

JARLLYTEC CO., LTD. AND SUBSIDIARIES

Consolidated Financial Statements

**With Independent Auditors' Review Report
For the Three Months Ended
March 31, 2025 and 2024**

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

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

Table of contents

Contents	Page
1. Cover page	1
2. Table of Contents	2
3. Independent Auditors' Review Report	3
4. Consolidated Balance Sheets	4
5. Consolidated Statements of Comprehensive Income	5
6. Consolidated Statements of Changes in Equity	6
7. Consolidated Statements of Cash Flows	7
8. Notes to the Consolidated Financial Statements	
(1) Company history	8
(2) Approval date and procedures of the consolidated financial statements	8
(3) New standards, amendments and interpretations adopted	8~9
(4) Summary of significant accounting policies	10~11
(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty	12
(6) Explanation of significant accounts	12~41
(7) Related-party transactions	42
(8) Pledged assets	42
(9) Commitments and contingencies	42
(10) Losses due to major disasters	42
(11) Subsequent events	42
(12) Other	43
(13) Other disclosures	
(a) Information on significant transactions	43~46
(b) Information on investees	46
(c) Information on investment in mainland China	46~47
(14) Segment information	48

Independent Auditors' Review Report

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

Introduction

We have reviewed the consolidated financial statements of Jarllytec Co., Ltd. and its subsidiaries, which comprise the consolidated balance sheets as of March 31, 2025 and 2024, the consolidated statements of comprehensive income for the three months ended March 31, 2025 and 2024, and changes in equity and cash flows for the three months then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Scope of Review

Except as discussed in the following paragraph, we conducted our reviews in accordance with the International Standard on Review Engagements No. 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As described in Note 4(b), the financial statements of certain non-significant subsidiaries were not reviewed by independent auditors. These financial statements reflect total assets of these subsidiaries amounted to NT\$2,255,995 thousand and NT\$1,603,009 thousand, constituting 17% and 15% of consolidated total assets as of March 31, 2024 and 2023, respectively, total liabilities amounted to NT\$797,410 thousand and NT\$555,091 thousand, constituting 11% and 11% of consolidated total liabilities as of March 31, 2025 and 2024 respectively, and total comprehensive income of these subsidiaries amounted to NT\$(41,301) thousand and NT\$(38,692) thousand, constituting (28)% and (16)% of the consolidated total comprehensive income for the three months ended March 31, 2025 and 2024, respectively.

Notes to Readers

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

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

Qualified Conclusion

Based on our reviews, except for the effect of such adjustments, if any, as might have been determined to be necessary had the financial statements of certain non-significant subsidiaries and investee companies been reviewed by independent accountants as described in the preceding paragraph, that we might have become aware of had it not been for the situation described above, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of Jarllytec Co., Ltd. and its subsidiaries as of March 31, 2025 and 2024, and of its consolidated financial performance and consolidated cash flows for the three months then ended March 31, 2025 and 2024 in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and International Accounting Standard 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

KPMG

Taipei, Taiwan (Republic of China)
May 9, 2025

Notes to Readers

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

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

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

JARLLYTEC CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the Three Months Ended March 31, 2025 and 2024

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

		For the three months ended March 31,			
		2025		2024	
		Amount	%	Amount	%
4000	Operating revenue (Note 6(t))	\$2,627,905	100	2,378,584	100
5000	Operating costs (Note 6(e)(p))	2,308,575	88	1,976,993	83
	Net gross profit	319,330	12	401,591	17
	Operating expenses (Note 6(c)(n)(p)(r)(u)):				
6100	Selling expenses	59,191	2	50,421	2
6200	Administrative expenses	122,002	5	135,689	6
6300	Research and development expenses	59,035	2	52,418	2
6450	Expected credit loss	(2,783)	-	457	-
	Total operating expenses	237,445	9	238,985	10
	Net operating income	81,885	3	162,606	7
	Non-operating income and expenses (Note 6(b)(m)(n)(o)(v)):				
7010	Other income	16,729	1	20,879	1
7020	Other gains and losses	2,770	-	32,862	1
7050	Finance cost	(9,887)	-	(6,606)	-
7100	Interest income	10,352	-	16,378	1
	Total non-operating income and expenses	19,964	1	63,513	3
	Profit from continuing operations before tax	101,849	4	226,119	10
7950	Less: Income tax expenses (Note 6(q))	45,802	2	60,981	3
	Profit	56,047	2	165,138	7
8300	Other comprehensive income:				
8310	Components of other comprehensive income (loss) that will not be reclassified to profit or loss				
8316	Unrealized gains from investments in equity instruments measured at fair value through other comprehensive income	(2,536)	-	95	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
	Components of other comprehensive income (loss) that will not be reclassified to profit or loss	(2,536)	-	95	-
8360	Components of other comprehensive income (loss) that will be reclassified to profit or loss				
8361	Exchange differences on translation of foreign financial statements	96,001	4	74,561	3
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
	Components of other comprehensive income (loss) that will be reclassified to profit or loss	96,001	4	74,561	3
8300	Other comprehensive income (loss), net of tax	93,465	4	74,656	3
8500	Total comprehensive income	<u>\$ 149,512</u>	<u>6</u>	<u>\$ 239,794</u>	<u>10</u>
	Earnings per share (NT dollars) (Note 6(s)):				
9750	Basic earnings per share	<u>\$ 0.85</u>		<u>\$ 2.50</u>	
9850	Diluted earnings per share	<u>\$ 0.83</u>		<u>\$ 2.40</u>	

(See accompanying notes to financial statements)

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with Generally Auditing Standards
JARLLYTEC CO., LTD. AND SUBSIDIARIES
Consolidated Statements of Changes in Equity
For the Three months Ended March 31, 2025 and 2024
(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent						Other equity		Total equity
	Retained earnings					Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income		
	Ordinary shares	Advance receipts for share capital	Capital surplus	Legal reserve	Special reserve			Unappropriated retained earnings	
Balance at January 1, 2024	\$ 648,153	12,761	1,715,423	453,672	47,179	2,487,018	(128,105)	26,794	5,262,895
Profit	-	-	-	-	-	165,138	-	-	165,138
Other comprehensive income	-	-	-	-	-	-	74,561	95	74,656
Total comprehensive income	-	-	-	-	-	165,138	74,561	95	239,794
Changes in other capital surplus:									
Due to recognition of equity component of convertible bonds issued	-	-	151,174	-	-	-	-	-	151,174
Conversion of convertible bonds	12,761	(12,761)	-	-	-	-	-	-	-
Balance at March 31, 2024	<u>\$ 660,914</u>	<u>-</u>	<u>1,866,597</u>	<u>453,672</u>	<u>47,179</u>	<u>2,652,156</u>	<u>(53,544)</u>	<u>26,889</u>	<u>5,653,863</u>
Balance at January 1, 2025	\$ 660,914	-	1,866,597	506,588	101,311	2,666,744	61,442	21,063	5,884,659
Profit	-	-	-	-	-	56,047	-	-	56,047
Other comprehensive income	-	-	-	-	-	-	96,001	(2,536)	93,465
Total comprehensive income	-	-	-	-	-	56,047	96,001	(2,536)	149,512
Changes in other capital surplus:									
Due to recognition of equity component of convertible bonds issued	-	-	287,676	-	-	-	-	-	287,676
Conversion of convertible bonds	-	5	91	-	-	-	-	-	96
Balance at March 31, 2025	<u>\$ 660,914</u>	<u>5</u>	<u>2,154,364</u>	<u>506,588</u>	<u>101,311</u>	<u>2,722,791</u>	<u>157,443</u>	<u>18,527</u>	<u>6,321,943</u>

(See accompanying notes to financial statements)

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

Consolidated Statements of Cash Flows
For the Three months Ended March 31, 2025 and 2024
(Expressed in Thousands of New Taiwan Dollars)

