

JARLLYTEC CO., LTD. AND SUBSIDIARIES

Consolidated Financial Statements

**With Independent Auditors' Review Report
For the Nine Months Ended
September 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 include the consolidated balance sheets as of September 30, 2024, and 2023; the consolidated statements of comprehensive income for the three-month and nine-month periods ended September 30, 2024, and 2023; the consolidated statements of changes in equity and cash flows for the nine-month periods then ended; and the accompanying notes. Management is responsible for the preparation and fair presentation of these statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard (IAS) 34, "Interim Financial Reporting," as endorsed by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion based on our review.

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\$1,912,785 thousand and NT\$1,817,834 thousand, constituting 18% and 18% of consolidated total assets as of September 30, 2024 and 2023, respectively, total liabilities amounted to NT\$736,914 thousand and NT\$639,097 thousand, constituting 15% and 13% of consolidated total liabilities as of September 30, 2024 and 2023, respectively, and total comprehensive income of these subsidiaries amounted to NT\$34,886 thousand, NT\$(10,056) thousand, NT\$(56,900) thousand and NT\$(16,514) thousand, constituting 22%, (3)%, (10)% and (4)% of the consolidated total comprehensive income for the nine months ended September 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 September 30, 2024 and 2023, and of its consolidated financial performance as of and for the three-month periods ended September 30, 2024 and 2023, and its consolidated cash flows for the nine 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)
November 12, 2024

Notes to Readers

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(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 September 30, 2024 and 2023

(Expressed in Thousands of New Taiwan Dollars)

		For the three months ended September 30,				For the nine months ended September 30,			
		2024		2023		2024		2023	
		Amount	%	Amount	%	Amount	%	Amount	%
4000	Operating revenue (Note 6(t))	\$2,148,603	100	\$2,584,601	100	6,811,856	100	5,874,709	100
5000	Operating costs (Note 6(e)(p))	1,809,386	84	2,068,641	80	5,651,695	83	4,887,691	83
	Net gross profit	339,217	16	515,960	20	1,160,161	17	987,018	17
	Operating expenses (Note 6(c)(n)(p)(u)):								
6100	Selling expenses	63,915	3	56,019	2	165,143	2	159,010	3
6200	Administrative expenses	117,537	5	132,995	5	381,411	6	315,049	5
6300	Research and development expenses	76,856	4	60,668	2	198,805	3	154,324	3
6450	Expected credit losses (gain)	1,541	-	(404)	-	(4,456)	-	(4,957)	-
	Total operating expenses	259,849	12	249,278	9	740,903	11	623,426	11
	Net operating income	79,368	4	266,682	11	419,258	6	363,592	6
	Non-operating income and expenses (Note 6(n)(o)(v)):								
7010	Other income	71,335	3	27,176	1	110,357	2	75,238	1
7020	Other gains and losses, net	(32,543)	(2)	9,571	-	20,605	-	46,192	1
7050	Finance cost	(7,099)	-	(4,241)	-	(19,950)	-	(16,409)	-
7100	Interest income	14,626	-	10,885	-	51,521	1	39,027	1
	Total non-operating income and expenses	46,319	1	43,391	1	162,533	3	144,048	3
	Profit from continuing operations before tax	125,687	5	310,073	12	581,791	9	507,640	9
7950	Less: Income tax expenses (Note 6(q))	53,456	2	82,539	3	180,388	3	154,134	3
	Profit	72,231	3	227,534	9	401,403	6	353,506	6
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	(1,443)	-	16,523	1	173	-	21,109	-
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	(1,443)	-	16,523	1	173	-	21,109	-
8360	Components of other comprehensive income that will be reclassified to profit or loss								
8361	Exchange differences on translation of foreign financial statements	88,698	4	89,751	3	160,966	2	12,070	-
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	88,698	4	89,751	3	160,966	2	12,070	-
8300	Other comprehensive income, net	87,255	4	106,274	4	161,139	2	33,179	-
8500	Total comprehensive income	\$ 159,486	7	333,808	13	562,542	8	386,685	6
	Net income attributable to:								
8610	Profit (loss), attributable to owners of parent	\$ 72,231	3	227,534	9	401,403	6	353,506	6
	Total comprehensive income attributable to:								
8710	Comprehensive income, attributable to owners of parent	\$ 159,486	7	333,808	13	562,542	8	386,685	6
	Earnings per share (NT dollars) (Note 6(s)):								
9750	Basic earnings per share	\$ 1.09		3.75		6.07		5.86	
9850	Diluted earnings per share	\$ 1.07		3.44		5.84		5.36	

(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 Nine months Ended September 30, 2024 and 2023

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent								
		Advance receipts for share capital	Capital surplus	Retained earnings			Other equity		
				Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Total equity
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	-	-	-	-	-	353,506	-	-	353,506
Other comprehensive income	-	-	-	-	-	-	12,070	21,109	33,179
Total comprehensive income	-	-	-	-	-	353,506	12,070	21,109	386,685
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	46,925	259,334	-	-	-	-	-	306,273
Balance at September 30, 2023	\$ 601,228	46,925	1,644,779	453,672	47,179	2,311,362	(46,258)	32,258	5,091,145
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	-	-	-	-	-	401,403	-	-	401,403
Other comprehensive income	-	-	-	-	-	-	160,966	173	161,139
Total comprehensive income	-	-	-	-	-	401,403	160,966	173	562,542
Appropriation and distribution of retained earnings:									
Legal reserve appropriated	-	-	-	52,916	-	(52,916)	-	-	-
Cash dividends on ordinary shares	-	-	-	-	-	(297,411)	-	-	(297,411)
Reversal of special reserve	-	-	-	-	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)	-	-	-	-	-	-	-
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	-	8,364	-	(8,364)	-
Balance at September 30, 2024	\$ 660,914	-	1,866,597	506,588	101,311	2,492,326	32,861	18,603	5,679,200

(See accompanying notes to financial statements)

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

Consolidated Statements of Cash Flows

For the Nine months Ended September 30, 2024 and 2023

(Expressed in Thousands of New Taiwan Dollars)

	For the nine months ended September 30,	
	2024	2023
Cash flows from operating activities:		
Profit before tax	\$ 581,791	507,640
Adjustments to reconcile profit (loss)		
Depreciation expense	265,704	235,092
Amortization expense	23,998	19,380
Expected credit loss (gain)	(4,456)	(4,957)
Net loss (gain) on financial assets at fair value through profit or loss	(10,244)	(5,790)
Interest expense	19,950	16,409
Interest income	(51,521)	(39,027)
Dividend income	(19,979)	(7,151)
Loss on disposal of property, plant and equipment	2,973	5,618
Gain on disposals of investments	-	(7,960)
Total adjustments to reconcile profit (loss)	226,425	211,614
Changes in operating assets and liabilities:		
Current financial assets at fair value through profit or loss	(3,173)	16,857
Non-current financial assets at fair value through profit or loss	3,000	-
Notes receivables	(1,839)	(2,276)
Accounts receivable	325,275	(1,140,884)
Other receivables	6,424	(3,440)
Inventories	105,223	(76,951)
Prepayments	(8,383)	3,011
Other current assets	(120)	171
Notes payables	-	(2,134)
Accounts payable	(445,656)	835,622
Other payables	(82,551)	(44,091)
Other current liabilities	362	40,421
Net defined benefit liability	(719)	(720)
Total changes in operating assets and liabilities	(102,157)	(374,414)
Total adjustments	124,268	(162,800)
Cash inflow generated from operations	706,059	344,840
Interest received	49,708	38,673
Interest paid	(8,177)	(11,242)
Income taxes paid	(229,918)	(126,490)
Net cash flows provided by operating activities	517,672	245,781
Cash flows from (used in) investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	-	(34,194)
Proceeds from disposal of financial assets at fair value through other comprehensive income	9,703	-
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	9,640	10,151
Acquisition of financial assets at fair value through profit or loss	(2,659,614)	(1,262,249)
Proceeds from disposal of financial assets at fair value through profit or loss	1,928,833	1,239,304
Acquisition of property, plant and equipment	(234,463)	(150,819)
Proceeds from disposal of property, plant and equipment	14,069	693
Acquisition of intangible assets	(6,963)	(7,036)
Decrease (Increase) in other non-current assets, others	39,882	(21,781)
Increase in prepayments for equipment	(243,134)	(134,095)
Dividends received	19,979	7,151
Net cash flows used in investing activities	(1,122,068)	(352,875)
Cash flows from financing activities:		
Decrease in short-term borrowings	(63,816)	(42,945)
Issuance of corporate bonds	899,237	-
Repayments of long-term borrowings	(150,521)	(163,021)
Payment of lease liabilities	(37,076)	(34,262)
Increase in other non-current liabilities	183	139
Cash dividends paid	(297,411)	(180,364)
Net cash flows (used in) from financing activities	350,596	(420,453)
Effect of movements in exchange on cash and cash equivalents	114,406	10,253
Net decrease in cash and cash equivalents	(139,394)	(517,294)
Cash and cash equivalents at beginning of period	2,967,196	2,841,048
Cash and cash equivalents at end of period	\$ 2,827,802	2,323,754

