

JARLLYTEC CO., LTD. AND SUBSIDIARIES

Consolidated Financial Statements

**With Independent Auditors' Review Report
For the Nine Months Ended
September 30, 2023 and 2022**

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

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Independent Auditors' Review Report

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

Introduction

We have reviewed the consolidated financial statements of Jarllytec Co., Ltd. and its subsidiaries, which comprise the consolidated balance sheets as of September 30, 2023 and 2022, the consolidated statements of comprehensive income for the three months and nine months ended September 30, 2023 and 2022, and changes in equity and cash flows for the nine months then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Scope of Review

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

Basis for Qualified Conclusion

As described in Note 4(b), the financial statements of certain non-significant subsidiaries were not reviewed by independent auditors. These financial statements reflect total assets of these subsidiaries amounted to NT\$1,817,834 thousand and NT\$1,422,739 thousand, constituting 18% and 16% of consolidated total assets as of September 30, 2023 and 2022, respectively, total liabilities amounted to NT\$639,097 thousand and NT\$873,913 thousand, constituting 13% and 20% of consolidated total liabilities as of September 30, 2023 and 2022, respectively, and total comprehensive income of these subsidiaries amounted to NT\$(10,056) thousand, NT\$578 thousand, NT\$(16,514) thousand and NT\$13,101 thousand, constituting (3)%, 0%, (4)% and 3% of the consolidated total comprehensive income for the nine months ended September 30, 2023 and 2022, respectively.

Notes to Readers

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

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

Qualified Conclusion

Based on our reviews, except for the effect of such adjustments, if any, as might have been determined to be necessary had the financial statements of certain non-significant subsidiaries and investee companies been reviewed by independent accountants as described in the preceding paragraph, that we might have become aware of had it not been for the situation described above, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of Jarllytec Co., Ltd. and its subsidiaries as of September 30, 2023 and 2022, and of its consolidated financial performance as of and for the three-month periods ended September 30, 2023 and 2022, and its consolidated cash flows for the nine months periods then ended in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and International Accounting Standard 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

KPMG

Taipei, Taiwan (Republic of China)
November 10, 2023

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.

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Review only, not audited in accordance with Generally Auditing Standards as of September 30, 2022 and 2021**JARLLYTEC CO., LTD. AND SUBSIDIARIES****Consolidated Balance Sheets****September 30, 2023, December 31, 2022, September 30, 2022**

(Expressed in Thousands of New Taiwan Dollars)

Assets		September 30, 2023		December 31, 2022		September 30, 2022		Liabilities and Equity		September 30, 2023		December 31, 2022		September 30, 2022	
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%
Current assets:								Current liabilities:							
1100	Cash and cash equivalents (Note 6(a))	\$ 2,323,754	23	2,841,048	31	1,944,932	22	2100	Short-term borrowings (Note 6(j) and 8)	\$ 470,486	5	515,833	6	373,568	4
1110	Current financial assets at fair value through profit or loss (Note 6(b))	48,793	-	29,155	-	425,889	5	2170	Notes and accounts payable	2,407,303	24	1,573,815	18	1,489,551	17
1170	Notes and accounts receivable, net (Note 6(c)(s))	3,543,202	36	2,395,310	26	2,543,872	29	2200	Other payables	1,069,349	11	1,113,971	12	1,132,965	13
1200	Other receivables, net (Note 6(d))	49,903	1	46,109	1	58,923	-	2230	Current tax liabilities	90,942	1	63,163	1	101,920	1
1220	Current tax assets	8,548	-	8,413	-	4,094	-	2280	Current lease liabilities (Note 6(m))	33,801	-	31,911	-	23,104	-
130X	Inventories (Note 6(e))	755,955	8	679,004	8	797,667	9	2322	Long-term borrowings, current portion (Note 6(k) and 8)	204,861	2	217,361	3	203,562	2
1410	Prepayments and other current assets (Note 6(f))	74,243	1	78,805	1	98,979	1	2399	Other current liabilities	64,428	1	24,007	-	35,033	-
Total current assets		6,804,398	69	6,077,844	67	5,874,356	66	Total current liabilities		4,341,170	44	3,540,061	40	3,359,703	37
Non-current assets:								Non-Current liabilities:							
1510	Non-current financial assets at fair value through profit or loss (Note 6(b))	413	-	657	-	693	-	2530	Bonds payable (Note 6(l))	83,524	1	386,421	4	384,989	4
1517	Non-current financial assets at fair value through other comprehensive income (Note 6(b))	128,225	1	83,032	1	83,580	1	2540	Long-term borrowings (Note 6(k) and 8)	104,400	1	254,921	3	308,233	3
1600	Property, plant and equipment (Note 6(g) and 8)	2,528,312	25	2,454,189	27	2,473,654	28	2570	Deferred income tax liabilities	181,549	2	181,549	2	148,354	2
1755	Right-of-use assets (Note 6(h))	250,639	3	254,101	3	237,222	3	2580	Non-current lease liabilities (Note 6(m))	74,597	1	77,142	1	64,312	1
1780	Intangible assets (Note 6(i))	21,785	-	21,715	-	19,344	-	2640	Net defined benefit liability, non-current	30,553	-	31,272	-	46,075	1
1840	Deferred income tax assets	29,790	-	29,790	-	39,629	-	2670	Other non-current liabilities, others	3,053	-	2,915	-	2,958	-
1915	Prepayments for business facilities	76,874	1	71,313	1	61,597	1	Total non-current liabilities		477,676	5	934,220	10	954,921	11
1990	Other non-current assets, others (Note 6(f))	69,555	1	60,191	1	59,452	1	Total liabilities		4,818,846	49	4,474,281	50	4,314,624	48
Total non-current assets		3,105,593	31	2,974,988	33	2,975,171	34	Equity attributable to owners of parent (Note 6(q)):							
								Share capital							
								3110	Ordinary share	601,228	6	601,214	7	601,214	7
								3140	Advance receipts for share capital	46,925	-	-	-	-	-
									Total Share Capital	648,153	6	601,214	7	601,214	7
								3200	Capital surplus	1,644,779	17	1,385,445	15	1,385,445	16
								Retained earnings:							
								3310	Legal reserve	453,672	5	404,763	4	404,763	4
								3320	Special reserve	47,179	-	76,485	1	76,485	1
								3350	Unappropriated retained earnings	2,311,362	23	2,157,823	24	2,086,000	24
									Total retained earnings	2,812,213	28	2,639,071	29	2,567,248	29
								Other equity:							
								3410	Exchange differences on translation of foreign financial statements	(46,258)	-	(58,328)	(1)	(30,322)	-
								3420	Unrealized gain or loss on financial assets at fair value through other comprehensive income	32,258	-	11,149	-	11,318	-
									Total other equity interest	(14,000)	-	(47,179)	(1)	(19,004)	-
								Total equity		5,091,145	51	4,578,551	50	4,534,903	52
								Total liabilities and equity		\$ 9,909,991	100	9,052,832	100	8,849,527	100
Total assets		\$ 9,909,991	100	9,052,832	100	8,849,527	100								

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

Consolidated Statements of Comprehensive Income

As of and For the Three Months Ended September 30, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

		For the three months ended September 30,				For the nine months ended September 30,			
		2023		2022		2023		2022	
		Amount	%	Amount	%	Amount	%	Amount	%
4000	Operating revenue (Note 6(s))	\$2,584,601	100	\$1,639,302	100	5,874,709	100	5,320,075	100
5000	Operating costs (Note 6(e)(o))	2,068,641	80	1,310,109	80	4,887,691	83	4,234,558	80
	Net gross profit	515,960	20	329,193	20	987,018	17	1,085,517	20
	Operating expenses (Note 6(c)(m)(o)(t)):								
6100	Selling expenses	56,019	2	78,267	5	159,010	3	280,180	5
6200	Administrative expenses	132,995	5	103,826	6	315,049	5	290,966	6
6300	Research and development expenses	60,668	2	62,306	4	154,324	3	157,761	3
6450	Expected credit losses (gain)	(404)	-	(4,289)	-	(4,957)	-	11,596	-
	Total operating expenses	249,278	9	240,110	15	623,426	11	740,503	14
	Net operating income	266,682	11	89,083	5	363,592	6	345,014	6
	Non-operating income and expenses (Note 6(m)(u)):								
7010	Other income	27,176	1	22,313	1	75,238	1	76,166	1
7020	Other gains and losses, net	9,571	-	114,068	7	46,192	1	198,942	4
7050	Finance cost	(4,241)	-	(5,409)	-	(16,409)	-	(13,826)	-
7100	Interest income	10,885	-	4,980	-	39,027	1	12,192	-
	Total non-operating income and expenses	43,391	1	135,952	8	144,048	3	273,474	5
	Profit from continuing operations before tax	310,073	12	225,035	13	507,640	9	618,488	11
7950	Less: Income tax expenses (Note 6(p))	82,539	3	58,141	4	154,134	3	201,222	4
	Profit	227,534	9	166,894	9	353,506	6	417,266	7
8300	Other comprehensive income:								
8310	Components of other comprehensive income that will not be reclassified to profit or loss								
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	16,523	1	(4,764)	-	21,109	-	(7,804)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-	-	-	-	-
	Components of other comprehensive income that will not be reclassified to profit or loss	16,523	1	(4,764)	-	21,109	-	(7,804)	-
8360	Components of other comprehensive income that will be reclassified to profit or loss								
8361	Exchange differences on translation of foreign financial statements	89,751	3	16,610	1	12,070	-	65,285	1
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-	-	-	-	-
	Components of other comprehensive income that will be reclassified to profit or loss	89,751	3	16,610	1	12,070	-	65,285	1
8300	Other comprehensive income, net	106,274	4	11,846	1	33,179	-	57,481	1
8500	Total comprehensive income	\$ 333,808	13	178,740	10	386,685	6	474,747	8
	Net income attributable to:								
8610	Profit (loss), attributable to owners of parent	\$ 227,534	9	166,894	9	353,506	6	417,266	7
	Total comprehensive income attributable to:								
8710	Comprehensive income, attributable to owners of parent	\$ 333,808	13	178,740	10	386,685	6	474,747	8
	Earnings per share (NT dollars) (Note 6(r)):								
9750	Basic earnings per share	\$ 3.75		2.78		5.86		6.94	
9850	Diluted earnings per share	\$ 3.44		2.52		5.36		6.33	

(See accompanying notes to financial statements)

