assets at fair value through profit or loss — Private offered funds	Net Asset Value Method	·Net asset value	Not applicable

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

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

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

			Profit or loss		Other comprehensive income	
	Input	Assumptions	Favorable	Unfavorable	Favorable	Unfavorable
June 30, 2024						
Financial assets at fair value through profit or loss — Investment product	Discount rate	5%	443	(443)	-	-
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%	-	-	6,109	(6,109)
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)
June 30, 2023						
Financial assets at fair value through profit or loss — Investment product	Discount rate	5%	215	(215)		
Financial assets at fair value through profit or loss — Private offered funds	Net asset value	5%	21	(21)		
Financial assets at fair value through other comprehensive income						
Equity investments without an active market	30%	5%	-	-	4,040	(4,040)

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.

(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.

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

The Group's investments and financing activities through non-cash transactions for the six-month periods ended June 30, 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 investing activities and reconciliation were as follows:

	January 1, 2024	Cash flows	Non-cash changes				June 30, 2024
			Acquired	Changes in Foreign Exchange Rate	Interest expense	Others	
Short-term borrowings	\$ 629,810	(486,665)	-	3,540	-	-	146,685
Long-term borrowings (current portion included)	254,921	(108,681)	-	-	-	-	146,240
Bonds payable	-	899,237	-	-	7,863	(149,334)	757,766
Lease liabilities	94,505	(23,647)	56,753	2,578	-	(3,427)	126,762
Total liabilities arising from financing activities	<u>\$ 979,236</u>	<u>280,244</u>	<u>56,753</u>	<u>6,118</u>	<u>7,863</u>	<u>(152,761)</u>	<u>1,177,453</u>

	January 1, 2023	Cash flows	Non-cash change				June 30, 2023
			Acquired	Changes in Foreign Exchange Rate	Interest expense	Others	
Short-term borrowings	\$ 515,833	(394,398)	-	(1,979)	-	-	119,456
Long-term borrowings (current portion included)	472,282	(108,681)	-	-	-	-	363,601
Bonds payable	386,421	-	-	-	2,879	(97)	389,203
Lease liabilities	109,053	(21,638)	31,929	(3,123)	-	(2,731)	113,490
Total liabilities arising from financing activities	<u>\$ 1,483,589</u>	<u>(524,717)</u>	<u>31,929</u>	<u>(5,102)</u>	<u>2,879</u>	<u>(2,828)</u>	<u>985,750</u>

(7) Related-party transactions

- (a) Parent company and ultimate controlling company

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

- (b) Key management personnel compensation

Key management personnel compensation comprised:

	For the three months ended		For the six months ended June	
	June 30, 2024	2023	30, 2024	2023
Short-term employee benefits	\$ 4,935	3,101	9,813	10,030
Post-employment benefits	195	211	415	422
	<u>\$ 5,130</u>	<u>3,312</u>	<u>10,228</u>	<u>10,452</u>

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JARLLYTEC CO., LTD. AND SUBSIDIARIES
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(8) Pledged assets

The carrying values of pledged assets were as follows:

Pledged assets	Object	June 30, 2024	December 31, 2023	June 30, 2023
Land	Secured loans	\$ 684,947	1,016,281	1,016,281
Buildings	Secured loans	179,052	226,692	220,464
		<u>\$ 863,999</u>	<u>1,242,973</u>	<u>1,236,745</u>

(9) Commitments and contingencies

The Group's significant contractual commitments were as follows:

	June 30, 2024	December 31, 2023	June 30, 2023
Acquisition of property, plant and equipment	<u>\$ 122,636</u>	<u>86,249</u>	<u>59,565</u>

(10) Losses due to major disasters: None.

(11) Subsequent events: None.