	For the three months ended March 31,	
	2025	2024
Cash flows from operating activities:		
Profit before tax	\$ 101,849	226,119
Adjustments:		
Adjustments to reconcile profit (loss)		
Depreciation expense	104,644	81,004
Amortization expense	8,287	9,997
Expected credit loss	(2,783)	457
Net loss on financial assets at fair value through profit or loss	12,630	(8,779)
Interest expense	9,887	6,606
Interest revenue	(10,352)	(16,378)
Dividend revenue	(3,825)	(4,842)
Loss from disposal of property, plant and equipment	297	2,290
Total adjustments to reconcile profit (loss)	118,785	70,355
Changes in operating assets and liabilities:		
Current financial assets at fair value through profit or loss	60,311	(8,147)
Notes receivables	719	(1,135)
Accounts receivable	366,745	49,564
Other receivables	8,933	643
Inventories	(214,121)	3,852
Prepayments	1,980	16,033
Other current assets	(37,861)	102
Accounts payable	624,151	65,598
Other payables	(237,350)	(9,303)
Other current liabilities	(969)	2,599
Net defined benefit liability	(79)	(239)
Total changes in operating assets and liabilities	572,459	119,567
Total adjustments	691,244	189,922
Cash inflow generated from operations	793,093	416,041
Interest received	11,510	14,433
Interest paid	(3,597)	(2,672)
Income taxes paid	(53,456)	(72,047)
Net cash flows provided by (used in) operating activities	747,550	355,755
Cash flows from investing activities:		
Acquisition of financial assets at fair value through profit or loss	(452,727)	(577,007)
Proceeds from disposal of financial assets at fair value through profit or loss	100,606	167,504
Acquisition of property, plant and equipment	(240,631)	(52,710)
Disposal of property, plant and equipment	76	822
Acquisition of intangible assets	(5,460)	(2,581)
Increase in other non-current assets - others	(60,714)	(10,645)
Increase in prepayments for equipment	(60,684)	(81,502)
Dividends received	3,825	4,842
Net cash flows used in investing activities	(715,709)	(551,277)
Cash flows from financing activities:		
Decrease in short-term borrowings	(431,405)	(486,776)
Issuance of bonds	1,645,246	899,237
Repayments of long-term borrowings	(3,499)	(54,341)
Repayment of principal of lease liabilities	(10,397)	(11,938)
Increase in other non-current liabilities - others	(68)	146
Net cash flows provided by (used in) from financing activities	1,199,877	346,328
Effect of movements in exchange on cash and cash equivalents	66,103	74,692
Net increase (decrease) in cash and cash equivalents	1,297,821	225,498
Cash and cash equivalents at beginning of period	3,275,344	2,967,196
Cash and cash equivalents at end of period	\$ 4,573,165	3,192,694

(See accompanying notes to financial statements)

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

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

Reviewed only, not audited in accordance with Generally Auditing Standards of March 31, 2025 and 2024

JARLLYTEC CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the Three months Ended March 31, 2025 and 2024

(Expressed in Thousands of New Taiwan Dollars)

(1) Company history

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

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

These consolidated financial statements were authorized for issue by the Board of Directors on May 9, 2025.

(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, 2025.

- Amendments to IAS21 “Lack of Exchangeability”

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

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:

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 9 and IFRS 7 “Amendments to the Classification and Measurement of Financial Instruments” regarding the application guidance requirements for Section 4.1 of IFRS 9 and the related disclosure requirements of IFRS 7

- (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)

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

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
- Amendments to IFRS 9 and IFRS 7 “Contracts Referencing Nature-dependent Electricity”

(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, 2024. For the related information, please refer to note 4 of the consolidated financial statements for the year ended December 31, 2024.

(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
			2025.3.31	2024.12.31	2024.3.31	
The company	Great Hinge Trading Ltd. (Great Hinge)	Investments	100%	100%	100%	Note 1
The company	Smart Hinge Holdings Ltd. (Smart Hinge)	Investments	100%	100%	100%	-
The company	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	80..56%	74.07%	58.82%	Note 3, Note 4
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
			2025.3.31	2024.12.31	2024.3.31	
Royal Jarlly	Zhejiang Jarlly Precision Technology Co., Ltd. (Zhejiang Jarlly)	Production and sales business of precision hinges	-%	-%	-%	Note 2
Fu Qing Jarlly	Shanghai Jarlly	Component equipment for the production and sale of materials business	19.44%	25.93%	41.18%	Note 3, Note 4
Shanghai Jarlly	Zhejiang Jarlly	Production and sales business of precision hinges	100%	100%	100%	Note 1, Note 2,

Note 1: Insignificant subsidiary.

Note 2: 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 3: 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%.

Note 4: The Company has resolved by the board of directors on November 12, 2024 the indirect investment to Royal Jarlly through the 100% held investee, Smart Hinge, and invested US\$450 million to Shanghai Jarlly through capital increase by Royal Jarlly. The base date is February 1, 2025. As Fu Qing Jarlly did not increase the investments in accordance in proportion to percentage of ownership, the percentage of ownership has decreased from 25.93% to 19.44%, and the percentage of ownership of Royal Jarlly to Shanghai Jarlly has increased from 74.07% to 80.56%.

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

(c) 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.

(d) 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.

(Continued)

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

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

The preparation of the consolidated financial statements in accordance with IAS 34 “Interim Financial Reporting.” and endorsed by the FSC requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates. The preparation of the consolidated interim financial statements, estimates and underlying assumptions are reviewed on an ongoing basis which are in conformity with the consolidated financial statements for the year ended December 31, 2024. For related information, please refer to Note 5 of the consolidated financial statements for the year ended December 31, 2024.

(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, 2024. Please refer to Note 6 of the consolidated financial statements for the year ended December 31, 2024.

(a) Cash and cash equivalents

	March 31, 2025	December 31, 2024	March 31, 2024
Cash on hand	\$ 794	561	587
Demand deposits and checking deposits	1,868,972	2,478,404	1,633,724
Time deposits	2,703,399	796,379	1,558,383
	<u>\$ 4,573,165</u>	<u>3,275,344</u>	<u>3,192,694</u>

(b) Financial instruments

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

	March 31, 2025	December 31, 2024	March 31, 2024
Current financial assets mandatorily measured at fair value through profit or loss			
Domestic listed stocks	\$ 26,221	31,670	28,040
Beneficiary certificates	-	60,082	-
Investment products	352,121	-	409,503
	<u>\$ 378,342</u>	<u>91,752</u>	<u>437,543</u>
Non-current financial assets mandatorily measured at fair value through profit or loss			
Private offered funds	\$ -	-	286
Redemption right to convertible bonds	3,840	1,200	6,080
	<u>\$ 3,840</u>	<u>1,200</u>	<u>6,366</u>

(Continued)

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

(ii) Financial liabilities at fair value through profit or loss

	March 31, 2025	December 31, 2024	March 31, 2024
Non-current financial liabilities designated at fair value through profit or loss			
Convertible Bond Put Option	\$ 14,813	-	-

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

	March 31, 2025	December 31, 2024	March 31, 2024
Equity investments at fair value through other comprehensive income-non-current:			
Stocks of domestic unlisted companies	\$ 77,319	79,855	92,878
Unlisted companies in Mainland China	21,630	21,181	29,931
Total	\$ 98,949	101,036	122,809

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.

(iv) As of March 31, 2025, December 31, 2024 and March 31, 2024, the aforementioned financial assets were not pledged as collateral.

(c) Notes and accounts receivable

	March 31, 2025	December 31, 2024	March 31, 2024
Notes receivables	\$ 743	1,462	1,496
Accounts receivable	3,259,194	3,625,939	2,976,626
Less: loss allowance	(1,846)	(4,619)	(8,435)
	\$ 3,258,091	3,622,782	2,969,687

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

(Continued)

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

	March 31, 2025		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	\$ 3,162,815	0%	-
1 to 30 days past due	373	0%~1%	-
31 to 60 days past due	87,731	0%~5%	571
61 to 90 days past due	7,060	0%~10%	688
More than 90 days past due	1,958	30%~100%	587
	\$ 3,259,937		1,846

	December 31, 2024		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	\$ 3,597,537	0%~1%	1,815
1 to 30 days past due	975	0%~5%	24
31 to 60 days past due	22,837	0%~10%	1,077
61 to 90 days past due	877	0%~20%	150
More than 90 days past due	5,175	30%~100%	1,553
	\$ 3,627,401		4,619

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

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

	For the three months ended March 31,	
	2025	2024
Balance at January 1	\$ 4,619	7,946
Impairment losses recognized	-	457
Reversal of impairment loss recognised	(2,783)	-
Effect of movements in exchange	10	32
Balance at March 31	\$ 1,846	8,435

(Continued)

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

(d) Other receivables

	March 31, 2025	December 31, 2024	March 31, 2024
Tax refund receivable	\$ 23,223	22,284	15,438
Interest receivable	3,545	4,703	5,275
Others	17,905	27,777	18,519
	<u>\$ 44,673</u>	<u>54,764</u>	<u>39,232</u>

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

(e) Inventories

Details are as follows:

	March 31, 2025	December 31, 2024	March 31, 2024
Raw materials and supplies	\$ 173,256	123,381	150,071
Work in process	255,461	328,101	245,910
Finished goods	679,643	442,757	467,107
	<u>\$ 1,108,360</u>	<u>894,239</u>	<u>863,088</u>

(i) For the three months ended March 31, 2025, and March 31, 2024, the amount of the loss on valuation of inventories for writing off inventory costs to net realizable value was NT\$71,940, and NT\$37,945 wherein such loss was included in costs of goods sold.

(ii) As of March 31, 2025, December 31, 2024 and March 31, 2024, the inventories were not pledged as collateral.