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JARLLYTEC CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity
For the Nine months Ended September 30, 2023 and 2022
(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent								
	Retained earnings						Other equity		
	Ordinary shares	Advance receipts for share capital	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Total equity
Balance at January 1, 2022	\$ 601,214	-	1,334,534	380,412	1,292	1,888,521	(95,607)	19,122	4,129,488
Profit	-	-	-	-	-	417,266	-	-	417,266
Other comprehensive income	-	-	-	-	-	-	65,285	(7,804)	57,481
Total comprehensive income	-	-	-	-	-	417,266	65,285	(7,804)	474,747
Appropriation and distribution of retained earnings:									
Legal reserve appropriated	-	-	-	24,351	-	(24,351)	-	-	-
Special reserve appropriated	-	-	-	-	75,193	(75,193)	-	-	-
Cash dividends on ordinary shares	-	-	-	-	-	(120,243)	-	-	(120,243)
Changes in other capital reserve:									
Equity component recognized due to issuance of convertible bonds-arising from stock option	-	-	50,911	-	-	-	-	-	50,911
Balance at September 30, 2021	<u>\$ 601,214</u>	<u>-</u>	<u>1,385,445</u>	<u>404,763</u>	<u>76,485</u>	<u>2,086,000</u>	<u>(30,322)</u>	<u>11,318</u>	<u>4,534,903</u>
Balance at January 1, 2023	\$ 601,214	-	1,385,445	404,763	76,485	2,157,823	(58,328)	11,149	4,578,551
Profit	-	-	-	-	-	353,506	-	-	353,506
Other comprehensive income	-	-	-	-	-	-	12,070	21,109	33,179
Total comprehensive income	-	-	-	-	-	353,506	12,070	21,109	386,685
Appropriation and distribution of retained earnings:									
Legal reserve appropriated	-	-	-	48,909	-	(48,909)	-	-	-
Cash dividends on ordinary shares	-	-	-	-	-	(180,364)	-	-	(180,364)
Reversal of special reserve	-	-	-	-	(29,306)	29,306	-	-	-
Conversion of convertible bonds	14	46,925	259,334	-	-	-	-	-	306,273
Balance at September 30, 2023	<u>\$ 601,228</u>	<u>46,925</u>	<u>1,644,779</u>	<u>453,672</u>	<u>47,179</u>	<u>2,311,362</u>	<u>(46,258)</u>	<u>32,258</u>	<u>5,091,145</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 Nine months Ended September 30, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

	For the nine months ended September 30,	
	2023	2022
Cash flows from operating activities:		
Profit before tax	\$ 507,640	618,488
Adjustments to reconcile profit (loss)		
Depreciation expense	235,092	224,165
Amortization expense	19,380	18,147
Expected credit loss (gain)	(4,957)	11,596
Net loss (gain) on financial assets at fair value through profit or loss	(5,790)	11,802
Interest expense	16,409	13,826
Interest income	(39,027)	(12,192)
Dividend income	(7,151)	(16,319)
Loss on disposal of property, plant and equipment	5,618	2,363
Gain on disposals of intangible assets	-	(1)
Gain on disposals of investments	(7,960)	(8,999)
Other	-	8,095
Total adjustments to reconcile profit (loss)	211,614	252,483
Changes in operating assets and liabilities:		
Current financial assets at fair value through profit or loss	16,857	(23,235)
Notes receivables	(2,276)	756
Accounts receivable	(1,140,884)	626,151
Other receivables	(3,440)	(4,464)
Inventories	(76,951)	7,105
Prepayments	3,011	14,584
Other current assets	171	(6,855)
Notes payables	(2,134)	(16,976)
Accounts payable	835,622	(749,203)
Other payables	(44,091)	74,227
Other current liabilities	40,421	(3,700)
Net defined benefit liability	(720)	(719)
Total changes in operating assets and liabilities	(374,414)	(82,329)
Total adjustments	(162,800)	170,154
Cash inflow generated from operations	344,840	788,642
Interest received	38,673	10,742
Interest paid	(11,242)	(10,360)
Income taxes paid	(126,490)	(127,923)
Net cash flows provided by operating activities	245,781	661,101
Cash flows from (used in) investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(34,194)	-
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	10,151	-
Acquisition of financial assets at fair value through profit or loss	(1,262,249)	(1,642,712)
Proceeds from disposal of financial assets at fair value through profit or loss	1,239,304	1,277,563
Acquisition of property, plant and equipment	(150,819)	(70,601)
Proceeds from disposal of property, plant and equipment	693	1,646
Acquisition of intangible assets	(7,036)	(3,909)
Proceeds from disposal of intangible assets	-	231
Increase in other non-current assets, others	(21,781)	(3,486)
Increase in prepayments for equipment	(134,095)	(108,943)
Dividends received	7,151	16,319
Net cash flows used in investing activities	(352,875)	(533,892)
Cash flows from financing activities:		
Increase in short-term borrowings	-	262,888
Decrease in short-term borrowings	(42,945)	-
Issuance of corporate bonds	-	433,065
Proceeds from long-term borrowings	-	32,944
Repayments of long-term borrowings	(163,021)	(168,542)
Payment of lease liabilities	(34,262)	(41,033)
Increase in other non-current liabilities	139	603
Cash dividends paid	(180,364)	(120,243)
Net cash flows (used in) from financing activities	(420,453)	399,682
Effect of movements in exchange on cash and cash equivalents	10,253	(469,883)
Net decrease in cash and cash equivalents	(517,294)	57,008
Cash and cash equivalents at beginning of period	2,841,048	1,887,924
Cash and cash equivalents at end of period	\$ 2,323,754	1,944,932

(See accompanying notes to financial statements)

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

Reviewed only, not audited in accordance with Generally Auditing Standards of September 30, 2023 and 2022

JARLLYTEC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the Nine months Ended September 30, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

(1) Company history

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

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

These consolidated financial statements were authorized for issue by the Board of Directors on November 10, 2023.

(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, 2023.

- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from May 23, 2023.

- Amendments to IAS 12 “International Tax Reform — Pillar Two Model Rules”

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

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2024, would not have a significant impact on its consolidated financial statements.

- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Non-current Liabilities with Covenants”
- Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”
- Amendments to IFRS 16 “Lease Liability in Sale and Leaseback”

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

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

The Group does not expect the following other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its consolidated financial statements.

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IAS 21 “Lack of Exchangeability”

(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, 2022. For the related information, please refer to note 4 of the consolidated financial statements for the year ended December 31, 2022.

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

(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
			2023.9.30	2022.12.31	2022.9.30	
The company	Great Hinge Trading Ltd. (Great Hinge)	Investments	100%	100%	100%	Note 1
The company	Smart Hinge Holdings Ltd. (Smart Hinge)	Investments	100%	100%	100%	-
The company	Jarson Precision Technology Co., Ltd. (Jarson Precision)	Powder metallurgy and other metal products manufacturing and trading business	100%	100%	100%	Note 1
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	100%	100%	100%	-
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 、 Note 2
Royal Jarlly	Jarlllytec (Thailand) Co., Ltd. (Jarlllytec Thailand)	Production and sales business of precision hinges	100%	100%	100%	Note 1
Royal Jarlly	Zhejiang Jarlly Precision Technology Co., Ltd. (Zhejiang Jarlly)	Production and sales business of precision hinges	100%	-%	-%	Note 1, Note 2
Fu Qing Jarlly	Shanghai Jarlly	Component equipment for the production and sale of materials business	41.18%	41.18%	41.18%	-

Note 1: Insignificant subsidiary.

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

JARLLYTEC CO., LTD. AND SUBSIDIARIES
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(ii) Subsidiaries excluded from the consolidated financial statements: None.

(c) Financial instruments

Derivative financial instruments

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

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

(d) Income taxes

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

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

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

(e) Employee benefits

The pension cost in the interim period was calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior fiscal year, and adjusted for significant market fluctuations, significant curtailments, settlements, or other significant one-off events.

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

The preparation of the consolidated financial statements in accordance with IAS 34 “Interim Financial Reporting.” and endorsed by the FSC requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates. The preparation of the consolidated interim financial statements, estimates and underlying assumptions are reviewed on an ongoing basis which are in conformity with the consolidated financial statements for the year ended December 31, 2022. For related information, please refer to note 5 of the consolidated financial statements for the year ended December 31, 2022.

JARLLYTEC CO., LTD. AND SUBSIDIARIES
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(6) Explanation of significant accounts

Except for the following disclosures, there were no significant differences as compared with those disclosed in the consolidated financial statements for the year ended December 31, 2022. Please refer to Note 6 of the consolidated financial statements for the year ended December 31, 2022.

(a) Cash and cash equivalents

	September 30, 2023	December 31, 2022	September 30, 2022
Cash on hand	\$ 709	965	1,256
Demand deposits	1,449,362	1,916,954	1,293,112
Time deposits	873,683	923,129	650,564
	<u><u>\$ 2,323,754</u></u>	<u><u>2,841,048</u></u>	<u><u>1,944,932</u></u>

(b) Financial instruments

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

	September 30, 2023	December 31, 2022	September 30, 2022
Current mandatorily measured at fair value through profit or loss			
Domestic stocks	\$ 17,888	19,116	20,372
Open-ended funds	-	10,039	55,057
Investment products	30,905	-	350,460
	<u><u>\$ 48,793</u></u>	<u><u>29,155</u></u>	<u><u>425,889</u></u>
Non-current mandatorily measured at fair value through profit or loss			
Private offered funds	\$ 259	457	533
Redemption right to convertible bonds	154	200	160
	<u><u>\$ 413</u></u>	<u><u>657</u></u>	<u><u>693</u></u>

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

	September 30, 2023	December 31, 2022	September 30, 2022
Equity investments at fair value through other comprehensive income-non-current:			
Stocks unlisted on domestic market-Taiwan	\$ 98,247	57,289	57,458
Stocks unlisted on domestic market-China	29,978	25,743	26,122
Total	<u><u>\$ 128,225</u></u>	<u><u>83,032</u></u>	<u><u>83,580</u></u>

The Group designated the investment shown above as equity securities at fair value through other comprehensive income because these equity securities represent those investments that the Group intends to hold for long-term strategic purpose.

(iii) As of September 30, 2023, December 31, 2022 and September 30, 2022, the aforementioned financial assets were not pledged as collateral.