(See accompanying notes to financial statements)

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

Reviewed only, not audited in accordance with Generally Auditing Standards of September 30, 2024 and 2023

JARLLYTEC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the Nine months Ended September 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 November 12, 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 endorsed by the FSC but not yet effective

The Group assesses that the adoption of the (following) new amendments, effective for annual period beginning on January 1, 2025, would not have a significant impact on its consolidated financial statements:

- Amendments to IAS21 “Lack of Exchangeability”

- (c) 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:

(Continued)

Standards or Interpretations	Content of amendment	Effective date per IASB
IFRS 18 “Presentation and Disclosure in Financial Statements”	<p>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.</p> <ul style="list-style-type: none"> • A more structured income statement: under 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. • 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. 	January 1, 2027

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”
- 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

(Continued)

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

(4) Summary of significant accounting policies

(a) Statement of compliance

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

Except the following accounting policies mentioned below, the significant accounting policies adopted in the consolidated financial statements are the same as those in the consolidated financial statement for the year ended December 31, 2023. For the related information, please refer to note 4 of the consolidated financial statements for the year ended December 31, 2023.

(b) Basis of consolidation

(i) List of subsidiaries in the consolidated financial statements

Name of Investor	Name of Subsidiary	Principal Activities	Percentage of Ownership (%)			Note
			2024.9.30	2023.12.31	2023.9.30	
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
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	Jarlllytec (Thailand) Co., Ltd. (Jarlllytec Thailand)	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
			2024.9.30	2023.12.31	2023.9.30	
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.

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.

(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.

(Continued)

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

(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.

(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

	September 30, 2024	December 31, 2023	September 30, 2023
Cash on hand	\$ 725	740	709
Demand deposits	1,783,212	1,324,115	1,449,362
Time deposits	1,043,865	1,642,341	873,683
	<u>\$ 2,827,802</u>	<u>2,967,196</u>	<u>2,323,754</u>

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

(b) Financial instruments

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

	September 30, 2024	December 31, 2023	September 30, 2023
Current mandatorily measured at fair value through profit or loss			
Domestic stocks	\$ 26,297	15,386	17,888
Open-ended funds	-	-	-
Investment products	730,781	-	30,905
	<u>\$ 757,078</u>	<u>15,386</u>	<u>48,793</u>
Non-current mandatorily measured at fair value through profit or loss			
Private offered funds	\$ -	254	259
Redemption right to convertible bonds	1,600	-	154
	<u>\$ 1,600</u>	<u>254</u>	<u>413</u>

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

	September 30, 2024	December 31, 2023	September 30, 2023
Equity investments at fair value through other comprehensive income-non-current:			
Stocks unlisted on domestic market-Taiwan	\$ 77,394	92,784	98,247
Stocks unlisted on domestic market-China	21,394	29,380	29,978
Total	<u>\$ 98,788</u>	<u>122,164</u>	<u>128,225</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 September 30, 2024, December 31, 2023 and September 30, 2023, the aforementioned financial assets were not pledged as collateral.

(c) Notes and accounts receivable

	September 30, 2024	December 31, 2023	September 30, 2023
Notes receivables	\$ 2,200	361	3,420
Accounts receivable	2,701,108	3,026,383	3,548,368
Less: loss allowance	(3,602)	(7,946)	(8,586)
	<u>\$ 2,699,706</u>	<u>3,018,798</u>	<u>3,543,202</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.

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

The loss allowance provisions were determined as follows:

September 30, 2024			
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 2,650,857	0%~1%	-
1 to 30 days past due	33,167	0%~1%	209
31 to 60 days past due	-	0%~5%	-
61 to 90 days past due	11,577	0%~10%	1,081
More than 90 days past due	<u>7,707</u>	30%~100%	<u>2,312</u>
	<u>\$ 2,703,308</u>		<u>3,602</u>
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	<u>12,531</u>	30%~100%	<u>3,759</u>
	<u>\$ 3,026,744</u>		<u>7,946</u>
September 30, 2023			
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 3,451,820	0%~1%	2,573
1 to 30 days past due	80,348	0%~15%	2,775
31 to 60 days past due	6	0%~20%	-
61 to 90 days past due	16,283	0%~30%	2,239
More than 90 days past due	<u>3,331</u>	30%~100%	<u>999</u>
	<u>\$ 3,551,788</u>		<u>8,586</u>

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

For the nine months ended September 30,		
	2024	2023
Balance at January 1	\$ 7,946	13,318
Impairment losses reversed	(4,456)	(4,957)
Effect of movements in exchange	<u>112</u>	<u>225</u>
Balance at September 30	<u>\$ 3,602</u>	<u>8,586</u>

(Continued)

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

(d) Other receivables

	September 30, 2024	December 31, 2023	September 30, 2023
Overpaid business tax returned	\$ 16,865	8,101	15,541
Interest receivable	5,143	3,330	3,604
Others	16,967	26,499	30,758
	<u><u>\$ 38,975</u></u>	<u><u>37,930</u></u>	<u><u>49,903</u></u>

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

(e) Inventories

	September 30, 2024	December 31, 2023	September 30, 2023
Raw materials and supplies	\$ 129,285	140,366	162,608
Work in process	265,383	204,698	151,418
Finished goods	367,049	521,876	441,929
	<u><u>\$ 761,717</u></u>	<u><u>866,940</u></u>	<u><u>755,955</u></u>

- (i) For the three months ended September 30, 2024, the amount of the decrease in operating costs was NT\$24,202, as the factors that previously caused the net realizable value of inventories to be lower than cost no longer exist.
- (ii) For the nine months ended September 30, 2024, the amount of the loss on valuation of inventories was NT\$34,466, wherein such loss was included in cost of sales.
- (iii) For the three months ended September 30, 2023, the amount of the loss on valuation of inventories was NT\$14,537, wherein such loss was included in cost of sales.
- (iv) For the nine months ended September 30, 2023, the amount of the loss on valuation of inventories was NT\$18,224, wherein such loss was included in cost of sales.
- (v) As of September 30, 2024, December 31, 2023 and September 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:

	September 30, 2024	December 31, 2023	September 30, 2023
Prepayment for mold	\$ 31,161	32,422	28,010
Other prepayments	42,304	33,138	30,192
Input tax	4,676	-	4,306
Tax overpaid	24,372	35,087	7,161
Others	5,844	5,724	4,574
Total prepayments and other current assets	<u><u>\$ 108,357</u></u>	<u><u>106,371</u></u>	<u><u>74,243</u></u>
Other deferred expenses	\$ 35,385	58,974	57,523
Refundable deposits	8,725	11,282	9,743
Other financial assets	1,266	44,498	1,291
Others	3,146	4,199	998
Total other noncurrent assets	<u><u>\$ 48,522</u></u>	<u><u>118,953</u></u>	<u><u>69,555</u></u>