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

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

	March 31, 2025	December 31, 2024	March 31, 2024
Prepayment for mold	\$ 21,145	44,336	30,753
Other prepayments	49,740	48,555	31,923
Business tax paid	6,315	-	4,680
Excess business tax paid	39,562	27,161	14,402
Others	46,883	9,022	5,622
Total prepayments and other current assets	<u>\$ 163,645</u>	<u>129,074</u>	<u>87,380</u>
Other deferred expenses	\$ 38,477	27,903	65,211
Refundable deposits	9,987	9,866	8,013
Other financial assets - others	47,058	1,311	45,360
Others	2,048	3,146	3,207
Total other non-current assets - others	<u>\$ 97,570</u>	<u>42,226</u>	<u>121,791</u>

(Continued)

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

(g) Property, plant and equipment

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

	Land	Buildings and structures	Machine and equipment	Mold equipment	Rental equipment	Other facilities	Construction in progress and testing equip	Total
Cost:								
Balance at January 1, 2025	\$ 1,057,375	836,690	2,217,799	3,022	103,008	280,921	31,888	4,530,703
Additions	-	2,187	124,631	-	-	5,111	269,456	401,385
Reclassifications	-	2,036	1,125	-	-	5,400	(8,561)	-
Disposals	-	-	(13,975)	-	-	(1,560)	-	(15,535)
Effect of movements in exchange	940	7,928	23,937	14	2,185	3,791	690	39,485
Balance at March 31, 2025	<u>\$ 1,058,315</u>	<u>848,841</u>	<u>2,353,517</u>	<u>3,036</u>	<u>105,193</u>	<u>293,663</u>	<u>293,473</u>	<u>4,956,038</u>
Balance at January 1, 2024	\$ 1,054,812	756,865	1,789,834	3,001	100,285	231,190	80,081	4,016,068
Additions	-	1,150	70,273	-	-	5,535	9,153	86,111
Reclassifications	-	38,386	18,984	-	-	(37,518)	(17,265)	2,587
Disposals	-	-	(12,940)	-	-	(1,971)	(12,710)	(27,621)
Effect of movements in exchange	(769)	4,208	12,619	11	1,877	1,479	440	19,865
Balance at March 31, 2024	<u>\$ 1,054,043</u>	<u>800,609</u>	<u>1,878,770</u>	<u>3,012</u>	<u>102,162</u>	<u>198,715</u>	<u>59,699</u>	<u>4,097,010</u>
Accumulated depreciation:								
Balance at January 1, 2025	\$ -	342,709	1,186,857	2,959	47,129	155,988	-	1,735,642
Depreciation	-	12,510	66,184	-	-	11,201	-	89,895
Reclassifications	-	(784)	174	-	784	(174)	-	-
Disposals	-	-	(13,665)	-	-	(1,370)	-	(15,035)
Effect of movements in exchange	-	3,132	6,344	12	1,011	4,644	-	15,143
Balance at March 31, 2025	<u>\$ -</u>	<u>357,567</u>	<u>1,245,894</u>	<u>2,971</u>	<u>48,924</u>	<u>170,289</u>	<u>-</u>	<u>1,825,645</u>
Balance at January 1, 2024	\$ -	278,137	1,016,049	2,940	42,869	135,918	-	1,475,913
Depreciation	-	11,881	51,665	-	-	5,163	-	68,709
Reclassifications	-	12,269	2,074	-	772	(12,900)	-	2,215
Disposals	-	-	(9,888)	-	-	(1,830)	-	(11,718)
Effect of movements in exchange	-	2,120	3,664	10	803	975	-	7,572
Balance at March 31, 2024	<u>\$ -</u>	<u>304,407</u>	<u>1,063,564</u>	<u>2,950</u>	<u>44,444</u>	<u>127,326</u>	<u>-</u>	<u>1,542,691</u>
Carrying amounts								
Balance at January 1, 2025	<u>\$ 1,057,375</u>	<u>493,981</u>	<u>1,030,942</u>	<u>63</u>	<u>55,879</u>	<u>124,933</u>	<u>31,888</u>	<u>2,795,061</u>
Balance at March 31, 2025	<u>\$ 1,058,315</u>	<u>491,274</u>	<u>1,107,623</u>	<u>65</u>	<u>56,269</u>	<u>123,374</u>	<u>293,473</u>	<u>3,130,393</u>
Balance at January 1, 2024	<u>\$ 1,054,812</u>	<u>478,728</u>	<u>773,785</u>	<u>61</u>	<u>57,416</u>	<u>95,272</u>	<u>80,081</u>	<u>2,540,155</u>
Balance at March 31, 2024	<u>\$ 1,054,043</u>	<u>496,202</u>	<u>815,206</u>	<u>62</u>	<u>57,718</u>	<u>71,389</u>	<u>59,699</u>	<u>2,554,319</u>

(Continued)

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

Please refer to Note 8 for the details of the property, plant and equipment of the Group pledged as collaterals for bank borrowings and credit lines as of March 31, 2025, December 31, 2024 and March 31, 2024.

(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, 2025	\$ 164,367	354,404	1,022	519,793
Additions	-	20,586	-	20,586
Other	-	(1,854)	-	(1,854)
Effect of movements in exchange	<u>2,768</u>	<u>7,526</u>	<u>-</u>	<u>10,294</u>
Balance at March 31, 2025	<u>\$ 167,135</u>	<u>380,662</u>	<u>1,022</u>	<u>548,819</u>
Balance at January 1, 2024	\$ 149,203	254,726	777	404,706
Effect of movements in exchange	<u>1,980</u>	<u>4,768</u>	<u>-</u>	<u>6,748</u>
Balance at March 31, 2024	<u>\$ 151,183</u>	<u>259,494</u>	<u>777</u>	<u>411,454</u>
Accumulated depreciation:				
Balance at January 1, 2025	\$ 21,601	209,281	818	231,700
Depreciation	1,020	13,668	61	14,749
Effect of movements in exchange	<u>406</u>	<u>4,621</u>	<u>-</u>	<u>5,027</u>
Balance at March 31, 2025	<u>\$ 23,027</u>	<u>227,570</u>	<u>879</u>	<u>251,476</u>
Balance at January 1, 2024	\$ 16,427	153,433	561	170,421
Depreciation	933	11,297	65	12,295
Effect of movements in exchange	<u>264</u>	<u>2,982</u>	<u>-</u>	<u>3,246</u>
Balance at March 31, 2024	<u>\$ 17,624</u>	<u>167,712</u>	<u>626</u>	<u>185,962</u>
Carrying amount:				
Balance at January 1, 2025	<u>\$ 142,766</u>	<u>145,123</u>	<u>204</u>	<u>288,093</u>
Balance at March 31, 2025	<u>\$ 144,108</u>	<u>153,092</u>	<u>143</u>	<u>297,343</u>
Balance at January 1, 2024	<u>\$ 132,776</u>	<u>101,293</u>	<u>216</u>	<u>234,285</u>
Balance at March 31, 2024	<u>\$ 133,559</u>	<u>91,782</u>	<u>151</u>	<u>225,492</u>

(Continued)

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, 2025	\$ 122,095
Separate acquisitions	5,460
Effect of movements in exchange	<u>1,064</u>
Balance at March 31, 2025	<u>\$ 128,619</u>
Balance at January 1, 2024	\$ 108,246
Separate acquisitions	2,581
Disposals	(507)
Effect of movements in exchange	<u>710</u>
Balance at March 31, 2024	<u>\$ 111,030</u>
Accumulated amortization:	
Balance at January 1, 2025	\$ 97,542
Amortization for the period	2,918
Effect of movements in exchange	<u>754</u>
Balance at March 31, 2025	<u>\$ 101,214</u>
Balance at January 1, 2024	\$ 86,600
Amortization for the period	2,562
Disposals	(507)
Effect of movements in exchange	<u>538</u>
Balance at March 31, 2024	<u>\$ 89,193</u>
Carrying amounts :	
Balance at January 1, 2024	<u>\$ 24,553</u>
Balance at March 31, 2024	<u>\$ 27,405</u>
Balance at January 1, 2024	<u>\$ 21,646</u>
Balance at March 31, 2024	<u>\$ 21,837</u>

As of March 31, 2025, December 31, 2024 and March 31, 2024, none of the intangible assets were pledged as collateral.

(Continued)

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

(j) Short-term borrowings

	March 31, 2025	December 31, 2024	March 31, 2024
Secured bank loans	\$ -	300,000	-
Unused bank loans	91,460	222,390	145,464
	<u>\$ 91,460</u>	<u>522,390</u>	<u>145,464</u>
Unused credit lines	<u>\$ 1,014,000</u>	<u>531,434</u>	<u>979,390</u>
Range of interest rates	<u>2.22%</u>	<u>1.825%~3.10%</u>	<u>3.00%~3.10%</u>

(k) Other payables

	March 31, 2025	December 31, 2024	March 31, 2024
Payroll payables	\$ 179,825	227,621	177,517
Payables on equipment	215,818	84,851	35,562
Others	561,231	881,982	934,368
	<u>\$ 956,874</u>	<u>1,194,454</u>	<u>1,147,447</u>

(l) Long-term borrowings

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

March 31, 2025				
	Currency	Interest range	Expiration	Amount
Secured bank loans	TWD	1.285%	2029	\$ 65,311
Less: current portion				(13,995)
Total				<u>\$ 51,316</u>
Unused long-term credit lines				<u>\$ -</u>
December 31, 2024				
	Currency	Interest range	Expiration	Amount
Secured bank loans	TWD	1.285%	2029	\$ 68,810
Less: current portion				(13,995)
Total				<u>\$ 54,815</u>
Unused long-term credit lines				<u>\$ -</u>
March 31, 2024				
	Currency	Interest range	Expiration	Amount
Secured bank loans	TWD	1.285%~1.825%	2024~2029	\$ 104,306
Unsecured bank loans	TWD	1.225%~1.275%	2024	96,274
Less: current portion				(135,269)
Total				<u>\$ 65,311</u>
Unused long-term credit lines				<u>\$ -</u>

(Continued)

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

(i) Issue and repayment of borrowings

The long-term borrowings issued amounted to both NT\$0 for the three months ended March 31, 2025 and 2024; the repayment amounts were NT\$3,499 thousand, and NT\$54,341 thousand.