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

(c) Notes and accounts receivable

	September 30, 2023	December 31, 2022	September 30, 2022
Notes receivables	\$ 3,420	1,144	994
Accounts receivable	3,548,368	2,407,484	2,558,213
Less: loss allowance	(8,586)	(13,318)	(15,335)
	<u><u>\$ 3,543,202</u></u>	<u><u>2,395,310</u></u>	<u><u>2,543,872</u></u>

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

The loss allowance provisions were determined as follows:

September 30, 2023			
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	\$ 3,451,820	0%~1%	2,573
1 to 30 days past due	80,348	0%~15%	2,775
31 to 60 days past due	6	0%~20%	-
61 to 90 days past due	16,283	0%~30%	2,239
More than 90 days past due	3,331	30%~100%	999
	<u><u>\$ 3,551,788</u></u>		<u><u>8,586</u></u>
December 31, 2022			
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	\$ 2,266,307	0%~1%	2,031
1 to 30 days past due	9,546	0%~5%	351
31 to 60 days past due	86,813	0%~10%	4,985
61 to 90 days past due	45,962	0%~15%	5,951
	<u><u>\$ 2,408,628</u></u>		<u><u>13,318</u></u>
September 30, 2022			
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 2,457,075	0%~1%	2,179
1 to 30 days past due	19,562	0%~10%	677
31 to 60 days past due	36,340	0%~10%	2,084
61 to 90 days past due	20,140	0%~15%	2,568
More than 90 days past due	26,090	30%~100%	7,827
	<u><u>\$ 2,559,207</u></u>		<u><u>15,335</u></u>

JARLLYTEC CO., LTD. AND SUBSIDIARIES
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The movements in the allowance for notes and accounts receivable during the period were as follows:

	For the nine months ended September 30,	
	2023	2022
Balance at January 1	\$ 13,318	2,634
Impairment losses recognized	-	11,596
Impairment losses reversed	(4,957)	-
Effect of movements in exchange	225	1,105
Balance at September 30	<u>\$ 8,586</u>	<u>15,335</u>

(d) Other receivables

	September 30, 2023	December 31, 2022	September 30, 2022
Overpaid business tax returned	\$ 15,541	12,498	16,809
Interest receivable	3,604	3,250	1,484
Others	30,758	30,361	40,630
	<u>\$ 49,903</u>	<u>46,109</u>	<u>58,923</u>

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

(e) Inventories

	September 30, 2023	December 31, 2022	September 30, 2022
Raw materials and supplies	\$ 162,608	161,186	202,454
Work in process	151,418	192,668	169,505
Finished goods	441,929	325,150	425,708
	<u>\$ 755,955</u>	<u>679,004</u>	<u>797,667</u>

JARLLYTEC CO., LTD. AND SUBSIDIARIES
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- (i) For the three months ended September 30, 2023, the amount of the loss on valuation of inventories was NT\$14,537, wherein such loss was included in cost of sales.
 - (ii) For the nine months ended September 30, 2023, the amount of the loss on valuation of inventories was NT\$18,224, wherein such loss was included in cost of sales.
 - (iii) For the three months ended September 30, 2022, the amount of the loss on valuation of inventories was NT\$15,604, wherein such loss was included in cost of sales.
 - (iv) For the nine months ended September 30, 2022, the amount of the loss on valuation of inventories was NT\$31,017, wherein such loss was included in cost of sales.
 - (v) As of September 30, 2023, December 31, 2022 and September 30, 2022, the inventories were not pledged as collateral.
- (f) Prepayments, other current assets and others

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

	September 30, 2023	December 31, 2022	September 30, 2022
Prepayment for mold	\$ 28,010	27,944	33,085
Other prepayments	30,192	28,080	26,801
Input tax	4,306	-	4,078
Tax overpaid	7,161	18,036	14,742
Others	<u>4,574</u>	<u>4,745</u>	<u>20,273</u>
Total prepayments and other current assets	<u>\$ 74,243</u>	<u>78,805</u>	<u>98,979</u>
Other deferred expenses	\$ 57,523	48,657	47,466
Refundable deposits	9,743	8,945	9,355
Other financial assets	1,291	1,228	1,270
Others	<u>998</u>	<u>1,361</u>	<u>1,361</u>
Total other noncurrent assets	<u>\$ 69,555</u>	<u>60,191</u>	<u>59,452</u>

JARLLYTEC CO., LTD. AND SUBSIDIARIES
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(g) Property, plant and equipment

The cost and accumulated depreciation and impairments of the property, plant and equipment of the Group as of and for the three months ended September 30, 2023 and 2022 were as follows:

	Land	Buildings and construction	Machine and equipment	Mold equipment	Rental equipment	Other facilities	Construction in progress and testing equipment	Total
Cost:								
Balance at January 1, 2023	\$ 1,054,470	745,848	1,625,169	3,012	98,296	214,401	152	3,741,348
Additions	-	17,551	203,204	-	-	8,830	49,858	279,443
Reclassifications	-	(3,872)	102	-	3,872	(102)	-	-
Disposals	-	(1,664)	(58,745)	-	-	(3,160)	-	(63,569)
Effect of movements in exchange	(513)	(191)	830	1	156	122	-	405
Balance at September 30, 2023	<u>\$ 1,053,957</u>	<u>757,672</u>	<u>1,770,560</u>	<u>3,013</u>	<u>102,324</u>	<u>220,091</u>	<u>50,010</u>	<u>3,957,627</u>
Balance at January 1, 2022	\$ 1,051,950	668,253	1,467,274	3,353	86,227	181,947	60,655	3,519,659
Additions	-	4,290	191,165	-	-	16,150	25,122	236,727
Reclassifications	-	4,213	-	-	10,958	-	(15,171)	-
Disposals	-	-	(12,842)	(350)	-	(7,214)	-	(20,406)
Effect of movements in exchange	427	9,267	14,752	19	2,560	2,049	1	29,075
Balance at September 30, 2022	<u>\$ 1,052,377</u>	<u>686,023</u>	<u>1,660,349</u>	<u>3,022</u>	<u>99,745</u>	<u>192,932</u>	<u>70,607</u>	<u>3,765,055</u>
Accumulated depreciation:								
Balance at January 1, 2023	\$ -	243,092	883,532	2,950	38,956	118,629	-	1,287,159
Depreciation	-	32,392	149,696	-	-	16,273	-	198,361
Reclassifications	-	(3,950)	92	-	3,950	(92)	-	-
Disposals	-	(1,664)	(52,620)	-	-	(2,845)	-	(57,129)
Effect of movements in exchange	-	137	621	1	62	103	-	924
Balance at September 30, 2023	<u>\$ -</u>	<u>270,007</u>	<u>981,321</u>	<u>2,951</u>	<u>42,968</u>	<u>132,068</u>	<u>-</u>	<u>1,429,315</u>
Balance at January 1, 2022	\$ -	209,854	753,694	3,292	31,287	109,033	-	1,107,160
Depreciation	-	26,587	146,634	-	1,991	14,822	-	190,034
Reclassifications	-	(4,548)	-	-	4,548	-	-	-
Disposals	-	-	(10,006)	(350)	-	(5,866)	-	(16,222)
Effect of movements in exchange	-	3,321	4,763	16	950	1,379	-	10,429
Balance at September 30, 2022	<u>\$ -</u>	<u>235,214</u>	<u>895,085</u>	<u>2,958</u>	<u>38,776</u>	<u>119,368</u>	<u>-</u>	<u>1,291,401</u>
Carrying amounts								
Balance at January 1, 2023	<u>\$ 1,054,470</u>	<u>502,756</u>	<u>741,637</u>	<u>62</u>	<u>59,340</u>	<u>95,772</u>	<u>152</u>	<u>2,454,189</u>
Balance at September 30, 2023	<u>\$ 1,053,957</u>	<u>487,665</u>	<u>789,239</u>	<u>62</u>	<u>59,356</u>	<u>88,023</u>	<u>50,010</u>	<u>2,528,312</u>
Balance at January 1, 2022	<u>\$ 1,051,950</u>	<u>458,399</u>	<u>713,580</u>	<u>61</u>	<u>54,940</u>	<u>72,914</u>	<u>60,655</u>	<u>2,412,499</u>
Balance at September 30, 2022	<u>\$ 1,052,377</u>	<u>450,809</u>	<u>765,264</u>	<u>64</u>	<u>60,969</u>	<u>73,564</u>	<u>70,607</u>	<u>2,473,654</u>

As of September 30, 2023, December 31, 2022 and September 30, 2022, the property, plant and equipment of the Group had been pledged as collateral for bank borrowings. Please refer to Note 8.

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(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, 2023	\$ 151,179	226,499	777	378,455
Additions	-	32,921	-	32,921
Effect of movements in exchange	<u>177</u>	<u>480</u>	<u>-</u>	<u>657</u>
Balance at September 30, 2023	<u>\$ 151,356</u>	<u>259,900</u>	<u>777</u>	<u>412,033</u>
Balance at January 1, 2022	\$ 160,312	169,935	1,264	331,511
Additions	-	71,366	-	71,366
Disposals	-	(33,198)	(487)	(33,685)
Others	(10,697)	(15,683)	-	(26,380)
Effect of movements in exchange	<u>3,164</u>	<u>5,096</u>	<u>-</u>	<u>8,260</u>
Balance at September 30, 2022	<u>\$ 152,779</u>	<u>197,516</u>	<u>777</u>	<u>351,072</u>
Accumulated depreciation and impairment losses:				
Balance at January 1, 2023	\$ 12,945	111,107	302	124,354
Depreciation	2,804	33,733	194	36,731
Effect of movements in exchange	<u>25</u>	<u>284</u>	<u>-</u>	<u>309</u>
Balance at September 30, 2023	<u>\$ 15,774</u>	<u>145,124</u>	<u>496</u>	<u>161,394</u>
Balance at January 1, 2022	\$ 8,549	112,389	530	121,468
Depreciation	3,344	30,593	194	34,131
Disposals	-	(33,198)	(487)	(33,685)
Others	-	(11,997)	-	(11,997)
Effect of movements in exchange	<u>274</u>	<u>3,659</u>	<u>-</u>	<u>3,933</u>
Balance at September 30, 2022	<u>\$ 12,167</u>	<u>101,446</u>	<u>237</u>	<u>113,850</u>
Carrying amount:				
Balance at January 1, 2023	<u>\$ 138,234</u>	<u>115,392</u>	<u>475</u>	<u>254,101</u>
Balance at September 30, 2023	<u>\$ 135,582</u>	<u>114,776</u>	<u>281</u>	<u>250,639</u>
Balance at January 1, 2022	<u>\$ 140,763</u>	<u>57,546</u>	<u>734</u>	<u>210,043</u>
Balance at September 30, 2022	<u>\$ 140,612</u>	<u>96,070</u>	<u>540</u>	<u>237,222</u>

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(i) Intangible assets

Information about the Group's intangible assets was presented below:

	<u>Software</u>
Cost:	
Balance at January 1, 2023	\$ 121,057
Additions	7,036
Disposals	(21,117)
Effect of movements in exchange	51
Balance at September 30, 2023	<u><u>\$ 107,027</u></u>
Balance at January 1, 2022	\$ 113,017
Additions	3,909
Disposals	(843)
Effect of movements in exchange	847
Balance at September 30, 2022	<u><u>\$ 116,930</u></u>
Accumulated amortization and impairment losses:	
Balance at January 1, 2023	\$ 99,342
Amortization for the period	6,963
Disposals	(21,117)
Effect of movements in exchange	54
Balance at September 30, 2023	<u><u>\$ 85,242</u></u>
Balance at January 1, 2022	\$ 91,196
Amortization for the period	6,318
Disposals	(613)
Effect of movements in exchange	685
Balance at September 30, 2022	<u><u>\$ 97,586</u></u>
Carrying amounts :	
Balance at January 1, 2023	<u><u>\$ 21,715</u></u>
Balance at September 30, 2023	<u><u>\$ 21,785</u></u>
Balance at January 1, 2022	<u><u>\$ 21,821</u></u>
Balance at September 30, 2022	<u><u>\$ 19,344</u></u>

As of September 30, 2023, December 31, 2022 and September 30, 2022, none of the intangible assets were pledged as collateral.