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JARLLYTEC CO., LTD. AND SUBSIDIARIES
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(12) Other

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

By function By item	For the three months ended June 30, 2024			For the three months ended June 30, 2023		
	Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Employee benefits						
Salaries	232,047	110,131	342,178	211,866	93,444	305,310
Labor and health insurance	13,364	5,976	19,340	12,236	5,219	17,455
Pension	13,832	4,930	18,762	11,850	4,023	15,873
Remuneration of directors	-	4,388	4,388	-	3,373	3,373
Others	12,123	5,620	17,743	10,867	4,097	14,964
Depreciation	69,920	19,521	89,441	65,521	13,257	78,778
Amortization	3,808	2,170	5,978	2,286	3,974	6,260

By function By item	For the six months ended June 30, 2024			For the six months ended June 30, 2023		
	Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Employee benefits						
Salaries	469,526	220,754	690,280	388,534	159,374	547,908
Labor and health insurance	25,924	12,608	38,532	24,014	11,284	35,298
Pension	26,334	9,677	36,011	22,357	8,139	30,496
Remuneration of directors	-	8,352	8,352	-	3,783	3,783
Others	24,331	12,641	36,972	19,310	8,885	28,195
Depreciation	137,810	32,635	170,445	128,786	25,426	154,212
Amortization	7,186	8,789	15,975	4,461	7,997	12,458

(b) The seasonality of operation:

The operation of the Group is 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 June 30, 2024:

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

(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	129,800	129,800	-	3%	2	-	Operating turnover	-	-	-	735,961	2,207,885
1	Fu Qing Jarlly Electronics Co., Ltd.	Kunshan Jarlly Electronics Ltd.	Other receivables	Yes	44,450	-	-	0%	2	-	Operating turnover	-	-	-	578,194	578,194
2	Jarlly Technology (Chongqing) Co., Ltd.	Kunshan Jarlly Electronics Ltd.	Other receivables	Yes	31,115	17,780	17,780 (Note 4)	2%	2	-	Operating turnover	-	-	-	317,969	317,969
3	Smart Hinge Holdings Ltd.	Great Hinge Trading Ltd.	Other receivables	Yes	58,410	58,410	58,410 (Note 4)	0%	2	-	Operating turnover	-	-	-	2,496,474	2,496,474
4	Jarlly Electronics Technology (Shanghai) Co., Ltd.	Jarlly Technology (Shanghai) Co., Ltd.	Other receivables	Yes	133,350	133,350	-	3%	2	-	Operating turnover	-	-	-	287,846	287,846
5	Jarlly Technology (Shanghai) Co., Ltd.	Kunshan Jarlly Electronics Ltd.	Other receivables	Yes	44,450	44,450	-	3%	2	-	Operating turnover	-	-	-	873,591	873,591

Note 1: The Company

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

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 endorsement	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	Jarlly Technology (Shanghai) Co., Ltd.	2	1,839,904	259,600	-	-	-	-%	2,207,885	Y	N	Y
0	The Company	Jarlly Technology (Chongqing) Co., Ltd.	2	1,839,904	64,900	-	-	-	-%	2,207,885	Y	N	Y
0	The Company	Kunshan Jarlly Electronics Ltd.	2	1,839,904	60,897	-	-	-	-%	2,207,885	Y	N	Y
0	The Company	Jellytec (Vietnam) Co., Ltd.	2	1,839,904	129,800	129,800	-	-	2.35%	2,207,885	Y	N	N

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JARLLYTEC CO., LTD. AND SUBSIDIARIES
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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 June 30, 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.