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

(g) Property, plant and equipment

Information of property, plant and equipment was listed 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	-	4,899	335,176	-	-	26,702	17,489	384,266
Reclassifications	-	46,597	22,186	-	(784)	5,581	(55,701)	17,879
Disposals	-	-	(54,877)	-	-	(7,334)	(139)	(62,350)
Effect of movements in exchange	3,631	17,309	30,905	28	4,542	4,319	5,226	65,960
Balance at September 30, 2024	<u>\$ 1,058,443</u>	<u>825,670</u>	<u>2,123,224</u>	<u>3,029</u>	<u>104,043</u>	<u>260,458</u>	<u>46,956</u>	<u>4,421,823</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	-	17,551	203,204	-	-	8,830	49,858	279,443
Reclassifications	-	(3,872)	102	-	3,872	(102)	-	-
Disposals	-	(1,664)	(58,745)	-	-	(3,160)	-	(63,569)
Effect of movements in exchange	(513)	(191)	830	1	156	122	-	405
Balance at September 30, 2023	<u>\$ 1,053,957</u>	<u>757,672</u>	<u>1,770,560</u>	<u>3,013</u>	<u>102,324</u>	<u>220,091</u>	<u>50,010</u>	<u>3,957,627</u>
Accumulated depreciation:								
Balance at January 1, 2024	\$ -	278,137	1,016,049	2,940	42,869	135,918	-	1,475,913
Depreciation	-	36,108	164,058	-	-	25,382	-	225,548
Reclassifications	-	11,036	2,074	-	2,005	(11,306)	-	3,809
Disposals	-	-	(37,418)	-	-	(6,842)	-	(44,260)
Effect of movements in exchange	-	6,431	8,609	25	1,942	2,604	-	19,611
Balance at September 30, 2024	<u>\$ -</u>	<u>331,712</u>	<u>1,153,372</u>	<u>2,965</u>	<u>46,816</u>	<u>145,756</u>	<u>-</u>	<u>1,680,621</u>
Balance at January 1, 2023	\$ -	243,092	883,532	2,950	38,956	118,629	-	1,287,159
Depreciation	-	32,392	149,696	-	-	16,273	-	198,361
Reclassifications	-	(3,950)	92	-	3,950	(92)	-	-
Disposals	-	(1,664)	(52,620)	-	-	(2,845)	-	(57,129)
Effect of movements in exchange	-	137	621	1	62	103	-	924
Balance at September 30, 2023	<u>\$ -</u>	<u>270,007</u>	<u>981,321</u>	<u>2,951</u>	<u>42,968</u>	<u>132,068</u>	<u>-</u>	<u>1,429,315</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 September 30, 2024	<u>\$ 1,058,443</u>	<u>493,958</u>	<u>969,852</u>	<u>64</u>	<u>57,227</u>	<u>114,702</u>	<u>46,956</u>	<u>2,741,202</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 September 30, 2023	<u>\$ 1,053,957</u>	<u>487,665</u>	<u>789,239</u>	<u>62</u>	<u>59,356</u>	<u>88,023</u>	<u>50,010</u>	<u>2,528,312</u>

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

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JARLLYTEC CO., LTD. AND SUBSIDIARIES
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(h) Right-of-use assets

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

	<u>Land</u>	<u>Buildings and construction</u>	<u>Other equipment</u>	<u>Total</u>
Cost:				
Balance at January 1, 2024	\$ 149,203	254,726	777	404,706
Additions	-	58,628	-	58,628
Effect of movements in exchange	<u>4,800</u>	<u>11,549</u>	<u>-</u>	<u>16,349</u>
Balance at September 30, 2024	<u>\$ 154,003</u>	<u>324,903</u>	<u>777</u>	<u>479,683</u>
Balance at January 1, 2023	\$ 151,179	226,499	777	378,455
Additions	-	32,921	-	32,921
Effect of movements in exchange	<u>177</u>	<u>480</u>	<u>-</u>	<u>657</u>
Balance at September 30, 2023	<u>\$ 151,356</u>	<u>259,900</u>	<u>777</u>	<u>412,033</u>
Accumulated depreciation and impairment losses:				
Balance at January 1, 2024	\$ 16,427	153,433	561	170,421
Depreciation	2,824	37,138	194	40,156
Effect of movements in exchange	<u>670</u>	<u>7,631</u>	<u>-</u>	<u>8,301</u>
Balance at September 30, 2024	<u>\$ 19,921</u>	<u>198,202</u>	<u>755</u>	<u>218,878</u>
Balance at January 1, 2023	\$ 12,945	111,107	302	124,354
Depreciation	2,804	33,733	194	36,731
Effect of movements in exchange	<u>25</u>	<u>284</u>	<u>-</u>	<u>309</u>
Balance at September 30, 2023	<u>\$ 15,774</u>	<u>145,124</u>	<u>496</u>	<u>161,394</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 September 30, 2024	<u>\$ 134,082</u>	<u>126,701</u>	<u>22</u>	<u>260,805</u>
Balance at January 1, 2023	<u>\$ 138,234</u>	<u>115,392</u>	<u>475</u>	<u>254,101</u>
Balance at September 30, 2023	<u>\$ 135,582</u>	<u>114,776</u>	<u>281</u>	<u>250,639</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	6,963
Disposals	(507)
Effect of movements in exchange	1,748
Balance at September 30, 2024	<u><u>\$ 116,450</u></u>
Balance at January 1, 2023	\$ 121,057
Separate acquisitions	7,036
Disposals	(21,117)
Effect of movements in exchange	51
Balance at September 30, 2023	<u><u>\$ 107,027</u></u>
Accumulated amortization:	
Balance at January 1, 2024	\$ 86,600
Amortization	7,798
Disposals	(507)
Effect of movements in exchange	1,362
Balance at September 30, 2024	<u><u>\$ 95,253</u></u>
Balance at January 1, 2023	\$ 99,342
Amortization for the period	6,963
Disposals	(21,117)
Effect of movements in exchange	54
Balance at September 30, 2023	<u><u>\$ 85,242</u></u>
Carrying amounts :	
Balance at January 1, 2023	<u><u>\$ 21,646</u></u>
Balance at September 30, 2023	<u><u>\$ 21,197</u></u>
Balance at January 1, 2023	<u><u>\$ 21,715</u></u>
Balance at September 30, 2023	<u><u>\$ 21,785</u></u>

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

(j) Short-term borrowings

	<u>September 30, 2024</u>	<u>December 31, 2023</u>	<u>September 30, 2023</u>
Secured bank loans	\$ 300,000	210,000	-
Unsecured bank loans	<u><u>\$ 271,874</u></u>	<u><u>419,810</u></u>	<u><u>470,486</u></u>
	<u><u>\$ 571,874</u></u>	<u><u>629,810</u></u>	<u><u>470,486</u></u>

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JARLLYTEC CO., LTD. AND SUBSIDIARIES
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	September 30, 2024	December 31, 2023	September 30, 2023
Unused short-term credit lines	<u>\$ 519,000</u>	<u>518,280</u>	<u>549,000</u>
Range of interest rates	<u>1.825%~3.10%</u>	<u>1.70%~3.00%</u>	<u>1.65%~4.91%</u>
(k) Other payables			
	September 30, 2024	December 31, 2023	September 30, 2023
Payroll payables	\$ 179,080	210,257	166,211
Payables on equipment	91,275	33,455	9,733
Others	803,998	913,367	893,405
	<u>\$ 1,074,353</u>	<u>1,157,079</u>	<u>1,069,349</u>

(l) Long-term borrowings

The details were as follows:

	September 30, 2024			
	Currency	Interest range	Expiration	Amount
Secured bank loans	TWD	1.285%	2024~2029	\$ 72,308
Unsecured bank loans	TWD	1.225%~1.275%	2024	32,092
Less: current portion				(46,087)
Total				<u>\$ 58,313</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>

	September 30, 2023			
	Currency	Interest range	Expiration	Amount
Secured bank loans	TWD	1.16%~1.7%	2024~2029	\$ 148,804
Unsecured bank loans	TWD	1.1%~1.15%	2024	160,457
Less: current portion				(204,861)
Total				<u>\$ 104,400</u>
Unused long-term credit lines				<u>\$ 500,000</u>

(i) Borrowings issue and repayment

The long-term borrowings amounted to NT\$0 and NT\$0 for the nine months ended September 30, 2024 and 2023, respectively; the repayment amounts were NT\$150,521 and NT\$163,021.