(ii) Collaterals for bank borrowings

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

(m) Bonds payable

The details of bonds payables were as follows:

	March 31, 2025	December 31, 2024	March 31, 2024
Total convertible bonds issued	\$ 2,300,000	800,000	800,000
Discount on bonds payable, balance unamortized	(174,734)	(34,064)	(46,319)
Cumulative amount redeemed	-	-	-
Cumulative amount converted	(100)	-	-
Balance at March 31, 2024	<u>\$ 2,125,166</u>	<u>765,936</u>	<u>753,681</u>
Embedded derivatives-redemption right (carried at financial assets at fair value through profit or loss – non-current)	<u>\$ 3,840</u>	<u>1,200</u>	<u>6,080</u>
Embedded derivatives-put option (carried at financial assets at fair value through profit or loss – non-current)	<u>\$ 14,813</u>	<u>-</u>	<u>-</u>
Equity component-conversion right (carried at capital surplus)	<u>\$ 438,831</u>	<u>151,174</u>	<u>151,174</u>
	For the three months ended March 31, 2025	For the six months ended March 31, 2024	
Gain or loss arising from the re-measurement of embedded derivatives at fair value	<u>\$ (7,410)</u>	<u>4,240</u>	
Finance costs-Amortization of Convertible Bond Discount	<u>\$ (6,520)</u>	<u>(3,778)</u>	

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

Item	3rd domestic unsecured convertible corporate bonds
Total amount issued	NT\$1,500,000 thousand
Issue date	February 25, 2025
Issue period	February 25, 2025 ~ February 25, 2030
Coupon rate	0%
Trustee	KGI Bank Co., Ltd.
Terms of repayment	Unless the bonds are converted to ordinary shares of the Company in accordance with Article 10 of these Regulations, or the Company redeems in

(Continued)

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

	advance in accordance with Article 18 of these Regulations, or Exercise a put option in accordance with Article 19 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 (May 26, 2025) to 40 days before the expiry of the issuance period (January 16, 2030), 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) 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 seven 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 (May 26, 2025) to 40 days before the expiry of the issuance period (January 16, 2030), 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) 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 seven 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 seven 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>
Put option	From the day following the three-month period after the issuance of the convertible bonds (February 25, 2028) shall be the put option exercise date

(Continued)

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

	<p>for bondholders to request early redemption. The Company shall, forty days prior to the put option exercise date (January 16, 2028), send a "Put Option Exercise Notice" via registered mail to bondholders (based on the bondholder register as of the fifth business day prior to the dispatch date of the "Put Option Exercise Notice." For bondholders who acquire these convertible bonds through trading or other means thereafter, public announcement will be made). The Company shall also officially request the Taipei Exchange to announce the exercise of the put option by holders of these convertible bonds.</p> <p>Holders of these convertible bonds may, within forty days prior to the put option exercise date, provide written notice to the Company's stock transfer agent (effective upon delivery; for mailed notices, the postmark date will be used as proof) to request the Company redeem their convertible bonds at face value. Upon receiving a redemption request, the Company shall redeem these convertible bonds in cash within seven business days (inclusive of the seventh business day) after the put option exercise date. If the aforementioned date falls on a day when the Taipei Exchange is closed, it shall be postponed to the next business day.</p>
Conversion period	<p>From the day following the three-month period after the issuance of the convertible bonds (May 26, 2025) to the maturity date (February 25, 2030), 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\$170

Item	2nd domestic unsecured convertible corporate bonds
Total amount issued	NT\$800,000 thousand
Issue date	January 8, 2024
Issue period	January 8, 2024 ~ January 8, 2027
Coupon rate	0%
Trustee	Bank Sinpac Co., Ltd.
Terms of repayment	Unless the bonds are converted to ordinary shares of the Company in accordance with Article 10 of these Regulations, or the Company redeems in advance in accordance with Article 18 of these Regulations, or the Company

(Continued)

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

	buys back from the TPEX for the cancellation, the Company shall repay in cash one lump sum according to the band 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 (April 9, 2024) to 40 days before the expiry of the issuance period (November 19, 2026), when the closing price of the Company's ordinary shares exceeds the current conversion price by 30% (inclusive) for 30 consecutive business days, the Company may, within the next 30 business days, send the "Bond Redemption Notice" expiring 30 days by registered mail (the aforesaid period starts from the date the Company sends the letter, and the expiry date of the period is the base date for bond redemption, and the aforesaid period shall not be the conversion closure period as stated in Article 9) to the bond holders (subject to the name list of bond holders on the fifth business day prior to the date of dispatch of the "Bond Redemption Notice"; for bond holders who acquire the convertible bonds due to trading or other reasons thereafter, the announcement shall be followed). The redemption price is set as the denomination of the bonds, and all the bonds will be redeemed in cash, and a notification letter will be delivered to the TPEX for the announcement. When the Company executes the redemption request, it shall redeem the convertible bonds in cash within five business days from the bond redemption base date.</p> <p>(2) From the day following the three-month period after the issuance of the convertible bonds (April 9, 2024) to 40 days before the expiry of the issuance period (November 19, 2026), when the outstanding balance of the convertible bonds is lower than 10% of the original total issued amount, the Company may, at any time thereafter, send the "Bond Redemption Notice" expiring 30 days by registered mail (the aforesaid period starts from the date the Company sends the letter, and the expiry date of the period is the base date for bond redemption, and the aforesaid period shall not be the conversion closure period as stated in Article 9) to the bond holders (subject to the name list of bond holders on the fifth business day prior to the date of dispatch of the "Bond Redemption Notice"; for bond holders who acquire the convertible bonds due to trading or other reasons thereafter, the announcement shall be followed). The redemption price is set as the denomination of the bonds, and all the bonds will be redeemed in cash, and a notification letter will be delivered to the TPEX for the announcement. When the Company executes the redemption request, it shall redeem the convertible bonds in cash within five business days from the bond redemption base date.</p> <p>(3) If the creditor fails to reply in writing to the Company's stock transfer agent before the bond redemption base date as stated in the "Bond Redemption Notice" (it will take effect immediately upon delivery, and the postmark date shall be used as the basis for the post mails), the Company will redeem the convertible bonds in cash at the bond par value within five business days after the bond redemption base date.</p> <p>(4) If the Company executes the redemption request, the deadline for bond holders to request for conversion is the second business day after the trading day on TPEX of the converted bonds is terminated.</p>
Conversion period	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

(Continued)

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

	<p>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

(n) Lease liabilities

The carrying amounts of lease liabilities were as follows:

	March 31, 2025	December 31, 2024	March 31, 2024
Current	<u>\$ 44,385</u>	<u>41,773</u>	<u>23,272</u>
Non-current	<u>\$ 100,350</u>	<u>93,548</u>	<u>58,693</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 March 31,	
	2025	2024
Interest on lease liabilities	<u>\$ 972</u>	<u>485</u>
Expenses relating to short-term leases	<u>\$ 4,684</u>	<u>4,096</u>

(Continued)

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

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

	For the three months ended March 31,	
	2025	2024
Cash paid for rental expenses from operating activities	\$ 4,684	4,096
Cash paid for interest on lease liabilities from operating activities	972	485
Cash paid for repayment of lease principal from financing activities	<u>10,397</u>	<u>11,938</u>
Total cash outflow for leases	<u>\$ 16,053</u>	<u>16,519</u>

(i) Leases of buildings and structures

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

(ii) Other leases

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

(o) Operating lease

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

	March 31, 2025	December 31, 2024	March 31, 2024
Less than one year	\$ 18,119	23,841	16,803
One to two years	21	30	11,530
Two to three years	-	-	325
Three to four years	-	-	244
	<u>\$ 18,140</u>	<u>23,871</u>	<u>28,902</u>

(p) Employee benefits

(i) Defined benefit plans

Given there was no significant volatility of the market fluctuations or any significant reimbursements, settlement or other one-time events since the reporting date of the prior year. As a result, pension cost in interim period was measured and disclosed in accordance with the actuarial report measured as of December 31, 2024 and 2023.

(Continued)

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

The details of those recognized as expenses were as follows:

	For the three months ended March 31,	
	2025	2024
Operating costs	\$ -	-
Operating expenses	\$ -	-

(ii) Defined contribution plans

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

	For the three months ended March 31,	
	2025	2024
Operating costs	\$ 14,730	12,502
Operating expenses	\$ 5,578	4,747

(iii) Income taxes

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

	For the three months ended March 31,	
	2025	2024
Current tax expense		
Current period	\$ 45,802	60,981
Deferred tax expense		
Origination and reversal of temporary differences	-	-
	<u>\$ 45,802</u>	<u>60,981</u>

(ii) The Group has no income tax expense recognized in equity and other comprehensive income.