(iii) Securities held as of June 30, 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.	-	Non-current financial assets at fair value through other comprehensive income	3,599	65,447	4.61 %	65,447	-
Jarwin Investment Co., Ltd.	Second phase Stock of WK Innovation Ltd.	-	Non-current financial assets at fair value through other comprehensive income	3,000	28,952	2.67 %	28,952	-
Fu Qing Jarlly Electronics Co., Ltd.	Fuqing Jelly Plastic Product Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	-	3,556	16.00 %	3,556	-
Fu Qing Jarlly Electronics Co., Ltd.	Chongqing Jelly Plastics Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	-	2,400	18.00 %	2,400	-
Fu Qing Jarlly Electronics Co., Ltd.	Chongqing Yuli Hardware Products Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	-	2,400	18.00 %	2,400	-
Xiamen Jarlly Electronics Co., Ltd.	Xiamen Jinli Precision Metal Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	-	4,223	19.00 %	4,223	-
Xiamen Jarlly Electronics Co., Ltd.	Xiamen Jinyaoli Hardware Products Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	-	8,446	19.00 %	8,446	-
Kunshan Jarlly Electronics Ltd.	Kunshan Huli Precision Hardware Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	-	6,756	19.00 %	6,756	-
Jarlly Technology (Shanghai) Co., Ltd.	SinoPac Bank (China) structured deposits - financial products	-	Current financial assets at fair value through profit or loss	-	197,803	- %	197,803	-
Jarlly Technology (Shanghai) Co., Ltd.	Product of Fubon China (Redemption)	-	Current financial assets at fair value through profit or loss	-	528,955	- %	528,955	-
Jarlly Electronics Technology (Shanghai) Co., Ltd.	SinoPac Bank (China) structured deposits - financial products	-	Current financial assets at fair value through profit or loss	-	131,928	- %	131,928	-
Jarlly Electronics Technology (Shanghai) Co., Ltd.	Fubon China structured deposits - financial products	-	Current financial assets at fair value through profit or loss	-	8,890	- %	8,890	-
Jarlly Technology (Chongqing) Co., Ltd.	SinoPac Bank (China) structured deposits - financial products	-	Current financial assets at fair value through profit or loss	-	208,915	- %	208,915	-
Dong Guan Jarlly Electronics Co., Ltd.	Product of DRC Bank (Redemption)	-	Current financial assets at fair value through profit or loss	-	53,339	- %	53,339	-
Xiamen Jarlly Electronics Co., Ltd.	China Merchants Bank structured deposits - financial products	-	Current financial assets at fair value through profit or loss	-	48,895	- %	48,895	-
Jarwin Investment Co., Ltd.	Taiwan Semiconductor Manufacturing Co., Ltd. Stock	-	Current financial assets at fair value through profit or loss	20	19,320	- %	19,320	-

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

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.	Evergreen Marine Co., Ltd. Stock	-	Current financial assets at fair value through profit or loss	12	2,316	- %	2,316	-
Jarwin Investment Co., Ltd.	O-TA Precision Industry Co., Ltd. Stock	-	Current financial assets at fair value through profit or loss	20	1,790	- %	1,790	-
Jarwin Investment Co., Ltd.	Treasure Cay Private Equity Fund	-	Non-current financial assets at fair value through profit or loss	-	272	2.521 %	272	-

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

Name of Company	Category and name of security	Account name	Name of counter-party	Relationship with the Company	Beginning Balance		Purchase		Sales				Ending Balance	
					Shares (thousands)	Amount	Shares	Amount	Shares	Price	Cost	Gain (loss) on disposal	shares	Amount
Jarll Technology (Shanghai) Co., Ltd.	Product of SinoPac China (Redemption)	Current financial assets at fair value through profit or loss	-	-	-	-	-	263,055	-	132,006	131,127	879	-	131,928
Jarll Technology (Chongqing) Co., Ltd.	Product of SinoPac China (Redemption)	Current financial assets at fair value through profit or loss	-	-	-	-	-	271,590	-	63,063	62,675	388	-	208,915
Jarll Technology (Shanghai) Co., Ltd.	Product of Fubon China structured deposits - financial products	Current financial assets at fair value through profit or loss	-	-	-	-	-	608,965	-	80,254	80,010	244	-	528,955
Jarll Technology (Shanghai) Co., Ltd.	SinoPac Bank (China) structured deposits - financial products	Current financial assets at fair value through profit or loss	-	-	-	-	-	374,491	-	177,699	176,688	1,011	-	197,803

- (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 Jarll Electronics Ltd.	The Company	Associates	Sale	(231,438)	46.18%	150 days	-	Related parties are 150 days, third parties are ranged from 30 to 180 days.	156,899	43.41%	Note
The Company	Kunshan Jarll Electronics Ltd.	Associates	Purchase	231,438	28.35%	150 days	-	Related parties are 150 days, third parties are ranged from 30 to 180 days.	(156,899)	24.91%	Note
Jarll Technology (Chongqing) Co., Ltd.	The Company	Associates	Sale	(287,794)	47.34%	150 days	-	Related parties are 150 days, third parties are ranged from 30 to 180 days.	251,459	51.35%	Note
The Company	Jarll Technology (Chongqing) Co., Ltd.	Associates	Purchase	287,794	35.25%	150 days	-	Related parties are 150 days, third parties are ranged from 30 to 180 days.	(251,459)	39.92%	Note