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JARLLYTEC CO., LTD. AND SUBSIDIARIES
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(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:

	September 30, 2024	December 31, 2023	September 30, 2023
Total convertible bonds issued	\$ 800,000	400,000	400,000
Discount on bonds payable, balance unamortized	(38,149)	-	(1,976)
Cumulative amount redeemed	-	-	-
Cumulative amount converted	-	(400,000)	(314,500)
Balance at September 30, 2024	<u>\$ 761,851</u>	<u>-</u>	<u>83,524</u>
Embedded derivatives-redemption right (carried at financial assets-non current at fair value through profit or loss)	<u>\$ 1,600</u>	<u>-</u>	<u>154</u>
Equity component-conversion right (carried at capital surplus)	<u>\$ 151,174</u>	<u>-</u>	<u>10,882</u>

	For the three months ended September 30, 2024	For the three months ended September 30, 2023	For the nine months ended September 30, 2024	For the nine months ended September 30, 2023
Gain or loss arising from the re-measurement of embedded derivatives at fair value	<u>\$ (800)</u>	<u>228</u>	<u>(240)</u>	<u>68</u>
Financial costs – amortization of discounts on convertible bonds	<u>\$ (4,085)</u>	<u>(941)</u>	<u>(11,948)</u>	<u>(3,820)</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 date.
Terms of redemption prior to maturity	(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

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JARLLYTEC CO., LTD. AND SUBSIDIARIES
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	<p>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 stock in the preceding paragraph is the business day before applying to the Ministry of Economic Affairs for the change registration. The Company shall announce four business days before the starting date of the conversion closure period.</p>
Conversion price	NT\$194.2

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JARLLYTEC CO., LTD. AND SUBSIDIARIES
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Item	Domestic unsecured convertible bonds (I)
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 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	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 &

(Continued)

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

	<p>Clearing Corporation (hereinafter referred to as “TDCC”) to the Company’s stock transfer agent to request the conversion of the convertible bonds into the Company’s ordinary shares in accordance with these Regulations and the provisions of Article 10, Article 11, Article 13 and Article 15 of these Regulations; except (1) the book closure period of the ordinary shares according to law; (2) from the 15 business days prior to the closure date of the Company’s stock dividends, the closure date of cash dividends, or the closure date of cash capital increase subscription, to the ex-dividend date; (3) from the capital reduction base date to the day before the trading day of producing the new stock certificates due to the capital reduction; (4) from the starting date of the conversion (subscription) closure date for changing the denomination of the stock to the day before the trading day of producing the new stock certificates.</p> <p>The starting date the conversion closure date for changing the denomination of the stock in the preceding paragraph is the business day before applying to the Ministry of Economic Affairs for the change registration. The Company shall announce four business days before the starting date of the conversion closure period.</p>
Conversion price	NT\$67

(n) Lease liabilities

The carrying amounts of lease liabilities were as follows:

	September 30, 2024	December 31, 2023	September 30, 2023
Current	<u>\$ 30,004</u>	<u>29,273</u>	<u>33,801</u>
Non-current	<u>\$ 83,841</u>	<u>65,232</u>	<u>74,597</u>

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

The amounts recognized in profit or loss were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2024	2023	2024	2023
Interest on lease liabilities	<u>\$ 805</u>	<u>667</u>	<u>1,881</u>	<u>1,878</u>
Expenses relating to short-term leases	<u>\$ 4,011</u>	<u>4,344</u>	<u>12,195</u>	<u>11,205</u>

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

	For the nine months ended September 30,	
	2024	2023
Total cash outflow for leases	<u>\$ 51,152</u>	<u>47,345</u>

(i) Real estate leases

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

(ii) Other leases

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

(Continued)

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

(o) Operating lease

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

	September 30, 2024	December 31, 2023	September 30, 2023
Less than one year	\$ 20,716	18,825	22,535
One to two years	4,957	15,575	16,448
Two to three years	-	327	4,512
Three to four years	-	327	535
	<u>\$ 25,673</u>	<u>35,054</u>	<u>44,030</u>

(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 September 30,		For the nine months ended September 30,	
	2024	2023	2024	2023
Operating costs	\$ -	-	-	-
Operating expenses	\$ -	-	-	-

(ii) Defined contribution plans

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2024	2023	2024	2023
Operating costs	\$ 14,310	12,899	40,644	35,256
Operating expenses	\$ 5,250	4,384	14,927	12,523

(q) Income taxes

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2024	2023	2024	2023
Current tax expense				
Current period	\$ 53,456	82,539	162,467	154,134
Adjustment of current income tax for the previous period	-	-	17,921	-
	<u>53,456</u>	<u>82,539</u>	<u>180,388</u>	<u>154,134</u>
Deferred tax expense				
Origination and reversal of temporary differences	-	-	-	-
	<u>\$ 53,456</u>	<u>82,539</u>	<u>180,388</u>	<u>154,134</u>

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

- (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 2022 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 nine months ended September 30, 2024 and 2023. For the related information, please refer to Note 6(r) of the consolidated financial statements for the year ended December 31, 2023.

(i) Ordinary 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 60,122, with a par value of \$10 per share. All the issued shares are ordinary shares.

(ii) Capital surplus

The balances of capital surplus were as follows:

	September 30, 2024	December 31, 2023	September 30, 2023
Share capital	\$ 1,314,010	1,314,010	1,314,010
Conversion premium of convertible bonds	380,889	380,889	299,363
Treasury share transactions	6,195	6,195	6,195
Employee share options (including those ceased to be effective)	14,329	14,329	14,329
Issuance of convertible bond options	151,174	-	10,882
	<u>\$ 1,866,597</u>	<u>\$ 1,715,423</u>	<u>1,644,779</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.

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

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.

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 May 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>

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JARLLYTEC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(iv) OCI accumulated in reserves, net of tax

	Exchange differences on translation of foreign financial statements	Unrealized 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	160,966	-	160,966
Unrealized losses from financial assets measured at fair value through other comprehensive income	-	173	173
Disposal of investments in equity instruments designated at fair value through other comprehensive income		(8,364)	(8,364)
Balance at September 30, 2024	<u>\$ 32,861</u>	<u>18,603</u>	<u>51,464</u>

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Total
Balance at January 1, 2023	\$ (58,328)	11,149	(47,179)
Exchange differences on foreign operations	12,070	-	12,070
Unrealized losses from financial assets measured at fair value through other comprehensive income	-	21,109	21,109
Balance at September 30, 2023	<u>\$ (46,258)</u>	<u>32,258</u>	<u>(14,000)</u>

(s) Earnings per share

	For the three months ended September 30,		For the nine months ended September 30,	
	2024	2023	2024	2023
Basic earnings per share				
Profit attributable to ordinary shareholders of the Company	<u>\$ 72,231</u>	<u>227,534</u>	<u>401,403</u>	<u>353,506</u>
Weighted average number of ordinary shares (in thousands)	<u>66,091</u>	<u>60,668</u>	<u>66,091</u>	<u>60,306</u>
Basic earnings per share (in dollars)	<u>\$ 1.09</u>	<u>3.75</u>	<u>6.07</u>	<u>5.86</u>
Diluted earnings per share				
Profit attributable to ordinary shareholders of the Company (basic)	72,231	227,534	401,403	353,506
After-tax effect of convertible bonds	3,268	753	9,558	3,056
Profit attributable to ordinary shareholders of the Company (diluted)	<u>\$ 75,499</u>	<u>228,287</u>	<u>410,961</u>	<u>356,562</u>
Weighted average number of ordinary shares (in thousands)	66,091	60,668	66,091	60,306

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JARLLYTEC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	For the three months ended September 30,		For the nine months ended September 30,	
	2024	2023	2024	2023
Effect of employee share bonus (in thousands)	50	246	262	457
Effect of convertible bonds (in thousands)	4,119	5,423	4,014	5,786
Weighted average number of ordinary shares (diluted) (in thousands)	70,260	66,337	70,367	66,549
Diluted earnings per share (in dollars)	\$ 1.07	3.44	5.84	5.36

(t) Revenue from contracts with customers

(i) Details of revenue

	For the three months ended September 30, 2024		
	Hinge department	Fiber optic department	Total
Primary geographical markets:			
China	\$ 1,975,859	42,337	2,018,196
America	7,687	34,817	42,504
Tailand	36,927	-	36,927
Taiwan	10,269	2,048	12,317
Vietnam	30,368	-	30,368
Other country	6,595	1,696	8,291
	\$ 2,067,705	80,898	2,148,603
Main product/service line:			
Electronic component manufacturing and sales	\$ 2,067,705	80,898	2,148,603