(iii) The Company's tax returns of Profit-seeking Enterprise Income Tax for the years through 2022 were assessed by the tax authorities.

(q) Capital and other equity

There was no significant change for capital and other equity for the periods from for the three months ended March 31, 2025 and 2024. For the related information, please refer to Note 6(r) of the consolidated financial statements for the year ended December 31, 2024.

(i) Ordinary share capital

As of March 31, 2025, December 31, 2024 and March 31, 2024, the authorized capitals were both \$1,200,000, respectively. In addition, the number of issued shares were both 66,091 thousand shares, with a par value of \$10 per share. All the issued shares are ordinary shares.

(Continued)

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

The Company issued 1 thousand of new shares at par with total amount of \$5 thousand for the conversion by convertible bonds holders for the year ended March 31, 2025. The 1 thousand of shares have been listed under “advance receipts for share capital,” and the legal registration process has not been completed as of the financial report issuance date.

(ii) Capital surplus

The balances of capital surplus were as follows:

	March 31, 2025	December 31, 2024	March 31, 2024
Additional paid-in capital	\$ 1,314,010	1,314,010	1,694,899
In capital arising from bond conversion	380,999	380,889	-
Treasury share transactions	6,195	6,195	6,195
Employee share options (including those expired)	14,329	14,329	14,329
Issuance of stock options of convertible bond	438,831	151,174	151,174
	<u>\$ 2,154,364</u>	<u>1,866,597</u>	<u>1,866,597</u>

(iii) Retained earnings

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

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

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

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

(Continued)

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

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 2024 and 2023 had been approved during the board meetings on May 9, 2025 and May 6, 2024, respectively. The amounts of dividends distributed to shareholders were as follows:

	2024		2023	
	Amount per share	Total Amount	Amount per share	Total Amount
Dividends distributed to ordinary shareholders				
Cash	\$ 2.00	132,184	4.50	297,411
Stock	0.25	16,523	-	-
	\$ 148,707			297,411

(iv) Other equity

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Total
Balance at January 1, 2025	\$ 61,442	21,063	82,505
Exchange differences on translation of net assets of foreign operations	96,001	-	96,001
Unrealized losses from financial assets measured at fair value through other comprehensive income			
The company	-	6,032	6,032
Subsidiary	-	(8,568)	(8,568)
Balance at March 31, 2025	\$ 157,443	18,527	175,970

(Continued)

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

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Total
Balance at January 1, 2024	\$ (128,105)	26,794	(101,311)
Exchange differences on translation of net assets of foreign operations	74,561	-	74,561
Unrealized losses from financial assets measured at fair value through other comprehensive income	-	95	95
Balance at March 31, 2024	<u>\$ (53,544)</u>	<u>26,889</u>	<u>(26,655)</u>

(r) Earnings per share

	<u>For the three months ended March 31,</u>	
	<u>2025</u>	<u>2024</u>
Basic earnings per share		
Profit attributable to ordinary shareholders of the Company	<u>\$ 56,047</u>	<u>165,138</u>
Weighted average number of outstanding ordinary shares (in thousands)	<u>66,091</u>	<u>66,091</u>
Basic earnings per share (in dollars)	<u>\$ 0.85</u>	<u>2.50</u>
Diluted earnings per share		
Profit attributable to ordinary shareholders of the Company (basic)	\$ 56,047	165,138
After-tax effect of convertible bonds	5,216	3,022
Profit attributable to ordinary shareholders of the Company (diluted)	<u>\$ 61,263</u>	<u>168,160</u>
Weighted average number of outstanding ordinary shares (in thousands)	66,091	66,091
Effect of employee share bonus (in thousands)	254	170
Effect of conversion of convertible bonds (in thousands) (Note)	7,550	3,711
Weighted average number of outstanding ordinary shares (after adjustments of effects of dilutive potential ordinary shares) (in thousands)	<u>73,895</u>	<u>69,972</u>
Diluted earnings per share (in dollars)	<u>\$ 0.83</u>	<u>2.40</u>

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

(Continued)

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

(s) Revenue from contracts with customers

(i) Details of revenue

For the three months ended March 31, 2025			
	Hinge department	Fiber optic department	Total
Primary geographical markets:			
China	\$ 2,383,470	92,831	2,476,301
America	2,178	14,980	17,158
Thailand	56,324	-	56,324
Taiwan	8,799	1,426	10,225
Vietnam	63,115	-	63,115
Other country	2,933	1,849	4,782
	<u>\$ 2,516,819</u>	<u>111,086</u>	<u>2,627,905</u>

Main product/service line:

Electronic component manufacturing and sales	<u>\$ 2,516,819</u>	<u>111,086</u>	<u>2,627,905</u>
--	---------------------	----------------	------------------

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

Main product/service line:

Electronic component manufacturing and sales	<u>\$ 2,322,110</u>	<u>56,474</u>	<u>2,378,584</u>
--	---------------------	---------------	------------------

(ii) Contract balances

	March 31, 2025	December 31, 2024	March 31, 2024
Notes receivables	\$ 743	1,462	1,496
Accounts receivable	3,259,194	3,625,939	2,976,626
Less: loss allowance	(1,846)	(4,619)	(8,435)
Total	<u>\$ 3,258,091</u>	<u>3,622,782</u>	<u>2,969,687</u>

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

(Continued)

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

(t) Remuneration to employees, and directors

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

For the three months ended March 31, 2025 and 2024, the Company accrued and recognized its employee remuneration amounting to \$5,044 and \$14,154, respectively; as well as its remuneration to directors amounting to \$1,260 and \$3,538, respectively. These estimates amounts were calculated by using the Company's pre-tax net profit for the period before deducting the amounts of the remuneration to employees and directors, multiplied by the distribution of ratio of the remuneration to employees and directors based on the Company's Articles of incorporation, and expensed under operating expenses. If there are any subsequent adjustments to the actual remuneration amounts after the annual shareholders' meeting, the adjustments will be regarded as change in accounting estimates and will be reflected in profit or loss in the following year.

For 2024 and 2023, the Company recognized its employee remuneration amounting to \$52,213 and \$47,162, respectively, and its remuneration to directors of \$13,053 and \$11,791, respectively. The amounts, as stated in the consolidated financial statements, are identical to those of the actual distribution for 2024 and 2023. Related information is available on the Market Observation Post System website.

(u) Non-operating income and expenses

(i) Other income

The details of other income were as follows:

	For the three months ended March 31,	
	2025	2024
Rent income	\$ 6,390	6,131
Dividend income	3,825	4,842
Sample income	213	672
Mold and jig income	1,115	2,785
Others	5,186	6,449
	<u>\$ 16,729</u>	<u>20,879</u>

(Continued)

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

(ii) Other gains and losses

The details of other gains and losses were as follows:

	For the three months ended March 31,	
	2025	2024
Losses on disposal of property, plant and equipment	\$ (297)	(2,290)
Gains (losses) on financial assets at fair value through profit or loss	(12,630)	9,231
Sample expenses	(1,089)	(1,414)
Foreign exchange gains	20,738	30,309
Other	(3,952)	(2,974)
	<u>\$ 2,770</u>	<u>32,862</u>

(iii) Finance costs

The details of finance costs were as follows:

	For the three months ended March 31,	
	2025	2024
Interest expense for bank loans	\$ (2,395)	(2,343)
Interest expense for lease liabilities	(972)	(485)
Amortization of discount on convertible bonds	(6,520)	(3,778)
	<u>\$ (9,887)</u>	<u>(6,606)</u>

(iv) Interest income

The details of interest income were as follows:

	For the three months ended March 31,	
	2025	2024
Interest income from bank deposits	\$ 10,180	16,360
Other interest income	172	18
	<u>\$ 10,352</u>	<u>16,378</u>

(Continued)

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

(v) 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, 2024.