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

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JARLLYTEC CO., LTD. AND SUBSIDIARIES
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	156,899	3.04	-	-	42,491	-
Jarlly Technology (Chongqing) Co., Ltd.	The Company	Associates	251,459	2.51	-	-	52,819	-

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

- (ix) Trading in derivative instruments:

Please refer to Note 6 (b) and (m).

- (x) Business relationships and significant intercompany transactions:

Number	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
1	Chongqing Jarlly	The Company	2	Sales revenue	287,794	Mark up by cost	6.17%
1	Chongqing Jarlly	The Company	2	Accounts receivable	251,459	150 days	2.34%
1	Chongqing Jarlly	Kunshan Jarlly	3	Other receivables	17,780	Follow the agreement	0.17%
2	Dong Guan Jarlly	The Company	2	Sales revenue	48,805	Mark up by cost	1.05%
2	Dong Guan Jarlly	The Company	2	Accounts receivable	36,311	150 days	0.34%
3	Fu Qing Jarlly	The Company	2	Sales revenue	25,985	Mark up by cost	0.56%
3	Fu Qing Jarlly	The Company	2	Accounts receivable	18,953	150 days	0.18%
3	Fu Qing Jarlly	Kunshan Jarlly	3	Sales revenue	47,381	Mark up by cost	1.02%
3	Fu Qing Jarlly	Kunshan Jarlly	3	Accounts receivable	31,752	150 days	0.30%
3	Fu Qing Jarlly	Jarllytec Thailand	3	Sales revenue	28,145	Mark up by cost	0.60%
3	Fu Qing Jarlly	Jarllytec Thailand	3	Accounts receivable	19,031	150 days	0.18%
4	Kunshan Jarlly	The Company	2	Sales revenue	231,438	Mark up by cost	4.96%
4	Kunshan Jarlly	The Company	2	Accounts receivable	156,899	150 days	1.46%
5	Shanghai Jarlly	The Company	2	Sales revenue	8,573	Mark up by cost	0.18%
5	Shanghai Jarlly	The Company	2	Accounts receivable	9,704	150 days	0.09%
6	Xiamen Jarlly	The Company	2	Sales revenue	18,087	Mark up by cost	0.39%
6	Xiamen Jarlly	The Company	2	Accounts receivable	15,947	150 days	0.15%
6	Xiamen Jarlly	Fu Qing Jarlly	3	Accounts receivable	18,675	150 days	0.17%
7	Smart Hinge	Great Hinge	3	Other receivables	58,410	Follow the agreement	0.54%

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

(b) Information on investees:

The following is the information on investees for the six months ended June 30, 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 June 30, 2024			Net income (losses) of investee	Share of profits/losses of investee	Note
				June 30, 2024	December 31, 2023	Shares	Percentage of ownership	Carrying value			
The Company	Great Hinge Trading Ltd.	British Virgin Islands	Investments	193,768	64,208	16	100.00%	177,632	(6,156)	(5,536)	Note
The Company	Smart Hinge Holdings Ltd.	British Virgin Islands	Investments	1,062,626	904,601	33,434	100.00%	4,151,483	343,462	347,982	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%	92,077	10,315	10,315	Note
The Company	Jarlllytec Singapore Pte. Ltd.	Singapore	Computer design and service	423	423	-	100.00%	948	96	96	Note
Great Hinge Trading Ltd.	Jarlllytec (Vietnam) Co., Ltd.	Vietnam	Sale and produce Precision Hinge	360,173	230,613	-	100.00%	253,679	(6,158)	(6,158)	Note
Smart Hinge Holdings Ltd.	Royal Jarllly Holding Ltd.	Hong Kong	Investments	1,062,626	904,601	33,434	100.00%	4,101,986	346,609	346,609	Note
Royal Jarllly Holding Ltd.	Jarlllytec (Thailand) Co., Ltd.	Thailand	Sale and produce Precision Hinge	353,922	189,973	3,800	100.00%	296,665	(24,423)	(24,423)	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 from Taiwan as of January 1, 2024	Investment flows		Accumulated outflow of investment from Taiwan as of June 30, 2024	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	419,487	(2)	131,272	158,025	-	289,297	220,622	100.00%	220,622	1,195,296	-
Fu Qing Jarllly Electronics Co., Ltd.	Sale and produce Precision Hinge	240,658	(2)	27,370	-	-	27,370	48,845	100.00%	48,845	653,717	-
Dong Guan Jarllly Electronics Co., Ltd.	Sale and produce Precision Hinge	81,466	(2)	81,466	-	-	81,466	2,582	100.00%	2,582	120,567	15,366
Kunshan Jarllly Electronics Ltd.	Sale and produce Precision Hinge	71,906	(2)	65,369	-	-	65,369	33,438	100.00%	33,438	224,072	-
Jarllly Electronics Technology (Shanghai) Co., Ltd.	Sale and produce Precision Hinge	473,450	(2)	386,330	-	-	386,330	4,605	100.00%	4,605	479,744	-
Xiamen Jarllly Electronics Co., Ltd.	Sale and produce Precision Hinge	43,801	(2)	29,281	-	-	29,281	6,011	100.00%	6,011	117,705	-
Jarllly Technology (Chongqing) Co., Ltd.	Sale and produce Precision Hinge	61,722	(2)	29,500	-	-	29,500	101,175	100.00%	101,175	529,949	-
Zhejiang Jarllly Precision Technology Co., Ltd.	Sale and produce Powder metallurgy and other metal products	312,038	(2)	154,013	-	-	154,013	(39,538)	100.00%	(39,538)	260,690	-

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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JARLLYTEC CO., LTD. AND SUBSIDIARIES
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(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of June 30, 2024	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
1,062,626 (USD33,434)	1,506,783 (USD46,434)	3,311,827 -

(iii) Significant transactions:

As of the six months ended of June 30, 2024, 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 June 30,				
2024				
	Hinge department	Fiber optic department	Reconciliation and elimination	Total
Revenue:				
Revenue from external customers	\$ 2,228,876	55,793	-	2,284,669
Intersegment revenues	-	-	-	-
Total revenue	<u>\$ 2,228,876</u>	<u>55,793</u>	<u>-</u>	<u>2,284,669</u>
Reportable segment profit or loss	<u>\$ 220,731</u>	<u>9,254</u>	<u>-</u>	<u>229,985</u>

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

2023				
	Hinge department	Fiber optic department	Reconciliati on and elimination	Total
Revenue:				
Revenue from external customers	\$ 1,926,619	44,375	-	1,970,994
Intersegment revenues	-	-	-	-
Total revenue	<u>\$ 1,926,619</u>	<u>44,375</u>	<u>-</u>	<u>1,970,994</u>
Reportable segment profit or loss	<u>\$ 177,246</u>	<u>5,191</u>	<u>-</u>	<u>182,437</u>

For the six months ended June 30,				
2024				
	Hinge department	Fiber optic department	Reconciliati on and elimination	Total
Revenue:				
Revenue from external customers	\$ 4,550,986	112,267	-	4,663,253
Intersegment revenues	-	-	-	-
Total revenue	<u>\$ 4,550,986</u>	<u>112,267</u>	<u>-</u>	<u>4,663,253</u>
Reportable segment profit or loss	<u>\$ 441,554</u>	<u>14,550</u>	<u>-</u>	<u>456,104</u>

2023				
	Hinge department	Fiber optic department	Reconciliati on and elimination	Total
Revenue:				
Revenue from external customers	\$ 3,190,401	99,707	-	3,290,108
Intersegment revenues	-	-	-	-
Total revenue	<u>\$ 3,190,401</u>	<u>99,707</u>	<u>-</u>	<u>3,290,108</u>
Reportable segment profit or loss	<u>\$ 185,497</u>	<u>12,070</u>	<u>-</u>	<u>197,567</u>

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