	For the three months ended September 30, 2023		
	Hinge department	Fiber optic department	Total
Primary geographical markets:			
China	\$ 2,399,124	38,881	2,438,005
America	3,103	8,469	11,572
Tailand	64,094	-	64,094
Taiwan	17,729	50	17,779
Other country	50,968	2,183	53,151
	\$ 2,535,018	49,583	2,584,601
Main product/service line:			
Electronic component manufacturing and sales	\$ 2,535,018	49,583	2,584,601

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

For the nine months ended September 30, 2024			
	Hinge department	Fiber optic department	Total
Primary geographical markets:			
China	\$ 6,289,382	112,439	6,401,821
America	23,681	73,181	96,862
Tailand	127,903	-	127,903
Taiwan	39,965	3,214	43,179
Vietnam	120,338	-	120,338
Other country	17,422	4,331	21,753
	\$ 6,618,691	193,165	6,811,856
Main product/service line:			
Electronic component manufacturing and sales	\$ 6,618,691	193,165	6,811,856
For the nine months ended September 30, 2023			
	Hinge department	Fiber optic department	Total
Primary geographical markets:			
China	\$ 5,515,580	99,012	5,614,592
America	3,505	44,767	48,272
Tailand	64,318	-	64,318
Taiwan	65,311	628	65,939
Other country	76,705	4,883	81,588
	\$ 5,725,419	149,290	5,874,709
Main product/service line:			
Electronic component manufacturing and sales	\$ 5,725,419	149,290	5,874,709

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JARLLYTEC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(ii) Contract balances

	September 30, 2024	December 31, 2023	September 30, 2023
Notes receivables	\$ 2,200	361	3,420
Accounts receivable	2,701,108	3,026,383	3,548,368
Less: loss allowance	(3,602)	(7,946)	(8,586)
Total	<u>\$ 2,699,706</u>	<u>3,018,798</u>	<u>3,543,202</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, 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 September 30, 2024 and the nine months ended September 30, 2024, the Company accrued and recognized its employee remuneration amounting to \$8,757 and \$38,720, respectively; as well as its remuneration to directors amounting to \$2,189 and \$9,679, 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 the three months ended September 30, 2023 and the nine months ended September 30, 2023, the Company accrued and recognized its employee remuneration amounting to \$23,540 and \$32,688, respectively; as well as its remuneration to directors amounting to \$3,080 and \$6,129, 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.

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JARLLYTEC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(v) Non-operating income and expenses

(i) Other income

The details of other income were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2024	2023	2024	2023
Rent income	\$ 6,385	6,637	18,631	20,218
Dividend income	14,981	1,415	19,979	7,151
Sample income	1,950	3,305	6,073	6,210
Mold income	1,010	1,035	4,483	5,817
Others	47,009	14,784	61,191	35,842
	<u>\$ 71,335</u>	<u>27,176</u>	<u>110,357</u>	<u>75,238</u>

(ii) Other gains and losses

The details of other gains and losses were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2024	2023	2024	2023
Losses on disposal of property, plant and equipment	\$ (412)	(2,921)	(2,973)	(5,618)
Foreign exchange gains(losses)	(33,388)	16,654	20,716	63,174
Gains (Losses) on financial assets at fair value through profit or loss	7,264	4,776	19,354	12,023
Sample expenses	(2,073)	(5,733)	(5,471)	(9,271)
Mold expenses	(948)	(2,003)	(2,063)	(3,977)
Others	(2,986)	(1,202)	(8,958)	(10,139)
	<u>\$ (32,543)</u>	<u>9,571</u>	<u>20,605</u>	<u>46,192</u>

(iii) Finance costs

The details of finance costs were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2024	2023	2024	2023
Interest expense for bank loans	\$ (2,209)	(2,633)	(6,121)	(10,711)
Interest expense for lease liabilities	(805)	(667)	(1,881)	(1,878)
Amortization of discount on convertible bonds	(4,085)	(941)	(11,948)	(3,820)
	<u>\$ (7,099)</u>	<u>(4,241)</u>	<u>(19,950)</u>	<u>(16,409)</u>

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

(iv) Interest income

The details of interest income were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2024	2023	2024	2023
Interest income from bank deposits	\$ 14,483	10,789	51,341	38,778
Other interest income	143	96	180	249
	<u>\$ 14,626</u>	<u>10,885</u>	<u>51,521</u>	<u>39,027</u>

(w) Financial instruments

Except for the contention mentioned below, there was no significant change in the fair value of the Group's financial instruments and degree of exposure to credit risk and market risk arising from financial instruments. For the related information, please refer to Note 6(w) of the consolidated financial statements for the year ended December 31, 2023.

(i) Liquidity risk

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

	Carrying amount	Contractual cash flow	Within six months	6-12 months	1-2 years	2-5 years	Over 5 years
September 30, 2024							
Non derivative financial liabilities							
Short-term borrowings	\$ 571,874	574,055	551,121	22,934	-	-	-
Notes and accounts payable	1,985,724	1,985,724	1,985,724	-	-	-	-
Other payables	1,074,353	1,074,353	1,074,353	-	-	-	-
Bonds payable	761,851	800,000	-	-	-	800,000	-
Lease liabilities	113,845	135,671	24,251	24,495	40,499	46,426	-
Long-term borrowings (current portion included)	<u>104,400</u>	<u>106,905</u>	<u>39,601</u>	<u>7,399</u>	<u>14,662</u>	<u>42,907</u>	<u>2,336</u>
	<u>\$4,612,047</u>	<u>4,676,708</u>	<u>3,675,050</u>	<u>54,828</u>	<u>55,161</u>	<u>889,333</u>	<u>2,336</u>
December 31, 2023							
Short-term borrowings							
Notes and accounts payable	\$ 629,810	632,321	632,321	-	-	-	-
Other payables	2,431,380	2,431,380	2,431,380	-	-	-	-
Bonds payable	1,157,079	1,157,079	1,157,079	-	-	-	-
Lease liabilities	94,505	107,044	22,430	17,938	32,445	34,231	-
Long-term borrowings (current portion included)	<u>254,921</u>	<u>258,827</u>	<u>109,951</u>	<u>78,071</u>	<u>14,719</u>	<u>43,183</u>	<u>12,903</u>
	<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>

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

	Carrying amount	Contractual cash flow	Within six months	6-12 months	1-2 years	2-5 years	Over 5 years
September 30, 2023							
Non derivative financial liabilities							
Short-term borrowings	\$ 470,486	472,422	411,465	60,957	-	-	-
Notes and accounts payable	2,407,303	2,407,303	2,407,303	-	-	-	-
Other payables	1,069,349	1,069,349	1,069,349	-	-	-	-
Bonds payable	83,524	85,500	-	-	85,500	-	-
Lease liabilities	108,398	121,236	23,912	20,838	33,206	43,280	-
Long-term borrowings (current portion included)	<u>309,261</u>	<u>314,072</u>	<u>110,310</u>	<u>97,101</u>	<u>46,911</u>	<u>43,304</u>	<u>16,446</u>
	<u>\$4,448,321</u>	<u>4,469,882</u>	<u>4,022,339</u>	<u>178,896</u>	<u>165,617</u>	<u>86,584</u>	<u>16,446</u>

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

(ii) Currency risk

1) Exposure to foreign currency risk

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

	September 30, 2024			December 31, 2023			September 30, 2023		
	Foreign currency	Exchang e rate	New Taiwan Dollars	Foreign currency	Exchang e rate	New Taiwan Dollars	Foreign currency	Exchang e rate	New Taiwan Dollars
<u>Financial assets</u>									
<u>Monetary items</u>									
USD	\$ 100,984	31.650	3,196,144	91,329	30.705	2,804,257	86,331	32.270	2,785,901
<u>Financial liabilities</u>									
<u>Monetary items</u>									
USD	33,113	31.650	1,048,026	32,492	30.705	997,667	34,375	32.270	1,109,281

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 nine-month periods ended September 30, 2024 and 2023 would have increased or decreased the net profit before tax by \$107,406 and \$83,831, respectively, assuming all other factors remain constant. The analysis for the two periods was on the same basis.

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JARLLYTEC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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 September 30, 2024 and 2023 and the nine months ended September 30, 2024 and 2023, the foreign exchange gain (loss) (including realized and unrealized portions) amounted to \$(33,388), \$16,654, \$20,716 and \$63,174, 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 \$5,072 and \$5,848 for the nine-month periods ended September 30, 2024 and 2023, assuming all other variable factors remain constant. This is mainly due to the Group's borrowing in floating variable rates.