(i) Liquidity risk

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

	Carrying amount	Contractu al cash flow	Within six months	6-12 months	1-2 years	2-5 years	Over 5 years
March 31, 2025							
Non derivative financial liabilities							
Short-term borrowings	\$ 91,460	92,233	92,233	-	-	-	-
Notes and accounts payables	3,255,382	3,255,382	3,255,382	-	-	-	-
Other payables	956,874	956,874	956,874	-	-	-	-
Corporate bonds payables	2,125,166	2,299,900	-	-	799,900	1,500,000	-
Lease liabilities	144,735	164,130	31,653	28,624	50,751	53,102	-
Long-term borrowings (current portion included)	65,311	67,304	7,398	7,354	14,572	37,980	-
	<u>\$ 6,638,928</u>	<u>6,835,823</u>	<u>4,343,540</u>	<u>35,978</u>	<u>865,223</u>	<u>1,591,082</u>	<u>-</u>
December 31, 2024							
Non derivative financial liabilities							
Short-term borrowings	\$ 522,390	524,346	501,815	22,531	-	-	-
Notes and accounts payables	2,631,231	2,631,231	2,631,231	-	-	-	-
Other payables	1,194,454	1,194,454	1,194,454	-	-	-	-
Corporate bonds payables	765,936	800,000	-	-	-	800,000	-
Lease liabilities	135,321	152,931	27,805	27,954	44,286	52,886	-
Long-term borrowings (current portion included)	68,810	71,020	7,421	7,376	14,617	41,606	-
	<u>\$ 5,318,142</u>	<u>5,373,982</u>	<u>4,362,726</u>	<u>57,861</u>	<u>58,903</u>	<u>894,492</u>	<u>-</u>
March 31, 2024							
Non derivative financial liabilities							
Short-term borrowings	\$ 145,464	146,029	132,616	13,413	-	-	-
Notes and accounts payables	2,496,978	2,496,978	2,496,978	-	-	-	-
Other payables	1,147,447	1,147,447	1,147,447	-	-	-	-
Corporate bonds payables	753,681	800,000	-	-	-	800,000	-
Lease liabilities	81,965	97,105	20,806	16,426	30,521	29,352	-
Long-term borrowings (current portion included)	200,580	204,104	97,198	39,602	14,752	43,177	9,375
	<u>\$ 4,826,115</u>	<u>4,891,663</u>	<u>3,895,045</u>	<u>69,441</u>	<u>45,273</u>	<u>872,529</u>	<u>9,375</u>

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

(Continued)

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

(ii) Foreign currency risk

1) Exposure to foreign currency risk

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

	March 31, 2025			December 31, 2024			March 31, 2024		
	Foreign currency	Exchange rate	New Taiwan Dollars	Foreign currency	Exchange rate	New Taiwan Dollars	Foreign currency	Exchange rate	New Taiwan Dollars
<u>Financial assets</u>									
<u>Monetary items</u>									
USD	\$ 92,388	33.205	3,067,744	100,628	32.785	3,299,089	87,322	32.000	2,794,304
<u>Financial liabilities</u>									
<u>Monetary items</u>									
USD	19,704	33.205	654,271	29,313	32.785	961,027	31,232	32.000	999,424

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the conversion of the foreign currency exchange gains and losses on cash and cash equivalents, trade and other receivables, loans and borrowings; and trade and other payables that are denominated in foreign currency. A strengthening (weakening) of 5% of the NTD against the USD as of the three-month periods ended March 31, 2025 and 2024 would have increased (decreased) the net profit before tax by \$120,674 and \$89,744, respectively. The analysis for the two periods was on the same basis.

3) Foreign exchange gains and loss on monetary items

Since the Group transacts in different functional currencies, the information on foreign exchange gains (losses) on monetary items is disclosed by total amount. For the three months ended March 31, 2025 and 2024, the foreign exchange gain (loss) (including realized and unrealized portions) amounted to \$20,738 and \$30,309, 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 \$11,153 and \$865 for the three-month periods ended March 31, 2025 and 2024, assuming all other variable factors remain constant. This is mainly due to the Group's borrowing in floating variable rates.

(Continued)

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

(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 three months ended March31, 2025		For the three months ended March31, 2024	
	Other comprehensive income, net of tax	Profit or loss before tax	Other comprehensive income, net of tax	Profit or loss before tax
Increase by 1%	\$ <u>989</u>	<u>262</u>	<u>1,228</u>	<u>280</u>
Decrease by 1%	\$ <u>(989)</u>	<u>(262)</u>	<u>(1,228)</u>	<u>(280)</u>

(v) Fair value of financial instruments

1) Fair value hierarchy

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

	March 31, 2025				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	\$ 382,182	26,221	3,840	352,121	382,182
Financial assets at fair value through other comprehensive income	98,949	-	-	98,949	98,949
Loans to others and receivables					
Cash and cash equivalents	4,573,165	-	-	-	-
Notes and accounts receivables	3,258,091	-	-	-	-
Other receivables	44,673	-	-	-	-
Guarantee deposits paid	9,987	-	-	-	-
Subtotal	7,885,916	-	-	-	-
Total	<u>\$ 8,367,047</u>	<u>26,221</u>	<u>3,840</u>	<u>451,070</u>	<u>481,131</u>
Financial liabilities at fair value through profit or loss	\$ 14,813	-	14,813	-	14,813
Financial liabilities at amortized cost					
Short-term borrowings	91,460	-	-	-	-
Notes and accounts payables	3,255,382	-	-	-	-
Other payables	956,874	-	-	-	-
Corporate bonds payables	2,125,166	-	-	-	-
Lease liabilities	144,735	-	-	-	-
Long-term borrowings (current portion included)	65,311	-	-	-	-
Subtotal	6,638,928	-	-	-	-
Total	<u>\$ 6,653,741</u>	<u>-</u>	<u>14,813</u>	<u>-</u>	<u>14,813</u>

(Continued)

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

	December 31, 2024				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	\$ 92,952	91,752	1,200	-	92,952
Financial assets at fair value through other comprehensive income	101,036	-	-	101,036	101,036
Loans to others and receivables					
Cash and cash equivalents	3,275,344	-	-	-	-
Notes and accounts receivables	3,622,782	-	-	-	-
Other receivables	54,764	-	-	-	-
Guarantee deposits paid	9,866	-	-	-	-
Subtotal	6,962,756	-	-	-	-
Total	\$ 7,156,744	91,752	1,200	101,036	193,988
Financial liabilities at amortized cost					
Short-term borrowings	\$ 522,390	-	-	-	-
Notes and accounts payables	2,631,231	-	-	-	-
Other payables	1,194,454	-	-	-	-
Corporate bonds payables	765,936	-	-	-	-
Lease liabilities	135,321	-	-	-	-
Long-term borrowings (current portion included)	68,810	-	-	-	-
Subtotal	5,318,142	-	-	-	-
Total	\$ 5,318,142	-	-	-	-
March 31, 2024					
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	\$ 443,909	28,040	6,080	409,789	443,909
Financial assets at fair value through other comprehensive income	122,809	-	-	122,809	122,809
Loans to others and receivables					
Cash and cash equivalents	3,192,694	-	-	-	-
Notes and accounts receivables	2,969,687	-	-	-	-
Guarantee deposits paid	39,232	-	-	-	-
Other receivables	8,013	-	-	-	-
Subtotal	6,209,626	-	-	-	-
Total	\$ 6,776,344	28,040	6,080	532,598	566,718
Financial liabilities at amortized cost					
Short-term borrowings	\$ 145,464	-	-	-	-
Notes and accounts payables	2,496,978	-	-	-	-
Other payables	1,147,447	-	-	-	-
Corporate bonds payables	753,681	-	-	-	-
Lease liabilities	81,965	-	-	-	-
Long-term borrowings (current portion included)	200,580	-	-	-	-
Subtotal	4,826,115	-	-	-	-
Total	\$ 4,826,115	-	-	-	-

(Continued)

JARLLYTEC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

(2.1) Financial assets at amortized cost

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

(2.2) Financial assets and liabilities at amortized cost

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

3) Valuation techniques for financial instruments measured at fair value

(3.1) non-derivative financial instruments

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

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

A financial instrument is regarded as being quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry Group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's-length basis. If the aforementioned conditions do not conform, then the market is regarded as inactive. In general, a market with high bid-ask spreads, significant increase in bid-ask spreads, or low trading volume is indicated as inactive.

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

(3.2) Derivatives

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

(Continued)

JARLLYTEC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

4) Details of changes in level 3 fair value measurement

	Measured at fair value through profit or loss	Measured at fair value through other comprehensive income
Balance at January 1, 2025	\$ -	101,036
Total gains or losses		
Recognized in other comprehensive income	-	(2,536)
Additions	452,727	-
Disposals	(100,606)	-
Effect of movements in exchange	-	449
Balance at March 31, 2025	<u>\$ 352,121</u>	<u>98,949</u>
Balance at January 1, 2024	\$ 254	122,164
Total gains or losses		
Recognized in profit or loss	32	-
Recognized in other comprehensive income	-	95
Additions	577,007	-
Disposals	(167,504)	-
Effect of movements in exchange	-	550
Balance at March 31, 2024	<u>\$ 409,789</u>	<u>122,809</u>

The aforementioned total gains or losses were presented under “other gains and losses” and “unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income.” The portion related to the assets held by the Group as of March 31, 2025 and 2024 is as follows:

	<u>For the three months ended March 31,</u>	
	<u>2025</u>	<u>2024</u>
Total gains or losses		
Recognized in profit or loss (presented under “other gains and losses”)	-	32
Recognized in other comprehensive income (presented under “unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income”)	(2,536)	95

(Continued)

JARLLYTEC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

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

Quantified information of significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets at fair value through other comprehensive income - equity investments without an active market	Net Asset Value Method	<ul style="list-style-type: none"> Net asset value Discount on lack of market liquidity (30% as of March 31, 2025, December 31, 2024, and March 31, 2024) 	<ul style="list-style-type: none"> The higher the net asset value, the higher the fair value The higher the discount on lack of market liquidity, the lower fair value
Financial assets at fair value through profit or loss-Financial products	Discounted Cash Flow Method	<ul style="list-style-type: none"> Discount rate (1.10%~2.40%, -, and 1.60%~3.15% as of March 31, 2025, December 31, 2024, and March 31, 2024, respectively.) 	<ul style="list-style-type: none"> The higher the discount rate, the lower fair value
Financial assets at fair value through profit or loss-Private placement funds	Net Asset Value Method	<ul style="list-style-type: none"> Net asset value 	<ul style="list-style-type: none"> The higher the net asset value, the higher the fair value

