Arizon RFID Technology (Cayman) Co., Ltd. and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2022 and 2021 and Independent Auditors' Report

Deloitte.

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INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Arizon RFID Technology (Cayman) Co., Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Arizon RFID Technology (Cayman) Co., Ltd. and its subsidiaries (collectively referred to as "the Group"), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC) and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission (FSC) of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022. The matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

The key audit matter identified in the Group's consolidated financial statements for the year ended December 31, 2022 is as follows:

Occurrence of sales revenue recognition for specific customers

The Group mainly engages in radio-frequency identification (RFID) system's design, development, manufacture and trading. For the year ended December 31, 2022, the consolidated sales revenue was $2,103,632 thousand. Due to the significant amount and the naturally high risk of sales revenue, we, therefore, focus on specific customers with larger fluctuations in gross profit margin, and consider the occurrence of their sales revenue recognition as a key audit matter.

Our audit procedures for the above-mentioned key audit matter included the following:

1. We reviewed the control activities related to revenue recognition and tested the effectiveness of the design and implementation of the control activities.

2. We sampled the sales revenue from specific customers by verifying certificates related to shipments, and we reviewed the recipients, payees and the amounts received for abnormalities to confirm the occurrence of the sales revenue recognition.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with statements that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine the matter that was of most significance in the audit of the consolidated financial statements for the year ended December 31, 2022, and is therefore the key audit matter. We describe the matter in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Shu-Wan Lin and Chih-Ming Shao.

Shu-Wan Lin   Chih-ming, Shao

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 15, 2023

<u>*Notice to Readers*</u>

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 audit such consolidated financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.

ARIZON RFID TECHNOLOGY (CAYMAN) CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars)

	2022		2021	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 608,787	13	$ 565,867	14
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	-	-	1,265,301	30
Financial assets at amortized cost - current (Notes 4 and 8)	220,472	5	-	-
Notes and accounts receivable (Notes 4, 9 and 16)	252,200	6	349,294	8
Accounts receivable from related parties (Notes 4, 16 and 24)	691	-	269	-
Inventories (Notes 4 and 10)	473,388	10	285,460	7
Other current assets	75,348	2	45,432	1
Total current assets	1,630,886	36	2,511,623	60
NON-CURRENT ASSETS				
Financial assets at amortized cost - non-current (Notes 4 and 8)	1,785,824	39	434,150	10
Property, plant and equipment (Notes 4, 12 and 17)	1,040,671	23	1,180,044	28
Right-of-use assets (Notes 4, 13 and 17)	25,907	1	37,001	1
Deferred tax assets (Notes 4 and 18)	36,256	1	36,744	1
Other non-current assets (Note 4)	14,073	-	12,162	-
Total non-current assets	2,902,731	64	1,700,101	40
TOTAL ASSETS	$ 4,533,617	100	$ 4,211,724	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Contract liabilities - current (Notes 4 and 16)	$ 28,419	1	$ 32,598	1
Notes and accounts payable	317,203	7	240,675	6
Accounts payable to related parties (Note 24)	1,052	-	282	-
Other payables	104,634	2	112,520	3
Other payables to related parties (Note 24)	243	-	201,574	5
Current tax liabilities (Notes 4 and 18)	14,192	1	16,268	-
Lease liabilities - current (Notes 4 and 13)	4,105	-	12,097	-
Other current liabilities	3,708	-	6,660	-
Total current liabilities	473,556	11	622,674	15
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Notes 4 and 18)	-	-	476	-
Lease liabilities - non-current (Notes 4 and 13)	1,029	-	3,963	-
Other non-current liabilities	50,913	1	51,845	1
Total non-current liabilities	51,942	1	56,284	1
Total liabilities	525,498	12	678,958	16
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4 and 15)				
Share capital				
Ordinary shares	660,600	14	877,790	21
Capital surplus	3,168,965	70	391,971	9
Unappropriated earnings	302,084	7	2,451,317	58
Other equity	(124,319)	(3)	(189,020)	(4)
Total equity attributable to owners of the Company	4,007,330	88	3,532,058	84
NON-CONTROLLING INTERESTS	789	-	708	-
Total equity	4,008,119	88	3,532,766	84
TOTAL LIABILITIES AND EQUITY	$ 4,533,617	100	$ 4,211,724	100

The accompanying notes are an integral part of the consolidated financial statements.