(j) Short-term borrowings

	<u>September 30,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>	<u>September 30,</u> <u>2022</u>
Unsecured bank loans	<u><u>\$ 470,486</u></u>	<u><u>515,833</u></u>	<u><u>373,568</u></u>
Unused short-term credit lines	<u><u>\$ 549,000</u></u>	<u><u>950,215</u></u>	<u><u>671,415</u></u>
Range of interest rates	<u><u>1.65%~4.91%</u></u>	<u><u>1.45%~5.15%</u></u>	<u><u>1.30%~4.75%</u></u>

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(k) Long-term borrowings

The details were as follows:

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

December 31, 2022				
	Currency	Interest range	Expiration	Amount
Secured bank loans	TWD	1.035%~1.575%	2024~2029	\$ 215,550
Unsecured bank loans	TWD	0.975%~1.025%	2024	256,732
Less: current portion				<u>(217,361)</u>
Total				<u>\$ 254,921</u>
Unused long-term credit lines				<u>\$ 500,000</u>

September 30, 2022				
	Currency	Interest range	Expiration	Amount
Secured bank loans	TWD	0.91%~1.45%	2023~2029	\$ 234,300
Unsecured bank loans	TWD	0.85%~0.9%	2023~2024	277,495
Less: current portion				<u>(203,562)</u>
Total				<u>\$ 308,233</u>
Unused long-term credit lines				<u>\$ 500,000</u>

(i) Borrowings issue and repayment

The long-term borrowings amounted to NT\$0 and NT\$32,944 for the nine months ended September 30, 2023 and 2022, respectively; the repayment amounts were NT\$163,021 and NT\$168,542.

(ii) Collaterals for bank secured borrowings

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

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(l) Bonds payable

The details were as follows:

	September 30, 2023	December 31, 2022	September 30, 2022
Total convertible bonds issued	\$ 400,000	400,000	400,000
Discount on bonds payable, balance unamortized	(1,976)	(13,579)	(15,011)
Cumulative amount converted	(314,500)	-	-
Balance at September 30, 2023	<u>\$ 83,524</u>	<u>386,421</u>	<u>384,989</u>
Embedded derivatives-redemption right (carried at financial assets-non current at fair value through profit or loss)	<u>\$ 154</u>	<u>200</u>	<u>160</u>
Equity component-conversion right (carried at capital surplus)	<u>\$ 10,882</u>	<u>50,911</u>	<u>50,911</u>

	For the three months ended September 30, 2023	For the three months ended September 30, 2022	For the nine months ended September 30, 2023	For the nine months ended September 30, 2022
Gain or loss arising from the re- measurement of embedded derivatives at fair value	<u>\$ 228</u>	<u>(80)</u>	<u>68</u>	<u>(240)</u>

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

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

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	<p>cash within five business days from the bond redemption base date.</p> <p>(2) From the day following the three-month period after the issuance of the convertible bonds (July 29, 2022) to 40 days before the expiry of the issuance period (March 19, 2025), when the outstanding balance of the convertible bonds is lower than 10% of the original total issued amount, the Company may, at any time thereafter, send the “Bond Redemption Notice” expiring 30 days by registered mail (the aforesaid period starts from the date the Company sends the letter, and the expiry date of the period is the base date for bond redemption, and the aforesaid period shall not be the conversion closure period as stated in Article 9) to the bond holders (subject to the name list of bond holders on the fifth business day prior to the date of dispatch of the “Bond Redemption Notice”; for bond holders who acquire the convertible bonds due to trading or other reasons thereafter, the announcement shall be followed). The redemption price is set as the denomination of the bonds, and all the bonds will be redeemed in cash, and a notification letter will be delivered to the TPEx for the announcement. When the Company executes the redemption request, it shall redeem the convertible bonds in cash within five business days from the bond redemption base date.</p> <p>(3) If the creditor fails to reply in writing to the Company’s stock transfer agent before the bond redemption base date as stated in the “Bond Redemption Notice” (it will take effect immediately upon delivery, and the postmark date shall be used as the basis for the post mails), the Company will redeem the convertible bonds in cash at the bond par value within five business days after the bond redemption base date.</p> <p>(4) If the Company executes the redemption request, the deadline for bond holders to request for conversion is the second business day after the trading day on TPEx of the converted bonds is terminated.</p>
Conversion period	<p>From the day following the three-month period after the issuance of the convertible bonds (July 29, 2022) to the maturity date (April 28, 2025), the bond holders may, through the original trading securities company, notify Taiwan Depository & Clearing Corporation (hereinafter referred to as “TDCC”) to the Company’s stock transfer agent to request the conversion of the convertible bonds into the Company’s ordinary shares in accordance with these Regulations and the provisions of Article 10, Article 11, Article 13 and Article 15 of these Regulations; except (1) the book closure period of the ordinary shares according to law; (2) from the 15 business days prior to the closure date of the Company’s stock dividends, the closure date of cash dividends, or the closure date of cash capital increase subscription, to the ex-dividend date; (3) from the capital reduction base date to the day before the trading day of producing the new stock certificates due to the capital reduction; (4) from the starting date of the conversion (subscription) closure date for changing the denomination of the stock to the day before the trading day of producing the new stock certificates.</p> <p>The starting date the conversion closure date for changing the denomination of the stock in the preceding paragraph is the business day before applying to the Ministry of Economic Affairs for the change registration. The Company shall announce four business days before the starting date of the conversion closure period.</p>
Conversion price	NT\$67

(m) Lease liabilities

The carrying amounts of lease liabilities were as follows:

	September 30, 2023	December 31, 2022	September 30, 2022
Current	\$ 33,801	31,911	23,104
Non-current	\$ 74,597	77,142	64,312

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

The amounts recognized in profit or loss were as follows:

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	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Interest on lease liabilities	<u>\$ 667</u>	<u>396</u>	<u>1,878</u>	<u>1,240</u>
Expenses relating to short-term leases	<u>\$ 4,344</u>	<u>3,027</u>	<u>11,025</u>	<u>11,074</u>

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

	For the nine months ended September 30,	
	2023	2022
Total cash outflow for leases	<u>\$ 47,345</u>	<u>53,347</u>

(i) Real estate leases

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

(ii) Other leases

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

(n) Operating lease

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

	September 30, 2023	December 31, 2022	September 30, 2022
Less than one year	\$ 22,535	17,327	18,660
One to two years	16,448	13,397	15,088
Two to three years	4,512	10,213	10,227
Three to four years	535	-	2,557
	<u>\$ 44,030</u>	<u>40,937</u>	<u>46,532</u>

(o) Employee benefits

(i) Defined benefit plans

Given there was no significant volatility of the market or any significant reimbursement, settlement or other one-time events since prior fiscal year. As a result, pension cost in the accompanying interim consolidated financial statement was measured and disclosed in accordance with the actuarial report measured as of December 31, 2022 and 2021.

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Operating costs	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
Operating expenses	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>

(ii) Defined contribution plans

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Operating costs	<u>\$ 12,899</u>	<u>12,601</u>	<u>35,256</u>	<u>36,128</u>
Operating expenses	<u>\$ 4,384</u>	<u>4,314</u>	<u>12,523</u>	<u>12,681</u>

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(p) Income taxes

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Current tax expense				
Current period	\$ 82,539	58,141	154,134	201,222
Deferred tax expense				
Origination and reversal of temporary differences	-	-	-	-
	<u>\$ 82,539</u>	<u>58,141</u>	<u>154,134</u>	<u>201,222</u>

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

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

(q) Capital and other equity

There was no significant change for capital and other equity for the periods from for the nine months ended September 30, 2023 and 2022. For the related information, please refer to Note 6(q) of the consolidated financial statements for the year ended December 31, 2022.

(i) Ordinary shares

As of September 30, 2023, December 31, 2022 and September 30, 2022, the number of authorized ordinary share each consisted were \$1,200,000, \$1,000,000, and \$1,000,000, respectively. In addition, the issuance of ordinary shares each consisted of 60,122, 60,121 and 60,121, respectively, with a par value of \$10 per share.

The Company issued 4,694 new shares at par with total amount of \$46,939 for the conversion by convertible bonds holders for the nine months ended September 30, 2023. Among the new shares, the legal registration process of 1 share (with total amount of \$14) has been completed, and the rest 4,693 shares (with total amount of \$46,925) have been listed under "advance receipts for share capital," and as of the date the financial statements are issued, the legal registration process hasn't been completed.