(iv) Other price risk

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

Security price at the reporting date	For the nine months ended September 30, 2024		For the nine months ended September 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%	\$ 988	263	1,282	179
Decrease by 1%	\$ (988)	(263)	(1,282)	(179)

(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:

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

September 30, 2024					
	Book value	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	\$ 758,678	26,297	1,600	730,781	758,678
Financial assets at fair value through other comprehensive income	98,788	-	-	98,788	98,788
Loans and accounts receivable					
Cash and cash equivalents	2,827,802	-	-	-	-
Notes and accounts receivable	2,699,706	-	-	-	-
Other receivables	38,975	-	-	-	-
Subtotal	5,566,483	-	-	-	-
Total	<u>\$ 6,423,949</u>	<u>26,297</u>	<u>1,600</u>	<u>829,569</u>	<u>857,466</u>
Financial liabilities at amortized cost					
Short-term borrowings	\$ 571,874	-	-	-	-
Notes and accounts payable	1,985,724	-	-	-	-
Other payables	1,074,353	-	-	-	-
Lease liabilities	761,851	-	-	-	-
Bonds payable	113,845	-	-	-	-
Long-term borrowings (current portion included)	104,400	-	-	-	-
Subtotal	4,612,047	-	-	-	-
Total	<u>\$ 4,612,047</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

December 31, 2023					
	Book value	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	\$ 15,640	15,386	-	254	15,640
Financial assets at fair value through other comprehensive income	122,164	-	-	122,164	122,164
Loans and accounts receivable					
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>

(Continued)

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

September 30, 2023

	Book value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss	\$ 49,206	17,888	154	31,164	49,206
Financial assets at fair value through other comprehensive income	128,225	-	-	128,225	128,225
Loans and accounts receivable					
Cash and cash equivalents	2,323,754	-	-	-	-
Notes and accounts receivable	3,543,202	-	-	-	-
Other receivables	49,903	-	-	-	-
Subtotal	5,916,859	-	-	-	-
Total	<u>\$ 6,094,290</u>	<u>17,888</u>	<u>154</u>	<u>159,389</u>	<u>177,431</u>
Financial liabilities at amortized cost					
Short-term borrowings	\$ 470,486	-	-	-	-
Notes and accounts payable	2,407,303	-	-	-	-
Other payables	1,069,349	-	-	-	-
Lease liabilities	83,524	-	-	-	-
Bonds payable	108,398	-	-	-	-
Long-term borrowings (current portion included)	309,261	-	-	-	-
Subtotal	4,448,321	-	-	-	-
Total	<u>\$ 4,448,321</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

2) Valuation techniques for financial instruments measured at fair value

(2.1) Financial derivatives

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

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

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.

(2.2) 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.

(Continued)

JARLLYTEC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

	Measured at fair value through profit or loss	Measured at fair value through other comprehensive income
Balance at January 1, 2024	\$ 254	122,164
Total gains or losses		
Recognized in profit or loss	2,746	-
Recognized in other comprehensive income	-	173
Additions	2,659,614	-
Disposals	(1,931,833)	(15,239)
Other refund of paid-up capital	-	(9,640)
Effect of movements in exchange	-	1,330
Balance at September 30, 2024	<u>\$ 730,781</u>	<u>98,788</u>
Balance at January 1, 2023	\$ 457	83,032
Total gains or losses		
Recognized in profit or loss	(198)	-
Recognized in other comprehensive income	-	21,109
Additions	1,262,249	34,194
Disposals	(1,231,344)	-
Refund of paid-up capital due to capital reduction	-	(10,151)
Effect of movements in exchange	-	41
Balance at September 30, 2023	<u>\$ 31,164</u>	<u>128,225</u>

The aforementioned total gains or losses were presented under "other gains and losses" and "unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income." The portion related to the assets held by the Group as of

(Continued)

JARLLYTEC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
September 30, 2024 and 2023 is as follows:

	For the six months ended September 30, 2024	For the six months ended September 30, 2023
Total gains or losses		
Recognized in profit or loss (presented under “other gains and losses”)	\$ 2,746	(198)
Recognized in other comprehensive income (presented under “unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income”)	173	21,109

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 include “fair value through other comprehensive income (available-for-sale financial assets) – 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 September 30, 2024, December 31, 2023 and September 30, 2023)	·The higher the market illiquidity discount, the lower the fair value.
Financial assets at fair value through profit or loss — Investment product	Discounted Cash Flow Method	·Discount rate (1.10%~3.15%, -%, and 1.10%~3.15% on September 30, 2024, December 31, 2023 and September 30, 2023)	·The higher the discount rate, the lower the fair value.
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:

	Input	Assumptions	Profit or loss		Other comprehensive income	
			Favorable	Unfavorable	Favorable	Unfavorable
September 30, 2024						
Financial assets at fair value through profit or loss — Investment product	Discount rate	5%	399	(399)	-	-
Financial assets at fair value through profit or loss — Private offered funds	Net asset value	5%	-	-	-	-
Financial assets at fair value through other comprehensive income						
Equity investments without an active market	30%	5%	-	-	4,939	(4,939)
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)
September 30, 2023						
Financial assets at fair value through profit or loss — Investment product	Discount rate	5%	19	(19)	-	-
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%	-	-	6,411	(6,411)

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JARLLYTEC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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.

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

The Group's investments and financing activities through non-cash transactions for the nine-month periods ended September 30, 2024 and 2023 were as follows:

(i) Right-of-use assets are acquired through leasing. Please refer to Note6(h).

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

	January 1, 2024	Cash flows	Acquired	Non-cash changes			September 30, 2024
				Changes in Foreign Exchange Rate	Interest expense	Others	
Short-term borrowings	\$ 629,810	(63,816)	-	5,880	-	-	571,874
Long-term borrowings (current portion included)	254,921	(150,521)	-	-	-	-	104,400
Bonds payable	-	899,237	-	-	11,948	(149,334)	761,851
Lease liabilities	94,505	(37,076)	58,628	4,305	-	(6,517)	113,845
Total liabilities arising from financing activities	<u>\$ 979,236</u>	<u>647,824</u>	<u>58,628</u>	<u>10,185</u>	<u>11,948</u>	<u>(155,851)</u>	<u>1,551,970</u>

	January 1, 2023	Cash flows	Acquired	Non-cash change			September 30, 2023
				Changes in Foreign Exchange Rate	Interest expense	Others	
Short-term borrowings	\$ 515,833	(42,945)	-	(2,402)	-	-	470,486
Long-term borrowings (current portion included)	472,282	(163,021)	-	-	-	-	309,261
Bonds payable	386,421	-	-	-	3,820	(306,717)	83,524
Lease liabilities	109,053	(34,262)	31,929	188	-	498	108,398
Total liabilities arising from financing activities	<u>\$ 1,483,589</u>	<u>(240,228)</u>	<u>31,929</u>	<u>(2,214)</u>	<u>3,820</u>	<u>(306,219)</u>	<u>971,669</u>

(7) Related-party transactions

(a) Key management personnel compensation

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JARLLYTEC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Key management personnel compensation comprised:

	For the three months ended September 30,		For the nine months ended September 30,	
	2024	2023	2024	2023
Short-term employee benefits	\$ 9,262	9,376	19,075	19,406
Post-employment benefits	199	217	614	639
	<u>\$ 9,461</u>	<u>9,593</u>	<u>19,689</u>	<u>20,045</u>

(8) Pledged assets

The carrying values of pledged assets were as follows:

Pledged assets	Object	September 30, 2024	December 31, 2023	September 30, 2023
Land	Secured loans	\$ 684,947	1,016,281	1,016,281
Buildings	Secured loans	179,341	226,692	230,415
		<u>\$ 864,288</u>	<u>1,242,973</u>	<u>1,246,696</u>

(9) Commitments and contingencies

The Group's significant contractual commitments were as follows:

	September 30, 2024	December 31, 2023	September 30, 2023
Acquisition of property, plant and equipment	<u>\$ 77,080</u>	<u>86,249</u>	<u>69,946</u>

(10) Losses due to major disasters: None.**(11) Subsequent events: None.****(12) Other**