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

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

(Continued)

JARLLYTEC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	Input	Upward or downward	Changes in fair value reflecting in profit or loss		Changes in fair value reflecting in other comprehensive income	
			Favorable	Unfavorable	Favorable	Unfavorable
March 31, 2025						
Financial assets at fair value through profit or loss-Financial products	Discount rate	5%	144	(144)	-	
Financial assets at fair value through profit or loss-Private offered funds						
Equity investments without an active market	30%	5%	-	-	4,947	(4,947)
December 31, 2024						
Financial assets at fair value through other comprehensive income						
Equity investments without an active market	30%	5%	-	-	5,052	(5,052)
March 31, 2024						
Financial assets at fair value through profit or loss-Financial products	Discount rate	5%	168	(168)		
Financial assets at fair value through profit or loss-Private offered funds	Net asset value	5%	14	(14)	-	-
Financial assets at fair value through other comprehensive income						
Equity investments without an active market	30%	5%	-	-	6,140	(6,140)

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.

(Continued)

JARLLYTEC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(w) 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, 2024.

(x) 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, 2024. There were no significant changes of quantitative data of capital management compared with the consolidated financial statements for the year ended December 31, 2024. Please refer to Note 6(y) of the consolidated financial statements for the year ended December 31, 2024.

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

The Group's investments and financing activities through non-cash transactions for the three-month periods ended March 31, 2025 and 2024 were as follows:

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

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

	January 1, 2025	Cash flows	Non-cash changes				March 31, 2025
			Acquisition	Changes in exchange rate	Interest expense	Others	
Short-term borrowings	\$ 522,390	(431,405)	-	475	-	-	91,460
Long-term borrowings (current portion included)	68,810	(3,499)	-	-	-	-	65,311
Bonds payables	765,936	1,645,246	-	-	6,520	(292,536)	2,125,166
Lease liabilities	135,321	(10,397)	20,586	2,883	-	(3,658)	144,735
Total liabilities arising from financing activities	<u>\$ 1,492,457</u>	<u>1,199,945</u>	<u>20,586</u>	<u>3,358</u>	<u>6,520</u>	<u>(296,194)</u>	<u>2,426,672</u>

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

(Continued)

JARLLYTEC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(7) Related-party transactions

- (a) Parent company and ultimate controlling company

The Company is the ultimate controlling party of the Group.

- (b) Key management personnel compensation

Key management personnel compensation comprised:

	For the three months ended	
	March 31,	
	2025	2024
Short-term employee benefits	\$ 4,277	4,878
Post-employment benefits	189	220
	<u>\$ 4,466</u>	<u>5,098</u>

(8) Pledged assets

The carrying values of pledged assets were as follows:

Pledged assets	Object	March 31, 2025	December 31, 2024	March 31, 2024
Land	Bank Loans and Credit Line Guarantees	\$ 684,947	684,947	684,947
Buildings	Bank Loans and Credit Line Guarantees	169,099	173,495	181,528
		<u>\$ 854,046</u>	<u>858,442</u>	<u>866,475</u>

(9) Commitments and contingencies

The Group's significant contractual commitments were as follows:

	March 31, 2025	December 31, 2024	March 31, 2024
Acquisition of property, plant and equipment	<u>\$ 230,475</u>	<u>88,129</u>	<u>101,595</u>

(10) Losses due to major disasters: None.

(11) Subsequent events: None.

(Continued)

JARLLYTEC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(12) Other

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

By item	By function	For the three months ended March 31, 2025			For the three months ended March 31, 2024		
		Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Employee benefits							
Salaries		291,216	102,230	393,446	237,479	110,623	348,102
Labor and health insurance		15,355	7,631	22,986	12,560	6,632	19,192
Pension		14,730	5,578	20,308	12,502	4,747	17,249
Remuneration of directors		-	1,693	1,693	-	3,964	3,964
Others		17,239	6,873	24,112	12,208	7,021	19,229
Depreciation		84,394	20,250	104,644	67,890	13,114	81,004
Amortization		3,950	4,337	8,287	3,378	6,619	9,997

(ii) Seasonality of operations:

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

(13) Other disclosures

(a) Information on significant transactions

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Group as of March 31, 2024:

(i) Loans to other parties:

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Nature of financing (Note 3)	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits (Note 1 & 2)	Maximum limit of fund financing (Note 1 & 2)
													Item	Value		
0	The Company	Jarlllytec (Vietnam) Co., Ltd.	Other receivables	Yes	132,820	-	-	3%	2	-	Operating turnover	-		-	842,925	2,528,777
1	Jarllly Technology (Chongqing) Co., Ltd.	Zhejiang Jarllly Precision Technology Co., Ltd.	Other receivables	Yes	91,460	91,460	73,168 (Note 4)	3%	2	-	Operating turnover	-		-	395,692	395,692
2	Smart Hinge Holdings Ltd.	Great Hinge Trading Ltd.	Other receivables	Yes	59,769	59,769	59,769 (Note 4)	0%	2	-	Operating turnover	-		-	2,836,292	2,836,292
3	Jarllly Technology (Shanghai) Co., Ltd.	Zhejiang Jarllly Precision Technology Co., Ltd.	Other receivables	Yes	91,460	91,460	-	3%	2	-	Operating turnover	-		-	1,162,532	1,162,532
4	Jarllly Electronics Technology (Shanghai) Co., Ltd.	Jarllly Technology (Shanghai) Co., Ltd.	Other receivables	Yes	137,190	137,190	-	3%	2	-	Operating turnover	-		-	300,923	300,923

Note 1: The Company

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

(Continued)

JARLLYTEC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

(c) The total amount for short-term financing to one entity shall not exceed one third of the Company's loanable amount.

Note 2: Subsidiaries

(a) The total amount available for financing purposes shall not exceed 60% of the subsidiaries' net worth. The total amount for short-term financing to one entity shall not exceed one third of the subsidiaries' loanable amount or 40% of the transaction amount in recent year, whichever is lower.

(b) For the entities that have short-term financing needs but have no business transaction with the Company, the total amount available for financing purposes shall not exceed 40% of the subsidiaries' net worth.

(c) For short-term financing needs, the amount available for financing of each entity shall not exceed one third of the Company's loanable amount.

(d) For those foreign subsidiaries in which the Company, directly or indirectly, owned 100% of their shares the amount available for financing shall not exceed the 60% of the Company's net worth.

Note 3: Financing purpose

(a) 1 for entities the Company has business transactions with.

(b) 2 for entities that have short-term financing needs.

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

(ii) Guarantees and endorsements for other parties: None

(iii) Securities held as of March 31, 2025 (excluding investment in subsidiaries, associates and joint ventures):

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
The Company	WK Technology Fund IX Ltd., stock	-	Non-current financial assets at fair value through other comprehensive income	2,879	56,866	4.61 %	56,866	-
Jarwin Investment Co., Ltd.	Second phase Stock of WK Innovation Ltd.	-	Non-current financial assets at fair value through other comprehensive income	3,000	20,453	2.67 %	20,453	-
Jarwin Investment Co., Ltd.	TSMC, stock	-	Current financial assets at fair value through profit or loss	20	18,200	- %	18,200	-
Jarwin Investment Co., Ltd.	Evergreen Marine Corporation, stock	-	Current financial assets at fair value through profit or loss	12	2,646	- %	2,646	-
Jarwin Investment Co., Ltd.	O-TA Precision Industry Co., LTD., stock	-	Current financial assets at fair value through profit or loss	5	355	- %	355	-
Jarwin Investment Co., Ltd.	Quanta Computer INC., stock	-	Current financial assets at fair value through profit or loss	10	2,245	- %	2,245	-
Jarwin Investment Co., Ltd.	Unimicron Technology Corp., stock	-	Current financial assets at fair value through profit or loss	30	2,775	- %	2,775	-
Fu Qing Jarlly Electronics Co., Ltd.	Fuqing Jelly Plastic Product Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	-	3,659	16.00 %	3,659	-
Fu Qing Jarlly Electronics Co., Ltd.	Chongqing Jelly Plastics Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	-	2,469	18.00 %	2,469	-
Fu Qing Jarlly Electronics Co., Ltd.	Chongqing Yuli Hardware Products Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	-	2,469	18.00 %	2,469	-
Xiamen Jarlly Electronics Co., Ltd.	Xiamen Jinli Hardware Products Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	-	4,344	19.00 %	4,344	-
Xiamen Jarlly Electronics Co., Ltd.	Xiamen Jinyaoli Precision Hardware Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	-	8,689	19.00 %	8,689	-
Jarlly Electronics Technology (Shanghai) Co., Ltd.	Fubon Bank (China) structured deposits - financial products	-	Current financial assets at fair value through profit or loss	-	45,730	- %	45,730	-