(ii) Capital surplus

The balances of capital surplus were as follows:

	September 30, 2023	December 31, 2022	September 30, 2022
Share capital	\$ 1,314,010	1,314,010	1,314,010
Conversion premium of convertible bonds	299,363	-	-
Treasury share transactions	6,195	6,195	6,195
Employee share options (including those ceased to be effective)	14,329	14,329	14,329
Issuance of convertible bond options	10,882	50,911	50,911
	<u>\$ 1,644,779</u>	<u>1,385,445</u>	<u>1,385,445</u>

(iii) Retained earnings

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

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

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

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

1) Legal reserve

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

2) Special reserve

In accordance with the regulations of the FSC, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as special earnings reserve during earnings distribution. The amount to be reclassified should equal the current-period total net reduction of other shareholders' equity. Similarly, a portion of undistributed prior-period earnings shall be reclassified as special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

3) Earnings distribution

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

	2022		2021	
	Amount per share	Total Amount	Amount per share	Total Amount
Dividends distributed to ordinary shareholders				
Cash	\$ 3.00	<u>180,364</u>	2.00	<u>120,243</u>

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(iv) OCI accumulated in reserves, net of tax

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Total
Balance at January 1, 2023	\$ (58,328)	11,149	(47,179)
	12,070		
Exchange differences on foreign operations		-	12,070
Unrealized losses from financial assets measured at fair value through other comprehensive income	-	21,109	21,109
Balance at September 30, 2023	<u>\$ (46,258)</u>	<u>32,258</u>	<u>(14,000)</u>
Balance at January 1, 2022	\$ (95,607)	19,122	(76,485)
Exchange differences on foreign operations	65,285	-	65,285
Unrealized gains from financial assets measured at fair value through other	-	(7,804)	(7,804)
Balance at September 30, 2022	<u>\$ (30,322)</u>	<u>11,318</u>	<u>(19,004)</u>

(r) Earnings per share

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Basic earnings per share				
Profit attributable to ordinary shareholders of the Company	<u>\$ 227,534</u>	<u>166,894</u>	<u>353,506</u>	<u>417,266</u>
Weighted average number of ordinary shares (in thousands)	<u>60,668</u>	<u>60,121</u>	<u>60,306</u>	<u>60,121</u>
Basic earnings per share (in dollars)	<u>\$ 3.75</u>	<u>2.78</u>	<u>5.86</u>	<u>6.94</u>
Diluted earnings per share				
Profit attributable to ordinary shareholders of the Company (basic)	227,534	166,894	353,506	417,266
After-tax effect of convertible bonds	753	1,146	3,056	1,948
Profit attributable to ordinary shareholders of the Company (diluted)	<u>\$ 228,287</u>	<u>168,040</u>	<u>356,562</u>	<u>419,214</u>
Weighted average number of ordinary shares (in thousands)	60,668	60,121	60,306	60,121
Effect of employee share bonus (in thousands)	246	773	457	818
Effect of convertible bonds (in thousands)	5,423	5,760	5,786	5,333
Weighted average number of ordinary shares (diluted) (in thousands)	<u>66,337</u>	<u>66,654</u>	<u>66,549</u>	<u>66,272</u>
Diluted earnings per share (in dollars)	<u>\$ 3.44</u>	<u>2.52</u>	<u>5.36</u>	<u>6.33</u>

(s) Revenue from contracts with customers

(i) Details of revenue

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

Main product/service line:

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Electronic component manufacturing and sales	<u>\$ 2,535,018</u>	<u>49,583</u>	<u>2,584,601</u>
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	For the three months ended September 30, 2022		
	Hinge department	Fiber optic department	Total
Primary geographical markets:			
China	\$ 1,516,620	18,340	1,534,960
America	9,616	58,367	67,983
Taiwan	19,957	1,027	20,984
Other country	13,465	1,910	15,375
	<u>\$ 1,559,658</u>	<u>79,644</u>	<u>1,639,302</u>
Main product/service line:			
Electronic component manufacturing and sales	<u>\$ 1,559,658</u>	<u>79,644</u>	<u>1,639,302</u>

	For the nine months ended September 30, 2023		
	Hinge department	Fiber optic department	Total
Primary geographical markets:			
China	\$ 5,515,580	99,012	5,614,592
America	3,505	44,767	48,272
Tailand	64,318	-	64,318
Taiwan	65,311	628	65,939
Other country	76,705	4,883	81,588
	<u>\$ 5,725,419</u>	<u>149,290</u>	<u>5,874,709</u>
Main product/service line:			
Electronic component manufacturing and sales	<u>\$ 5,725,419</u>	<u>149,290</u>	<u>5,874,709</u>

	For the nine months ended September 30, 2022		
	Hinge department	Fiber optic department	Total
Primary geographical markets:			
China	\$ 4,903,444	69,225	4,972,669
America	83,872	144,908	228,780
Taiwan	83,964	1,492	85,456
Other country	28,585	4,585	33,170
Total	<u>\$ 5,099,865</u>	<u>220,210</u>	<u>5,320,075</u>
Main product/service line:			
Electronic component manufacturing and sales	<u>\$ 5,099,865</u>	<u>220,210</u>	<u>5,320,075</u>

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(ii) Contract balances

	September 30, 2023	December 31, 2022	September 30, 2022
Notes receivables	\$ 3,420	1,144	994
Accounts receivable	3,548,368	2,407,484	2,558,213
Less: loss allowance	<u>(8,586)</u>	<u>(13,318)</u>	<u>(15,335)</u>
Total	<u>\$ 3,543,202</u>	<u>2,395,310</u>	<u>2,543,872</u>

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

(t) Remuneration to employees, and directors

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

For the three months ended September 30, 2023 and the nine months ended September 30, 2023, the Company accrued and recognized its employee remuneration amounting to \$23,540 and \$32,688, respectively; as well as its remuneration to directors amounting to \$3,080 and \$6,129, respectively. These estimates amounts were calculated by using the Company's pre-tax net profit for the period before deducting the amounts of the remuneration to employees and directors, multiplied by the distribution of ratio of the remuneration to employees and directors based on the Company's Articles of incorporation, and expensed under operating expenses. If there are any subsequent adjustments to the actual remuneration amounts after the annual shareholders' meeting, the adjustments will be regarded as change in accounting estimates and will be reflected in profit or loss in the following year.

For the three months ended September 30, 2022 and the nine months ended September 30, 2022, the Company accrued and recognized its employee remuneration amounting to \$17,277 and \$45,991, respectively; as well as its remuneration to directors amounting to \$3,239 and \$8,623, 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 2022 and 2021, the Company recognized its employee remuneration amounting to \$50,996 and \$15,538, respectively, and its remuneration to directors of \$12,749 and \$3,884, respectively. The amounts, as stated in the consolidated financial statements, are identical to those of the actual distribution for 2022 and 2021. Related information is available on the Market Observation Post System website.

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(u) Non-operating income and expenses

(i) Other income

The details of other income were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Rent income	\$ 6,637	7,271	20,218	23,105
Dividend income	1,415	2,054	7,151	16,319
Sample income	3,305	4,949	6,210	8,902
Mold income	1,035	-	5,817	2,528
Others	14,784	8,039	35,842	25,312
	<u>\$ 27,176</u>	<u>22,313</u>	<u>75,238</u>	<u>76,166</u>

(ii) Other gains and losses

The details of other gains and losses were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Losses on disposal of property, plant and equipment	\$ (2,921)	(1,120)	(5,618)	(2,363)
Foreign exchange gains	16,654	118,692	63,174	241,017
Gains on leasehold improvements	-	-	-	(8,095)
Gains (Losses) on financial assets at fair value through profit or loss	4,776	5,477	12,023	(2,803)
Sample expenses	(5,733)	(4,799)	(9,271)	(12,833)
Mold expenses	(2,003)	(2,217)	(3,977)	(3,795)
Others	(1,202)	(1,965)	(10,139)	(12,186)
	<u>\$ 9,571</u>	<u>114,068</u>	<u>46,192</u>	<u>198,942</u>

(iii) Finance costs

The details of finance costs were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Interest expense for bank loans	\$ (2,633)	(3,581)	(10,711)	(10,151)
Interest expense for lease liabilities	(667)	(396)	(1,878)	(1,240)
Amortization of discount on convertible bonds	(941)	(1,432)	(3,820)	(2,435)
	<u>\$ (4,241)</u>	<u>(5,409)</u>	<u>(16,409)</u>	<u>(13,826)</u>

(iv) Interest income

The details of interest income were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Interest income from bank deposits	\$ 10,789	4,965	38,778	12,058
Other interest income	96	5	249	134
	<u>\$ 10,885</u>	<u>4,980</u>	<u>39,027</u>	<u>12,192</u>

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(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(v) of the consolidated financial statements for the year ended December 31, 2022.

(i) Liquidity risk

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

	Carrying amount	Contractual cash flow	Within six months	6-12 months	1-2 years	2-5 years	Over 5 years
September 30, 2023							
Non derivative financial liabilities							
Short-term borrowings	\$ 470,486	472,422	411,465	60,957	-	-	-
Notes and accounts payable	2,407,303	2,407,303	2,407,303	-	-	-	-
Other payables	1,069,349	1,069,349	1,069,349	-	-	-	-
Bonds payable	83,524	85,500	-	-	85,500	-	-
Lease liabilities	108,398	121,236	23,912	20,838	33,206	43,280	-
Long-term borrowings	309,261	314,072	110,310	97,101	46,911	43,304	16,446
(current portion included)							
	<u>\$4,448,321</u>	<u>4,469,882</u>	<u>4,022,339</u>	<u>178,896</u>	<u>165,617</u>	<u>86,584</u>	<u>16,446</u>
December 31, 2022							
Non derivative financial liabilities							
Short-term borrowings	\$ 515,833	522,908	482,113	40,795	-	-	-
Notes and accounts payable	1,573,815	1,573,815	1,573,815	-	-	-	-
Other payables	1,113,971	1,113,971	1,113,971	-	-	-	-
Bonds payable	386,421	400,000	-	-	-	400,000	-
Lease liabilities	109,053	119,727	20,859	20,491	34,353	44,024	-
Long-term borrowings	472,282	480,731	110,988	110,397	187,793	44,301	27,252
(current portion included)							
	<u>\$4,171,375</u>	<u>4,211,152</u>	<u>3,301,746</u>	<u>171,683</u>	<u>222,146</u>	<u>488,325</u>	<u>27,252</u>
September 30, 2022							
Non derivative financial liabilities							
Short-term borrowings	\$ 373,568	378,903	222,877	156,026	-	-	-
Notes and accounts payable	1,489,551	1,489,551	1,489,551	-	-	-	-
Other payables	1,132,965	1,132,965	1,132,965	-	-	-	-
Bonds payable	384,989	400,000	-	-	-	400,000	-
Lease liabilities	87,416	99,975	20,324	15,063	27,373	37,215	-
Long-term borrowings	511,795	520,064	97,404	110,474	206,710	75,172	30,304
(current portion included)							
	<u>\$3,980,284</u>	<u>4,021,458</u>	<u>2,963,121</u>	<u>281,563</u>	<u>234,083</u>	<u>512,387</u>	<u>30,304</u>

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

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(ii) Currency risk

1) Exposure to foreign currency risk

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

	September 30, 2023			December 31, 2022			September 30, 2022		
	Foreign currency	Exchange rate	New Taiwan Dollars	Foreign currency	Exchange rate	New Taiwan Dollars	Foreign currency	Exchange rate	New Taiwan Dollars
<u>Financial assets</u>									
<u>Monetary items</u>									
USD	\$ 86,331	32.270	2,785,901	100,132	30.710	3,075,065	105,818	31.750	3,359,721
<u>Financial liabilities</u>									
<u>Monetary items</u>									
USD	34,375	32.270	1,109,281	47,198	30.710	1,449,458	51,202	31.750	1,625,664

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the conversion of the foreign currency exchange gains and losses on cash and cash equivalents, trade and other receivables, loans and borrowings; and trade and other payables that are denominated in foreign currency. A strengthening (weakening) of 5% of the NTD against the USD as of the nine-month periods ended September 30, 2023 and 2022 would have increased (decreased) the net profit before tax by \$83,831 and \$86,703, respectively, assuming all other factors remain constant. 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 September 30, 2023 and 2022 and the nine months ended September 30, 2023 and 2022, the foreign exchange gain (loss) (including realized and unrealized portions) amounted to \$16,654, \$118,692, \$63,174 and \$241,017, respectively.