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

By item	For the three months ended September 30, 2024			For the three months ended September 30, 2023		
	Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Employee benefits						
Salaries	229,245	98,694	327,939	226,852	118,345	345,197
Labor and health insurance	14,056	6,368	20,424	12,858	5,618	18,476
Pension	14,310	5,250	19,560	12,899	4,384	17,283
Remuneration of directors	-	2,609	2,609	-	3,497	3,497
Others	13,779	5,169	18,948	12,167	4,376	16,543

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Notes to the Consolidated Financial Statements

By function By item	For the three months ended September 30, 2024			For the three months ended September 30, 2023		
	Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Depreciation	77,066	18,193	95,259	67,096	13,784	80,880
Amortization	3,427	4,596	8,023	2,583	4,339	6,922

By function By item	For the nine months ended September 30, 2024			For the nine months ended September 30, 2023		
	Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Employee benefits						
Salaries	698,771	319,448	1,018,219	615,386	277,719	893,105
Labor and health insurance	39,980	18,976	58,956	36,872	16,902	53,774
Pension	40,644	14,927	55,571	35,256	12,523	47,779
Remuneration of directors	-	10,961	10,961	-	7,280	7,280
Others	38,110	17,810	55,920	31,477	13,261	44,738
Depreciation	214,877	50,827	265,704	195,882	39,210	235,092
Amortization	10,613	13,385	23,998	7,044	12,336	19,380

(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 September 30, 2024:

(i) Loans to other parties:

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Nature of financing (Note 3)	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits (Note 1 & 2)	Maximum limit of fund financing (Note 1 & 2)
													Item	Value		
0	The Company	Jarlllytec (Vietnam) Co., Ltd.	Other receivables	Yes	126,600	126,600	-	3%	2	-	Operating turnover	-	-	-	757,226	2,271,680
1	Fu Qing Jarlly Electronics Co., Ltd.	Kunshan Jarlly Electronics Ltd.	Other receivables	Yes	45,230	-	-	0%	2	-	Operating turnover	-	-	-	600,168	600,168
2	Jarlly Technology (Chongqing) Co., Ltd.	Kunshan Jarlly Electronics Ltd.	Other receivables	Yes	31,661	-	-	2%	2	-	Operating turnover	-	-	-	344,703	344,703
3	Smart Hinge Holdings Ltd.	Great Hinge Trading Ltd.	Other receivables	Yes	56,970	56,970	56,970 (Note 4)	0%	2	-	Operating turnover	-	-	-	2,599,944	2,599,944
4	Jarlly Electronics Technology (Shanghai) Co., Ltd.	Jarlly Technology (Shanghai) Co., Ltd.	Other receivables	Yes	135,690	135,690	-	3%	2	-	Operating turnover	-	-	-	294,090	294,090
5	Jarlly Technology (Shanghai) Co., Ltd.	Kunshan Jarlly Electronics Ltd.	Other receivables	Yes	45,230	45,230	-	3%	2	-	Operating turnover	-	-	-	906,488	906,488

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

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 endorsements	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantee and endorsements during the period	Balance of guarantees and endorsements as of report date (Note 3)	Actual usage amount during the period	Property pledged for guarantee and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements (Note 1)	Parent company endorsements/guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/guarantees to third parties on behalf of parent company	Endorsements/guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company (Note 2)										
0	The Company	Jarilly Technology (Shanghai) Co., Ltd.	2	1,893,066	253,200	-	-	-	-%	2,271,680	Y	N	Y
0	The Company	Jarilly Technology (Chongqing) Co., Ltd.	2	1,893,066	63,300	-	-	-	-%	2,271,680	Y	N	Y
0	The Company	Kunshan Jarilly Electronics Ltd.	2	1,893,066	61,965	-	-	-	-%	2,271,680	Y	N	Y
0	The Company	Jellytec (Vietnam) Co., Ltd.	2	1,893,066	126,600	126,600	-	-	2.23%	2,271,680	Y	N	N

Note 1: The total amount available for endorsement provided to others shall not exceed 40% of the Company's net worth (audited by Certified Public Accountant on September 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.

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JARLLYTEC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(iii) Securities held as of September 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	2,879	48,423	4.61 %	48,423	-
Jarwin Investment Co., Ltd.	Second phase Stock of WK Innovation Ltd.	-	Non-current financial assets at fair value through other comprehensive income	3,000	28,971	2.67 %	28,971	-
Fu Qing Jarlly Electronics Co., Ltd.	Fuqing Jelly Plastic Product Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	-	3,619	16.00 %	3,619	-
Fu Qing Jarlly Electronics Co., Ltd.	Chongqing Jelly Plastics Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	-	2,442	18.00 %	2,442	-
Fu Qing Jarlly Electronics Co., Ltd.	Chongqing Yuli Hardware Products Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	-	2,442	18.00 %	2,442	-
Xiamen Jarlly Electronics Co., Ltd.	Xiamen Jinli Precision Metal Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	-	4,297	19.00 %	4,297	-
Xiamen Jarlly Electronics Co., Ltd.	Xiamen Jinyaoli Hardware Products Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	-	8,594	19.00 %	8,594	-
Jarlly Technology (Shanghai) Co., Ltd.	SinoPac Bank (China) structured deposits - financial products	-	Current financial assets at fair value through profit or loss	-	214,842	- %	214,842	-
Jarlly Technology (Shanghai) Co., Ltd.	Product of Fubon China structured deposits - financial products	-	Current financial assets at fair value through profit or loss	-	33,425	- %	33,425	-
Jarlly Electronics Technology (Shanghai) Co., Ltd.	SinoPac Bank (China) structured deposits - financial products	-	Current financial assets at fair value through profit or loss	-	134,243	- %	134,243	-
Jarlly Electronics Technology (Shanghai) Co., Ltd.	Fubon China structured deposits - financial products	-	Current financial assets at fair value through profit or loss	-	9,046	- %	9,046	-
Jarlly Electronics Technology (Chongqing) Co., Ltd.	SinoPac Bank (China) structured deposits - financial products	-	Current financial assets at fair value through profit or loss	-	199,012	- %	199,012	-
Xiamen Jarlly Electronics Co., Ltd.	China Merchants Bank structured deposits - financial products	-	Current financial assets at fair value through profit or loss	-	49,753	- %	49,753	-
Fu Qing Jarlly Electronics Co., Ltd.	China Merchants Bank structured deposits - financial products	-	Current financial assets at fair value through profit or loss	-	90,460	- %	90,460	-
Jarwin Investment Co., Ltd.	Taiwan Semiconductor Manufacturing Co., Ltd. Stock	-	Current financial assets at fair value through profit or loss	20	19,140	- %	19,140	-
Jarwin Investment Co., Ltd.	Evergreen Marine Co., Ltd. Stock	-	Current financial assets at fair value through profit or loss	12	2,412	- %	2,412	-
Jarwin Investment Co., Ltd.	O-TA Precision Industry Co., Ltd. Stock	-	Current financial assets at fair value through profit or loss	5	425	- %	425	-
Jarwin Investment Co., Ltd.	Unimicron Technology Corp.	-	Current financial assets at fair value through profit or loss	30	4,320	- %	4,320	-

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JARLLYTEC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- (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 Electronics Shanghai	SinoPac Bank (China) structured deposits - financial products	Current financial assets at fair value through profit or loss	-	-	-	-	-	267,671	-	134,322	133,428	894	-	134,243
Chongqing Jarll	SinoPac Bank (China) structured deposits - financial products	Current financial assets at fair value through profit or loss	-	-	-	-	-	366,815	-	169,438	167,803	1,635	-	199,012
Shanghai Jarll	Fubon China structured deposits - financial products	Current financial assets at fair value through profit or loss	-	-	-	-	-	619,651	-	621,184	619,651	1,533	-	-
Shanghai Jarll	SinoPac Bank (China) structured deposits - financial products	Current financial assets at fair value through profit or loss	-	-	-	-	-	882,663	-	671,212	667,821	3,391	-	214,842
Xiamen Jarll	China Merchants Bank structured deposits - financial products	Current financial assets at fair value through profit or loss	-	-	-	-	-	144,736	-	95,573	94,983	590	-	49,753