(Continued)

JARLLYTEC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
Jarllly Technology (Chongqing) Co., Ltd.	SinoPac Bank (China) structured deposits - financial products	-	Current financial assets at fair value through profit or loss	-	160,055	- %	160,055	
Xiamen Jarllly Electronics Co., Ltd.	China Merchants Bank structured deposits - financial products	-	Current financial assets at fair value through profit or loss	-	54,876	- %	54,876	
Fu Qing Jarllly Electronics Co., Ltd.	China Merchants Bank structured deposits - financial products	-	Current financial assets at fair value through profit or loss	-	91,460	- %	91,460	-

- (iv) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

Name of company	Related party	Name of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchase/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
Jarllly Technology (Chongqing) Co., Ltd.	The Company	Associates	Sale	(120,296)	43.25%	150 days	-	Related parties are 150 days, third parties are ranged from 30 to 180 days.	178,923	39.47%	Note
The Company	Jarllly Technology (Chongqing) Co., Ltd.	Associates	Purchase	120,296	30.36%	150 days	-	Related parties are 150 days, third parties are ranged from 30 to 180 days.	(178,923)	35.30%	Note

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

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

Name of company	Counter-party	Nature of relationship	Ending balance (Note)	Turnover rate	Overdue		Amounts received in subsequent period	Allowance for bad debts
					Amount	Action taken		
Kunshan Jarllly Electronics Ltd.	The Company	Associates	120,261	3.02	-	-	19,209	-
Jarllly Technology (Chongqing) Co., Ltd.	The Company	Associates	178,923	2.50	-	-	26,008	-

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

- (vi) Business relationships and significant intercompany transactions:

No.	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 Jarllly	The Company	2	Sales revenue	120,296	Mark up by cost	4.58%
1	Chongqing Jarllly	The Company	2	Accounts receivable	178,923	150 days	1.34%
1	Chongqing Jarllly	Zhejiang Jarllly	3	Other receivables	73,168	Follow the agreement	0.55%
2	Dong Guan Jarllly	The Company	2	Sales revenue	30,850	Mark up by cost	1.17%
2	Dong Guan Jarllly	The Company	2	Accounts receivable	36,440	150 days	0.27%
3	Fu Qing Jarllly	Kunshan Jarllly	3	Sales revenue	14,862	Mark up by cost	0.57%
3	Fu Qing Jarllly	Jarlllytec Thailand	3	Sales revenue	57,138	Mark up by cost	2.17%
3	Fu Qing Jarllly	Jarlllytec Thailand	3	Accounts receivable	91,335	150 days	0.69%
4	Kunshan Jarllly	The Company	2	Sales revenue	86,396	Mark up by cost	3.29%
4	Kunshan Jarllly	The Company	2	Accounts receivable	120,261	150 days	0.90%

(Continued)

JARLLYTEC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

No.	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
4	Kunshan Jarlly	Jarlllytec Vietnam	3	Sales revenue	13,304	Mark up by cost	0.51%
4	Kunshan Jarlly	Jarlllytec Vietnam	3	Accounts receivable	19,349	150 days	0.15%
5	Shanghai Jarlly	The Company	2	Accounts receivable	7,507	150 days	0.06%
6	Jarlllytec Vietnam	The Company	2	Sales revenue	16,171	Mark up by cost	0.62%
6	Jarlllytec Vietnam	The Company	2	Accounts receivable	32,050	150 days	0.24%
7	Xiamen Jarlly	The Company	2	Accounts receivable	8,248	150 days	0.06%
7	Xiamen Jarlly	Fu Qing Jarlly	3	Processing fees revenue	9,464	150 days	0.36%
8	Smart Hinge	Great Hinge	3	Other receivables	59,769	Follow the agreement	0.45%

Note 1. Number represents:

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

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

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

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

Note4: The amount was eliminated in the consolidated financial statements.

(b) Information on investees:

The following is the information on investees for the three months ended March 31, 2025 (excluding information on investees in Mainland China):

Name of investor	Name of investee	Location	Main business and products	Original investment amount		Balance as of March 31, 2024			Net income (losses) of investee	Share of profits/losses of investee	Note
				March 31, 2025	December 31, 2024	Shares	Percentage of ownership	Carrying value			
The Company	Great Hinge Trading Ltd.	British Virgin Islands	Investments	322,048	322,048	20	100.00%	359,308	(1,179)	(1,320)	Note
The Company	Smart Hinge Holdings Ltd.	British Virgin Islands	Investments	1,062,626	1,062,626	33,434	100.00%	4,726,395	114,093	113,989	Note
The Company	Jarwin Investment Co., Ltd.	Republic of China	Investments	80,000	80,000	8,000	100.00%	78,997	(4,607)	(4,607)	Note
The Company	Jarlllytec Singapore Pt. Ltd.	Singapore	Computer design and service	423	423	-	100.00%	1,063	36	36	Note
Great Hinge Trading Ltd.	Jarlllytec (Vietnam) Co., Ltd.	Vietnam	Sale and produce Precision Hinge	488,453	488,453	-	100.00%	438,170	(1,168)	(1,168)	Note
Smart Hinge Holdings Ltd.	Royal Jarlly Holding Ltd.	Hong Kong	Investments	1,062,626	1,062,626	33,434	100.00%	4,666,982	112,398	112,398	Note
Royal Jarlly Holding Ltd.	Jarlllytec (Thailand) Co., Ltd.	Thailand	Sale and produce Precision Hinge	353,922	353,922	3,800	100.00%	319,366	(1,496)	(1,496)	Note

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

(c) Information on overseas branches and representative offices:

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

Name of investee	Main business and products	Total amount of paid-in capital	Method of investment (Note 1)	Accumulated outflow of investment form Taiwan as of January 1, 2022	Investment flows		Accumulated outflow of investment form Taiwan as of March 31, 2022	Net income (losses) of the investee	Percentage of ownership	Invest income (losses) (Note 2 and 3)	Book value (Note 3)	Accumulated remittance of earnings in current period
					Remitted to China	Remitted back to Taiwan						
Jarlly Technology (Shanghai) Co., Ltd.	Sale and produce special purpose material of component equipment	567,177	(2)	289,297	-	-	289,297	97,723	100.00%	97,723	1,770,168	-
Fu Qing Jarlly Electronics Co., Ltd.	Sale and produce Precision Hinge	240,658	(2)	27,370	-	-	27,370	19,093	100.00%	19,093	629,055	-
Dong Guan Jarlly Electronics Co., Ltd.	Sale and produce Precision Hinge	81,466	(2)	81,466	-	-	81,466	(4,514)	100.00%	(4,514)	121,614	15,366
Kunshan Jarlly Electronics Ltd.	Sale and produce Precision Hinge	71,906	(2)	65,369	-	-	65,369	4,246	100.00%	4,246	247,057	-
Jarlly Electronics Technology (Shanghai) Co., Ltd.	Sale and produce Precision Hinge	473,450	(2)	386,330	-	-	386,330	2,041	100.00%	2,041	501,538	-

(Continued)

JARLLYTEC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Name of investee	Main business and products	Total amount of paid-in capital	Method of investment (Note 1)	Accumulated outflow of investment form Taiwan as of January 1, 2022	Investment flows		Accumulated outflow of investment form Taiwan as of March 31, 2022	Net income (losses) of the investee	Percentage of ownership	Invest income (losses) (Note 2 and 3)	Book value (Note 3)	Accumulated remittance of earnings in current period
					Remitted to China	Remitted back to Taiwan						
Xiamen Jarlly Electronics Co., Ltd.	Sale and produce Precision Hinge	43,801	(2)	29,281	-	-	29,281	343	100.00%	343	121,006	-
Jarlly Technology (Chongqing) Co., Ltd.	Sale and produce Precision Hinge	61,722	(2)	29,500	-	-	29,500	31,132	100.00%	31,132	659,487	-
Zhejiang Jarlly Precision Technology Co., Ltd.	Powder metallurgy and other metal products manufacturing and trading business	312,038	(2)	154,013	-	-	154,013	(30,837)	100.00%	(30,837)	167,143	-

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.

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of March 31, 2025	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
1,062,626 (USD33,434)	1,541,841 (USD46,434)	3,793,165

(iii) Significant transactions:

As of the three months ended of March 31, 2025, 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".

(Continued)

JARLLYTEC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(14) Segment information

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

For the three months ended March 31,				
2025				
	Hinge department	Fiber optic department	Reconciliati on and elimination	Total
Revenue:				
Revenue from external customers	\$ 2,516,819	111,086	-	2,627,905
Intersegment revenues	-	-	-	-
Total revenue	\$ 2,516,819	111,086	-	2,627,905
Reportable segment profit or loss	\$ 86,977	14,872	-	101,849
For the three months ended March 31,				
2024				
	Hinge department	Fiber optic department	Reconciliati on and elimination	Total
Revenue:				
Revenue from external customers	\$ 2,322,110	56,474	-	2,378,584
Intersegment revenues	-	-	-	-
Total revenue	\$ 2,322,110	56,474	-	2,378,584
Reportable segment profit or loss	\$ 220,823	5,296	-	226,119

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