(iii) Interest rate analysis

Please refer to the notes on liquidity risk management and interest rate exposure of the Group's financial assets and liabilities.

The following sensitivity analysis is based on the exposure to the interest rate risk of derivative and non-derivative financial instruments on the reporting date. Regarding assets with variable interest rates, the analysis is based on the assumption that the amount of assets outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases by 1% when reporting to the management internally, which also represents the Group management's assessment of the reasonably possible interest rate change.

If the interest rate had increased (decreased) by 1% basis points, the Group's net income would have decreased or increased by \$5,848 and \$6,640 for the nine-month periods ended September 30, 2023 and 2022, assuming all other variable factors remain constant. This is mainly due to the Group's borrowing in floating variable rates.

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(iv) Other price risk

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

Security price at the reporting date	For the nine months ended September 30, 2023		For the nine months ended September 30, 2022	
	Other comprehensive income, net of tax	Profit or loss before tax	Other comprehensive income, net of tax	Profit or loss before tax
Increase by 1%	<u>\$ 1,282</u>	<u>179</u>	<u>836</u>	<u>204</u>
Decrease by 1%	<u>\$ (1,282)</u>	<u>(179)</u>	<u>(836)</u>	<u>(204)</u>

(v) Fair value of financial instruments

1) Fair value hierarchy

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

September 30, 2023					
	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss	\$ 49,206	17,888	154	31,164	49,206
Financial assets at fair value through other comprehensive income	128,225	-	-	128,225	128,225
Financial assets measured at amortized cost					
Cash and cash equivalents	2,323,754	-	-	-	-
Notes and accounts receivable	3,543,202	-	-	-	-
Other receivables	49,903	-	-	-	-
Subtotal	5,916,859	-	-	-	-
Total	<u>\$ 6,094,290</u>	<u>17,888</u>	<u>154</u>	<u>159,389</u>	<u>177,431</u>
Financial liabilities at amortized cost					
Short-term borrowings	\$ 470,486	-	-	-	-
Notes and accounts payable	2,407,303	-	-	-	-
Other payables	1,069,349	-	-	-	-
Bonds payables	83,524	-	-	-	-
Lease liabilities	108,398	-	-	-	-
Long-term borrowings (current portion included)	309,261	-	-	-	-
Subtotal	4,448,321	-	-	-	-
Total	<u>\$ 4,448,321</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
December 31, 2022					
	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss	\$ 29,812	29,155	200	457	29,812
Financial assets at fair value through other comprehensive income	83,032	-	-	83,032	83,032
Financial assets measured at amortized cost					
Cash and cash equivalents	2,841,048	-	-	-	-
Notes and accounts receivable	2,395,310	-	-	-	-
Other receivables	46,109	-	-	-	-
Subtotal	5,282,467	-	-	-	-
Total	<u>\$ 5,395,311</u>	<u>29,155</u>	<u>200</u>	<u>83,489</u>	<u>112,844</u>
Financial liabilities at amortized cost					
Short-term borrowings	\$ 515,833	-	-	-	-
Notes and accounts payable	1,573,815	-	-	-	-
Other payables	1,113,971	-	-	-	-
Bonds payables	386,421	-	-	-	-
Lease liabilities	109,053	-	-	-	-
Long-term borrowings (current portion included)	472,282	-	-	-	-
Subtotal	4,171,375	-	-	-	-
Total	<u>\$ 4,171,375</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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September 30, 2022

	Book value	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	\$ 426,582	75,429	160	350,993	426,582
Financial assets at fair value through other comprehensive income	83,580	-	-	83,580	83,580
Financial assets measured at amortized cost					
Cash and cash equivalents	1,944,932	-	-	-	-
Notes and accounts receivable	2,543,872	-	-	-	-
Other receivables	58,923	-	-	-	-
Subtotal	4,547,727	-	-	-	-
Total	<u>\$ 5,057,889</u>	<u>75,429</u>	<u>160</u>	<u>434,573</u>	<u>510,162</u>
Financial liabilities at amortized cost					
Short-term borrowings	\$ 373,568	-	-	-	-
Notes and accounts payable	1,489,551	-	-	-	-
Other payables	1,132,965	-	-	-	-
Bonds payables	384,989	-	-	-	-
Lease liabilities	87,416	-	-	-	-
Long-term borrowings (current portion included)	511,795	-	-	-	-
Subtotal	3,980,284	-	-	-	-
Total	<u>\$ 3,980,284</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

2) Valuation techniques for financial instruments measured at fair value

(2.1) Financial derivatives

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

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

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

(2.2) Derivatives

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

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3) 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, 2023	\$ 457	83,032
Total gains or losses		
Recognized in profit or loss	(198)	-
Recognized in other comprehensive income	-	21,109
Additions	1,262,249	34,194
Disposals	(1,231,344)	(10,151)
Effect of movements in exchange	-	41
Balance at September 30, 2023	<u>\$ 31,164</u>	<u>128,225</u>
Balance at January 1, 2022	\$ 31,972	90,631
Total gains or losses		
Recognized in profit or loss	(1,031)	-
Recognized in other comprehensive income	-	(7,084)
Additions	1,277,712	-
Disposals	(958,564)	-
Effect of movements in exchange	904	753
Balance at September 30, 2022	<u>\$ 350,993</u>	<u>83,580</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 September 30, 2023 and 2022 is as follows:

	For the six months ended September 30, 2023	For the six months ended September 30, 2022
Total gains or losses		
Recognized in profit or loss (presented under “other gains and losses”)	\$ (198)	(1,031)
Recognized in other comprehensive income (presented under “unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income”)	21,109	(7,804)

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

The Group’s financial instruments that use Level 3 inputs to measure fair value include “fair value through other comprehensive income (available-for-sale financial assets) – equity investments”.

Most of the Group’s financial instruments that use Level 3 inputs have only single significant unobservable inputs. Only those equity investments without an active market have plural significant unobservable inputs. The significant unobservable inputs of equity investment without an active market are independent with one another, so they are not correlated. Quantified information of significant unobservable inputs was as follows:

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Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets at fair value through other comprehensive income - equity investments without an active market	Net Asset Value Method	·Net asset value ·The market illiquidity discount rate (30% on September 30, 2023, December 31, 2022 and September 30, 2022)	·The higher the market illiquidity discount, the lower the fair value.
Financial assets at fair value through profit or loss — Investment product	Discounted Cash Flow Method	·Discount rate (1.70%~3.29%, -%, and 1.30%~3.50% on September 30, 2023, December 31, 2022 and September 30, 2022)	·The higher the discount rate, the lower the fair value.
Financial assets at fair value through profit or loss — Private offered funds	Net Asset Value Method	·Net asset value	Not applicable

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

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

	Input	Assumptions	Profit or loss		Other comprehensive income	
			Favorable	Unfavorable	Favorable	Unfavorable
September 30, 2023						
Financial assets at fair value through profit or loss — Investment product	Discount rate	5%	19	(19)	-	-
Financial assets at fair value through profit or loss — Private offered funds	Net asset value	5%	13	(13)	-	-
Financial assets at fair value through other comprehensive income						
Equity investments without an active market	30%	5%	-	-	6,411	(6,411)
December 31, 2022						
Financial assets at fair value through profit or loss — Private offered funds	Net asset value	5%	23	(23)	-	-
Financial assets at fair value through other comprehensive income						
Equity investments without an active market	30%	5%	-	-	4,152	(4,152)
September 30, 2022						
Financial assets at fair value through profit or loss — Investment product	Discount rate	5%	254	(254)	-	-
Financial assets at fair value through profit or loss — Private offered funds	Net asset value	5%	27	(27)	-	-
Financial assets at fair value through other comprehensive income						
Equity investments without an active market	30%	5%	-	-	4,197	(4,197)

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.

(w) Financial risk management

The Group's objectives and policies for managing the financial risk are consistent with those disclosed in the Note 6(w) of the consolidated financial statements for the year ended December 31, 2022.

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(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, 2022. There were no significant changes of quantitative data of capital management compared with the consolidated financial statements for the year ended December 31, 2022. Please refer to Note 6(x) of the consolidated financial statements for the year ended December 31, 2022.

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

The Group's investments and financing activities through non-cash transactions for the nine-month periods ended September 30, 2023 and 2022 were as follows:

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

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

	January 1, 2023	Cash flows	Acquired	Non-cash changes			September 30, 2023
				Changes in Foreign Exchange Rate	Interest expense	Other	
Short-term borrowings	\$ 515,833	(42,945)	-	(2,402)	-	-	470,486
Long-term borrowings (current portion included)	472,282	(163,021)	-	-	-	-	309,261
Bonds payable	386,421	-	-	-	3,820	(306,717)	83,524
Lease liabilities	109,053	(34,262)	32,921	188	-	498	108,398
Total liabilities arising from financing activities	<u>\$ 1,483,589</u>	<u>(240,228)</u>	<u>32,921</u>	<u>(2,214)</u>	<u>3,820</u>	<u>(306,219)</u>	<u>971,669</u>

	January 1, 2022	Cash flows	Acquired	Non-cash changes			September 30, 2022
				Changes in Foreign Exchange Rate	Interest expense	Other	
Short-term borrowings	\$ 652,614	262,888	-	(541,934)	-	-	373,568
Long-term borrowings (current portion included)	647,393	(135,598)	-	-	-	-	511,795
Bonds payable	-	433,065	-	-	-	(48,076)	384,989
Lease liabilities	39,977	(41,033)	71,366	18,423	-	(1,317)	87,416
Total liabilities arising from financing activities	<u>\$ 1,339,984</u>	<u>519,322</u>	<u>71,366</u>	<u>(523,511)</u>	<u>-</u>	<u>(49,393)</u>	<u>1,357,768</u>

(7) Related-party transactions

(a) Parent company and ultimate controlling company

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

(b) Key management personnel compensation

Key management personnel compensation comprised:

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Short-term employee benefits	\$ 9,376	6,603	19,406	16,120
Post-employment benefits	217	184	639	550
	<u>\$ 9,593</u>	<u>6,787</u>	<u>20,045</u>	<u>16,670</u>

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(8) Pledged assets

The carrying values of pledged assets were as follows:

Pledged assets	Object	September 30, 2023	December 31, 2022	September 30, 2022
Land	Secured loans	\$ 1,016,281	1,016,281	1,016,281
Buildings	Secured loans	231,415	233,691	237,897
		<u>\$ 1,246,696</u>	<u>1,249,972</u>	<u>1,254,178</u>

(9) Commitments and contingencies

The Group's significant contractual commitments were as follows:

	September 30, 2023	December 31, 2022	September 30, 2022
Acquisition of property, plant and equipment	<u>\$ 60,946</u>	<u>81,306</u>	<u>69,503</u>

(10) Losses due to major disasters: None.