- (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	(330,237)	46.28%	150 days	-	Related parties are 150 days, third parties are ranged from 30 to 180 days.	159,162	46.67%	Note
The Company	Kunshan Jarll Electronics Ltd.	Associates	Purchase	330,237	27.05%	150 days	-	Related parties are 150 days, third parties are ranged from 30 to 180 days.	(159,162)	25.89%	Note
Jarll Technology (Chongqing) Co., Ltd.	The Company	Associates	Sale	(400,780)	44.78%	150 days	-	Related parties are 150 days, third parties are ranged from 30 to 180 days.	242,856	52.74%	Note
The Company	Jarll Technology (Chongqing) Co., Ltd.	Associates	Purchase	400,780	32.83%	150 days	-	Related parties are 150 days, third parties are ranged from 30 to 180 days.	(242,856)	39.50%	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	159,162	2.87	-	-	43,991	-
Jarlly Technology (Chongqing) Co., Ltd.	The Company	Associates	242,856	2.37	-	-	43,605	-

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	400,780	Mark up by cost	5.88%
1	Chongqing Jarlly	The Company	2	Accounts receivable	242,856	150 days	2.29%
2	Dong Guan Jarlly	The Company	2	Sales revenue	89,428	Mark up by cost	1.31%
2	Dong Guan Jarlly	The Company	2	Accounts receivable	48,247	150 days	0.46%
3	Fu Qing Jarlly	The Company	2	Sales revenue	30,628	Mark up by cost	0.45%
3	Fu Qing Jarlly	Kunshan Jarlly	3	Sales revenue	55,334	Mark up by cost	0.81%
3	Fu Qing Jarlly	Kunshan Jarlly	3	Accounts receivable	16,222	150 days	0.15%
3	Fu Qing Jarlly	Jarllytec Thailand	3	Sales revenue	35,844	Mark up by cost	0.53%
3	Fu Qing Jarlly	Jarllytec Thailand	3	Accounts receivable	23,060	150 days	0.22%
4	Kunshan Jarlly	The Company	2	Sales revenue	330,237	Mark up by cost	4.85%
4	Kunshan Jarlly	The Company	2	Accounts receivable	159,162	150 days	1.50%
5	Shanghai Jarlly	The Company	2	Sales revenue	14,220	Mark up by cost	0.21%
5	Shanghai Jarlly	The Company	2	Accounts receivable	11,758	150 days	0.11%
6	Xiamen Jarlly	The Company	2	Sales revenue	26,011	Mark up by cost	0.38%
6	Xiamen Jarlly	The Company	2	Accounts receivable	17,780	150 days	0.17%
6	Xiamen Jarlly	Fu Qing Jarlly	3	Processing fees revenue	33,263	150 days	0.49%
6	Xiamen Jarlly	Fu Qing Jarlly	3	Accounts receivable	15,511	150 days	0.15%
7	Smart Hinge	Great Hinge	3	Other receivables	56,970	Follow the agreement	0.54%
8	Jarllytec Vietnam	The Company	2	Sales revenue	11,011	Mark up by cost	0.16%
8	Jarllytec Vietnam	The Company	2	Accounts receivable	9,200	150 days	0.09%

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:

1. Parent to subsidiary.

2. Subsidiary to parent.

3. 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 nine months ended September 30, 2023 (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%	170,614	(16,359)	(14,452)	Note
The Company	Smart Hinge Holdings Ltd.	British Virgin Islands	Investments	1,062,626	904,601	33,434	100.00%	4,326,491	428,846	436,255	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%	91,449	9,669	9,669	Note
The Company	Jarlllytec Singapore Pte. Ltd.	Singapore	Computer design and service	423	423	-	100.00%	1,089	205	205	Note
Great Hinge Trading Ltd.	Jarlllytec (Vietnam) Co., Ltd.	Vietnam	Sale and produce Precision Hinge	360,173	230,613	-	100.00%	243,629	(16,225)	(16,225)	Note
Smart Hinge Holdings Ltd.	Royal Jarlly Holding Ltd.	Hong Kong	Investments	1,062,626	904,601	33,434	100.00%	4,275,885	432,318	432,318	Note
Royal Jarlly Holding Ltd.	Jarlllytec (Thailand) Co., Ltd.	Thailand	Sale and produce Precision Hinge	353,922	189,973	3,800	100.00%	324,746	(29,409)	(29,409)	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						
Jarlly Technology (Shanghai) Co., Ltd.	Sale and produce special purpose material of component equipment	419,487	(2)	131,272	158,025	-	289,297	284,701	100.00%	284,701	1,280,731	-
Fu Qing Jarlly Electronics Co., Ltd.	Sale and produce Precision Hinge	240,658	(2)	27,370	-	-	27,370	51,808	100.00%	51,808	608,526	-
Dong Guan Jarlly Electronics Co., Ltd.	Sale and produce Precision Hinge	81,466	(2)	81,466	-	-	81,466	2,754	100.00%	2,754	122,858	15,366
Kunshan Jarlly Electronics Ltd.	Sale and produce Precision Hinge	71,906	(2)	65,369	-	-	65,369	43,556	100.00%	43,556	238,223	-
Jarlly Electronics Technology (Shanghai) Co., Ltd.	Sale and produce Precision Hinge	473,450	(2)	386,330	-	-	386,330	6,585	100.00%	6,585	490,151	-
Xiamen Jarlly Electronics Co., Ltd.	Sale and produce Precision Hinge	43,801	(2)	29,281	-	-	29,281	7,132	100.00%	7,132	120,900	-
Jarlly Technology (Chongqing) Co., Ltd.	Sale and produce Precision Hinge	61,722	(2)	29,500	-	-	29,500	136,240	100.00%	136,240	574,506	-
Zhejiang Jarlly Precision Technology Co., Ltd.	Sale and produce Powder metallurgy and other metal products	312,038	(2)	154,013	-	-	154,013	(74,628)	100.00%	(74,628)	230,084	-

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
Notes to the Consolidated Financial Statements

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of September 30, 2024	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
1,062,626 (USD33,434)	1,469,636 (USD46,434)	3,407,520

(iii) Significant transactions:

As of the nine months ended of September 30, 2023, the significant inter-company directly or indirectly transactions with the subsidiary in Mainland China, which were eliminated in the preparation of financial statements, are disclosed in "Information on significant transactions".

(d) Major shareholders:

Shareholder's name	Shareholding	Shares	Percentage
Sunrise Investment Co., Ltd.		6,100,000	9.22%
Dellson Investment Co., Ltd.		3,864,000	5.84%

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

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

(14) Segment information

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

For the three months ended September 30,				
2024				
	Hinge department	Fiber optic department	Reconciliation and elimination	Total
Revenue:				
Revenue from external customers	\$ 2,067,705	80,898	-	2,148,603
Intersegment revenues	-	-	-	-
Total revenue	<u>\$ 2,067,705</u>	<u>80,898</u>	<u>-</u>	<u>2,148,603</u>
Reportable segment profit or loss	<u>\$ 123,707</u>	<u>10,344</u>	<u>-</u>	<u>134,051</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	\$ 2,535,018	49,583	-	2,584,601
Intersegment revenues	-	-	-	-
Total revenue	<u>\$ 2,535,018</u>	<u>49,583</u>	<u>-</u>	<u>2,584,601</u>
Reportable segment profit or loss	<u>\$ 304,491</u>	<u>5,582</u>	<u>-</u>	<u>310,073</u>

For the nine months ended September 30,

	Hinge department	Fiber optic department	Reconciliati on and elimination	Total
Revenue:				
Revenue from external customers	\$ 6,618,691	196,165	-	6,811,856
Intersegment revenues	-	-	-	-
Total revenue	<u>\$ 6,618,691</u>	<u>196,165</u>	<u>-</u>	<u>6,811,856</u>
Reportable segment profit or loss	<u>\$ 556,897</u>	<u>24,894</u>	<u>-</u>	<u>581,791</u>

	Hinge department	Fiber optic department	Reconciliati on and elimination	Total
Revenue:				
Revenue from external customers	\$ 5,725,419	149,290	-	5,874,709
Intersegment revenues	-	-	-	-
Total revenue	<u>\$ 5,725,419</u>	<u>149,290</u>	<u>-</u>	<u>5,874,709</u>
Reportable segment profit or loss	<u>\$ 489,988</u>	<u>17,652</u>	<u>-</u>	<u>507,640</u>

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