(11) Subsequent events

On October 23, 2023, according to Article 18 of the rule for issuance and conversion of the domestic unsecured convertible bonds (I), the Company will execute the redemption right during October 31, 2023 to November 29, 2023. The redemption price is 100% of the denomination of the bonds. The bond redemption base date is set at November 29, 2023, and the date that the trading on TPEx of the converted bonds is terminated is set at November 30, 2023.

On November 10, 2023, the company passed a resolution of the board of directors and completed a simple merger with Jarson Precision Technology Co., Ltd. (Jarson Precision) a 100% reinvested company. The merger base date is set as January 1, 2024, and the chairman of the board is authorized to adjust it based on actual circumstances. After the merger, the company will be the surviving company and Jarson Precision will be the eliminated company. After the merger, all rights and obligations of Jarson Precision will be assumed by the company in accordance with the law.

(12) Other

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

By function	For the three months ended September 30, 2023			For the three months ended September 30, 2022		
	Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
By item						
Employee benefits						
Salaries	226,852	118,345	345,197	178,685	108,016	286,701
Labor and health insurance	12,858	5,618	18,476	12,841	5,439	18,280

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By function By item	For the three months ended September 30, 2023			For the three months ended September 30, 2022		
	Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Pension	12,899	4,384	17,283	12,601	4,314	16,915
Remuneration of directors	-	3,497	3,497	-	3,569	3,569
Others	12,167	4,376	16,543	9,790	4,221	14,011
Depreciation	67,096	13,784	80,880	66,579	10,310	76,889
Amortization	2,583	4,339	6,922	1,793	3,772	5,565

By function By item	For the nine months ended September 30, 2023			For the nine months ended September 30, 2022		
	Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Employee benefits						
Salaries	615,386	277,719	893,105	555,236	299,138	854,374
Labor and health insurance	36,872	16,902	53,774	35,556	17,042	52,598
Pension	35,256	12,523	47,779	36,128	12,681	48,809
Remuneration of directors	-	7,280	7,280	-	9,634	9,634
Others	31,477	13,261	44,738	31,559	11,520	43,079
Depreciation	195,882	39,210	235,092	193,664	30,501	224,165
Amortization	7,044	12,336	19,380	5,731	12,416	18,147

(b) The seasonality of operation:

The operation of the Group is not affected by seasonal or cyclical factors.

(13) Other disclosures

(a) Information on significant transactions

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group as of September 30, 2023:

(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	Jarson Precision Technology Co., Ltd.	Other receivables	Yes	40,000	20,000	20,000 (Note 4)	2%	2	-	Operating turnover	-		-	678,819	2,036,458
0	The Company	Jarlllytec (Vietnam) Co., Ltd.	Other receivables	Yes	129,080	129,080	-	2%	2	-	Operating turnover	-		-	678,819	2,036,458
1	Fu Qing Jarlly Electronics Co., Ltd.	Xiamen Jarlly Electronics Co., Ltd.	Other receivables	Yes	26,490	-	-	2%	2	-	Operating turnover	-		-	654,656	654,656
1	Fu Qing Jarlly Electronics Co., Ltd.	Kunshan Jarlly Electronics Ltd.	Other receivables	Yes	110,375	44,150	44,150 (Note 4)	2%	2	-	Operating turnover	-		-	654,656	654,656
2	Jarlly Technology (Chongqing) Co., Ltd.	Kunshan Jarlly Electronics Ltd.	Other receivables	Yes	30,905	30,905	30,905 (Note 4)	2%	2	-	Operating turnover	-		-	236,402	236,402

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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		
2	Jarilly Technology (Chongqing) Co., Ltd.	Jarilly Technology (Shanghai) Co., Ltd.	Other receivables	Yes	88,300	44,150	-	2%	2	-	Operating turnover	-	-	-	236,402	236,402
3	Smart Hinge Holdings Ltd.	Great Hinge Trading Ltd.	Other receivables	Yes	58,086	58,086	58,086 (Note 4)	0%	2	-	Operating turnover	-	-	-	2,030,679	2,030,679
4	Jarilly Electronics (Shanghai) Co., Ltd.	Jarilly Technology (Shanghai) Co., Ltd.	Other receivables	Yes	44,150	44,150	44,150 (Note 4)	2%	2	-	Operating turnover	-	-	-	281,697	281,697

Note 1: The Company

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

Note 2: Subsidiaries

- (a) The total amount available for financing purposes shall not exceed 60% of the subsidiaries' net worth. The total amount for short-term financing to one entity shall not exceed one third of the subsidiaries' loanable amount or 40% of the transaction amount in recent year, whichever is lower.
- (b) For the entities that have short-term financing needs but have no business transaction with the Company, the total amount available for financing purposes shall not exceed 40% of the subsidiaries' net worth.
- (c) For short-term financing needs, the amount available for financing of each entity shall not exceed one third of the Company's loanable amount.
- (d) For those foreign subsidiaries in which the Company, directly or indirectly, owned 100% of their shares the amount available for financing shall not exceed the 60% of the Company's net worth.

Note 3: Financing purpose

- (a) 1 for entities the Company has business transactions with.
- (b) 2 for entities that have short-term financing needs.

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

(ii) Guarantees and endorsements for other parties:

Number	Name of guarantor and endorsements	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantee and endorsements during the period	Balance of guarantees and endorsements as of report date (Note 3)	Actual usage amount during the period	Property pledged for guarantee and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements (Note 1)	Parent company endorsements/guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/guarantees to third parties on behalf of parent company	Endorsements/guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company (Note 2)										
0	The Company	Jarilly Technology (Shanghai) Co., Ltd.	2	1,697,048	387,240	258,160	-	-	5.07%	2,036,458	Y	N	Y
0	The Company	Jarison Precision Technology Co., Ltd.	2	1,697,048	80,000	40,000	10,000	-	0.79%	2,036,458	Y	N	N
0	The Company	Jarilly Technology (Chongqing) Co., Ltd.	2	1,697,048	129,080	64,540	-	-	1.27%	2,036,458	Y	N	Y
0	The Company	Kunshan Jarilly Electronics Ltd.	2	1,697,048	129,080	60,486	60,486	-	1.19%	2,036,458	Y	N	Y
0	The Company	Jellytec (Vietnam) Co., Ltd.	2	1,697,048	129,080	129,080	-	-	2.54%	2,036,458	Y	N	N

Note 1: The total amount available for endorsement provided to others shall not exceed 40% of the Company's net worth (audited by Certified Public Accountant on September 30, 2022); and the total amount for endorsement provided to one entity shall not exceed one third of the Company's net worth.

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

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

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

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(iii) Securities held as of September 30, 2023 (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	Stock of WK Innovation Ltd.	-	Non-current financial assets at fair value through other comprehensive income	3,599	68,247	4.61 %	68,247	-
Jarwin Investment Co., Ltd.	Second phase Stock of WK Innovation Ltd.	-	Non-current financial assets at fair value through other comprehensive income	3,000	30,000	2.67 %	30,000	-
Fu Qing Jarlly Electronics Co., Ltd.	Fuqing Jelly Plastic Product Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	-	3,532	16.00 %	3,532	-
Fu Qing Jarlly Electronics Co., Ltd.	Chongqing Jelly Plastics Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	-	4,768	18.00 %	4,768	-
Fu Qing Jarlly Electronics Co., Ltd.	Chongqing Yuli Hardware Products Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	-	2,384	18.00 %	2,384	-
Xiamen Jarlly Electronics Co., Ltd.	Xiamen Jinli Precision Hardware Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	-	4,194	19.00 %	4,194	-
Xiamen Jarlly Electronics Co., Ltd.	Xiamen Jinyaoli Precision Hardware Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	-	8,389	19.00 %	8,389	-
Kunshan Jarlly Electronics Ltd.	Kunshan Huli Precision Hardware Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	-	6,711	19.00 %	6,711	-
Jarlly Electronics Technology (Shanghai) Co., Ltd.	Product of Fubon China	-	Current financial assets at fair value through profit or loss	-	8,830	- %	8,830	-
Dong Guan Jarlly Electronics Co., Ltd.	Product of DRC Bank	-	Current financial assets at fair value through profit or loss	-	22,075	- %	22,075	-
Jarwin Investment Co., Ltd.	TSMC Stock	-	Current financial assets at fair value through profit or loss	20	10,460	- %	10,460	-
Jarwin Investment Co., Ltd.	Evergreen Marine Corporation	-	Current financial assets at fair value through profit or loss	12	1,392	- %	1,392	-
Jarwin Investment Co., Ltd.	Novatek Microelectronics Corp. Stock	-	Current financial assets at fair value through profit or loss	10	4,230	- %	4,230	-
Jarwin Investment Co., Ltd.	O-TA Precision Industry Co., Ltd. Stock	-	Current financial assets at fair value through profit or loss	20	1,806	- %	1,806	-
Jarwin Investment Co., Ltd.	Treasure Cay Private Equity Fund	-	Non-current financial assets at fair value through profit or loss	-	259	1.587 %	259	-

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Notes to the Consolidated Financial Statements

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

Name of Company	Category and name of security	Account name	Name of counter-party	Relationship with the Company	Beginning Balance		Purchase		Sales				Ending Balance	
					Shares (thousands)	Amount	Shares	Amount	Shares	Price	Cost	Gain (loss) on disposal	shares	Amount
Jarll Technology (Shanghai) Co., Ltd.	Product of Fubon China (Redemption)	Current financial assets at fair value through profit or loss	-	-	-	-	-	218,543	-	219,128	218,543	585	-	-
Jarll Technology (Shanghai) Co., Ltd.	Product of SinoPac China (Redemption)	Current financial assets at fair value through profit or loss	-	-	-	-	-	270,198	-	271,710	270,198	1,512	-	-
Jarll Electronics Technology (Shanghai) Co., Ltd.	Product of Fubon China (Redemption)	Current financial assets at fair value through profit or loss	-	-	-	-	-	178,366	-	171,085	169,536	1,549	-	8,830
Fu Qing Jarll Electronics Co., Ltd.	China Bank linked structured products	Current financial assets at fair value through profit or loss	-	-	-	-	-	158,940	-	160,258	158,940	1,318	-	-
Jarll Technology (Chongqing) Co., Ltd.	Product of Fubon China (Redemption)	Current financial assets at fair value through profit or loss	-	-	-	-	-	176,600	-	178,004	176,600	1,404	-	-

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

Name of company	Related party	Name of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchase/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	Kunshan Jarll Electronics Ltd.	Associates	Sale	(378,848)	46.10%	150 days	-	Related parties are 150 days, third parties are ranged from 30 to 180 days.	192,461	42.50%	Note
Kunshan Jarll Electronics Ltd.	The Company	Associates	Purchase	378,848	31.53%	150 days	-	Related parties are 150 days, third parties are ranged from 30 to 180 days.	(192,461)	29.18%	Note
The Company	Jarll Technology (Chongqing) Co., Ltd.	Associates	Sale	(286,941)	42.52%	150 days	-	Related parties are 150 days, third parties are ranged from 30 to 180 days.	209,764	51.01%	Note
Jarll Technology (Chongqing) Co., Ltd.	The Company	Associates	Purchase	286,941	23.88%	150 days	-	Related parties are 150 days, third parties are ranged from 30 to 180 days.	(209,764)	31.80%	Note
Fu Qing Jarll Electronics Co., Ltd.	Kunshan Jarll Electronics Ltd.	Associates	Sale	(237,964)	24.92%	150 days	-	Related parties are 150 days, third parties are ranged from 120 to 150 days.	154,229	25.09%	Note
Kunshan Jarll Electronics Ltd.	Fu Qing Jarll Electronics Co., Ltd.	Associates	Purchase	237,964	39.89%	150 days	-	Related parties are 150 days, third parties are ranged from 120 to 150 days.	(154,229)	36.83%	Note

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

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

Name of company	Counter-party	Nature of relationship	Ending balance (Note)	Turnover rate	Overdue		Amounts received in subsequent period	Allowance for bad debts
					Amount	Action taken		
Kunshan Jarlly Electronics Ltd.	The Company	Associates	192,461	1.86	-	-	38,233	-
Jarlly Technology (Chongqing) Co., Ltd.	The Company	Associates	209,764	3.12	-	-	35,323	-
Fu Qing Jarlly Electronics Co., Ltd.	Kunshan Jarlly Electronics Ltd.	Associates	154,229	3.00	-	-	36,565	-

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

(ix) Trading in derivative instruments:

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

(x) Business relationships and significant intercompany transactions:

Number	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	The Company	Jarson Precision	1	Other receivables	20,000	Follow the agreement	0.20%
1	Jarson Precision	The Company	2	Sales revenue	91,742	Mark up by cost	1.56%
1	Jarson Precision	The Company	2	Accounts receivable	67,187	150 days	0.68%
2	Chongqing Jarlly	The Company	2	Sales revenue	286,941	Mark up by cost	4.88%
2	Chongqing Jarlly	The Company	2	Accounts receivable	209,764	150 days	2.12%
2	Chongqing Jarlly	Kunshan Jarlly	3	Other receivables	30,905	Follow the agreement	0.31%
3	Fu Qing Jarlly	The Company	2	Sales revenue	39,392	Mark up by cost	0.67%
3	Fu Qing Jarlly	Kunshan Jarlly	3	Sales revenue	237,964	Mark up by cost	4.05%
3	Fu Qing Jarlly	Kunshan Jarlly	3	Accounts receivables	154,229	150 days	1.56%
3	Fu Qing Jarlly	Kunshan Jarlly	3	Other receivables	44,150	Follow the agreement	0.45%
4	Kunshan Jarlly	The Company	2	Accounts receivables	378,848	Mark up by cost	6.45%
4	Kunshan Jarlly	The Company	2	Accounts receivable	192,461	150 days	1.94%
5	Shanghai Jarlly	The Company	2	Sales revenue	64,531	Mark up by cost	1.10%
5	Shanghai Jarlly	The Company	2	Accounts receivables	16,075	150 days	0.16%
6	Shanghai Jarlly Electronics	Shanghai Jarlly	3	Other receivables	44,150	Follow the agreement	0.45%
7	Xiamen Jarlly	The Company	2	Sales revenue	17,185	Mark up by cost	0.29%
7	Xiamen Jarlly	Fu Qing Jarlly	3	Sales revenue	41,062	Mark up by cost	0.70%
7	Xiamen Jarlly	Fu Qing Jarlly	3	Accounts receivables	25,113	150 days	0.25%
8	Dong Guan Jarlly	The Company	2	Sales revenue	66,633	Mark up by cost	1.13%
8	Dong Guan Jarlly	The Company	2	Accounts receivable	38,214	150 days	0.39%
9	Smart Hinge	Great Hinge	3	Other receivables	58,086	Follow the agreement	0.59%

Note 1. Number represents:

(a) 0 represents the Company.

(b) 1 and thereafter represent subsidiaries.

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

1. Parent to subsidiary.

2. Subsidiary to parent.

3. Subsidiary to subsidiary.

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

JARLLYTEC CO., LTD. AND SUBSIDIARIES
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(b) Information on investees:

The following is the information on investees for the nine months ended September 30, 2023 (excluding information on investees in Mainland China):

Name of investor	Name of investee	Location	Main business and products	Original investment amount		Balance as of September 30, 2022			Net income (losses) of investee	Share of profits/losses of investee	Note
				September 30, 2022	December 31, 2021	Shares	Percentage of ownership	Carrying value			
The Company	Great Hinge Trading Ltd.	British Virgin Islands	Investments	64,208	318	12	100.00%	103,258	24,715	24,715	Note
The Company	Smart Hinge Holdings Ltd.	British Virgin Islands	Investments	904,601	750,588	28,434	100.00%	3,374,862	394,265	389,831	Note
The Company	Jarson Precision Technology Co., Ltd.	Republic of China	Powder metallurgy industry	134,076	134,076	15,000	100.00%	202,077	(52,207)	(51,844)	Note
The Company	Jarwin Investment Co., Ltd.	Republic of China	Investments	80,000	50,000	8,000	100.00%	80,132	6,189	6,189	Note
The Company	Jarlllytec Singapore Pte.Ltd.	Singapore	Computer design and service	423	423	-	100.00%	873	742	742	Note
Great Hinge Trading Ltd.	Jarlllytec (Vietnam) Co., Ltd.	Vietnam	Sale and produce Precision Hinge	166,723	166,723	-	100.00%	115,025	(13,753)	(13,753)	Note
Smart Hinge Holdings Ltd.	Royal Jarlly Holding Ltd.	Hong Kong	Investments	904,601	750,588	28,434	100.00%	3,325,990	394,109	394,109	Note
Royal Jarlly Holding Ltd.	Jarlllytec (Thailand) Co., Ltd.	Thailand	Sale and produce Precision Hinge	189,973	149,229	2,000	100.00%	158,515	(12,200)	(12,200)	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 September 30, 2022	Net income (losses) of the investee	Percentage of ownership	Invest income (losses) (Note 2 and 3)	Book value (Note 3)	Accumulated remittance of earnings in current period
					Remitted to China	Remitted back to Taiwan						
Jarllly Technology (Shanghai) Co., Ltd.	Sale and produce special purpose material of component equipment	261,462	(2)	131,272	-	-	131,272	252,905	100.00%	252,905	955,265	-
Fu Qing Jarllly Electronics Co., Ltd.	Sale and produce Precision Hinge	240,658	(2)	27,370	-	-	27,370	44,643	100.00%	44,643	697,716	-
Dong Guan Jarllly Electronics Co., Ltd.	Sale and produce Precision Hinge	81,466	(2)	81,466	-	-	81,466	(4,993)	100.00%	(4,993)	111,080	15,366
Kunshan Jarllly Electronics Ltd.	Sale and produce Precision Hinge	71,906	(2)	65,369	-	-	65,369	58,606	100.00%	58,606	174,714	-
Jarllly Electronics Technology (Shanghai) Co., Ltd.	Sale and produce Precision Hinge	473,450	(2)	386,330	-	-	386,330	7,416	100.00%	7,416	469,496	-
Xiamen Jarllly Electronics Co., Ltd.	Sale and produce Precision Hinge	43,801	(2)	29,281	-	-	29,281	6,424	100.00%	6,424	106,579	-
Jarllly Technology (Chongqing) Co., Ltd.	Sale and produce Precision Hinge	61,722	(2)	29,500	-	-	29,500	69,065	100.00%	69,065	394,004	-
ZheJiang Zhaowang Precision Technology Co. Ltd.	Sale and produce Powder metallurgy and other metal products	154,013	(2)	-	154,013	-	154,013	(2,609)	100.00%	(2,609)	152,091	-

Note 1: Investments are made through one of three ways:

- (1) Direct investment from Mainland China.
- (2) Indirect investment from third-party country.
- (3) Others.

Note 2: The recognition of gain and loss on investment for partial subsidiaries based on the financial report which was assured by R.O.C. Accountant, the rest of them have not been reviewed.

Note 3: The amount was eliminated in the consolidated financial statements.

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Notes to the Consolidated Financial Statements

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of September 30, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
904,601	1,337,075	3,054,687
(USD 28,434)	(USD 41,434)	

(iii) Significant transactions:

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

(d) Major shareholders:

Shareholder's name	Shareholding	Shares	Percentage
Sunrise Investment Co., Ltd.		6,100,000	9.41%
Dellson Investment Co., Ltd.		3,864,000	5.96%

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

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

(14) Segment information

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

For the three months ended September 30, 2023				
	Hinge department	Fiber optic department	Reconciliati on and elimination	Total
Revenue:				
Revenue from external customers	\$ 2,535,018	49,583	-	2,584,601
Intersegment revenues	-	-	-	-
Total revenue	<u>\$ 2,535,018</u>	<u>49,583</u>	<u>-</u>	<u>2,584,601</u>
Reportable segment profit or loss	<u>\$ 304,491</u>	<u>5,582</u>	<u>-</u>	<u>310,073</u>

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2022

	Hinge department	Fiber optic department	Reconciliati on and elimination	Total
Revenue:				
Revenue from external customers	\$ 1,559,658	79,644	-	1,639,302
Intersegment revenues	-	-	-	-
Total revenue	<u>\$ 1,559,658</u>	<u>79,644</u>	<u>-</u>	<u>1,639,302</u>
Reportable segment profit or loss	<u>\$ 210,695</u>	<u>14,340</u>	<u>-</u>	<u>225,035</u>

For the nine months ended September 30,

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

	Hinge department	Fiber optic department	Reconciliati on and elimination	Total
Revenue:				
Revenue from external customers	\$ 5,099,865	220,210	-	5,320,075
Intersegment revenues	-	-	-	-
Total revenue	<u>\$ 5,099,865</u>	<u>220,210</u>	<u>-</u>	<u>5,320,075</u>
Reportable segment profit or loss	<u>\$ 582,434</u>	<u>36,054</u>	<u>-</u>	<u>618,488</u>

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