ARIZON RFID TECHNOLOGY (CAYMAN) CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2022		2021	
	Amount	**%**	**Amount**	**%**
OPERATING INCOME (Notes 4, 16 and 24)	$ 2,103,632	100	$ 2,030,995	100
OPERATING COST (Notes 4, 10, 17 and 24)	(1,428,158)	(68)	(1,435,996)	(71)
GROSS PROFIT	675,474	32	594,999	29
OPERATING EXPENSES (Notes 4, 17 and 24)				
Selling and marketing	(74,709)	(4)	(55,120)	(3)
General and administrative	(188,412)	(9)	(156,238)	(7)
Research and development	(89,652)	(4)	(79,937)	(4)
Total operating expenses	(352,773)	(17)	(291,295)	(14)
PROFIT FROM OPERATIONS	322,701	15	303,704	15
NON-OPERATING INCOME AND EXPENSES				
Interest income (Notes 4 and 24)	55,507	2	18,936	1
Other income	16,074	1	5,851	-
(Loss) gain on disposal of property, plant and equipment (Note 4)	(1,465)	-	18	-
Gain on financial assets at FVTPL	13,995	1	38,243	2
Finance costs	(433)	-	(308)	-
Other expenses	(909)	-	(33,974)	(2)
Foreign exchange gain (loss) (Notes 4 and 26)	14,628	1	(387)	-
Total non-operating income and expenses	97,397	5	28,379	1
PROFIT BEFORE INCOME TAX	420,098	20	332,083	16
INCOME TAX EXPENSE (Notes 4 and 18)	(81,384)	(4)	(61,449)	(3)
NET PROFIT FOR THE YEAR	338,714	16	270,634	13

(Continued)

ARIZON RFID TECHNOLOGY (CAYMAN) CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2022		2021	
	Amount	**%**	**Amount**	**%**
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Exchange differences arising on translation to the presentation currency	$ 53,185	2	$ (99,699)	(5)
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations	11,520	1	73,778	4
Other comprehensive income (loss) for the year, net of income tax	64,705	3	(25,921)	(1)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 403,419	19	$ 244,713	12
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	$ 338,638	16	$ 232,524	11
Non-controlling interests	76	-	38,110	2
	$ 338,714	16	$ 270,634	13
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	$ 403,339	19	$ 209,634	10
Non-controlling interests	80	-	35,079	2
	$ 403,419	19	$ 244,713	12
EARNINGS PER SHARE (Note 19)				
Basic	$ 5.18		$ 4.07	
Diluted	$ 5.17			

The accompanying notes are an integral part of the consolidated financial statements. (Concluded)

ARIZON RFID TECHNOLOGY (CAYMAN) CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars)

	Equity Attribute to Owners of the Company (Note 15)							
	Shares (In Thousands)	Amount	Capital Surplus	Unappropriated Earnings	Exchange Differences on Translating the Financial Statements of Foreign Operations	Total	Non-controlling Interests	Total Equity
BALANCE AT JANUARY 1, 2021	25,600	$ 767,488	$ 24,820	$ 2,422,502	$ (166,130)	$ 3,048,680	$ 442,039	$ 3,490,719
Appropriation of 2020 earnings								
Cash dividends distributed by the Company	-	-	-	(203,709)	-	(203,709)	-	(203,709)
Net profit for the year ended December 31, 2021	-	-	-	232,524	-	232,524	38,110	270,634
Other comprehensive (loss) income for the year ended December 31, 2021	-	-	-	-	(22,890)	(22,890)	(3,031)	(25,921)
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	232,524	(22,890)	209,634	35,079	244,713
Acquisition of subsidiaries in equity	3,985	110,302	367,151	-	-	477,453	(476,410)	1,043
BALANCE AT DECEMBER 31, 2021	29,585	877,790	391,971	2,451,317	(189,020)	3,532,058	708	3,532,766
Share-based compensation expenses (Note 20)	1,060	10,600	61,333	-	-	71,933	1	71,934
Net profit for the year ended December 31, 2022	-	-	-	338,638	-	338,638	76	338,714
Other comprehensive (loss) income for the year ended December 31, 2022	-	-	-	-	64,701	64,701	4	64,705
Total comprehensive (loss) income for the year ended December 31, 2022	-	-	-	338,638	64,701	403,339	80	403,419
Organization restructure (Notes 1 and 4)	35,415	(227,790)	2,715,661	(2,487,871)	-	-	-	-
BALANCE AT DECEMBER 31, 2022	66,060	$ 660,600	$ 3,168,965	$ 302,084	$ (124,319)	$ 4,007,330	$ 789	$ 4,008,119

The accompanying notes are an integral part of the consolidated financial statements.

ARIZON RFID TECHNOLOGY (CAYMAN) CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	$ 420,098	$ 332,083
Adjustments for:		
Depreciation expense	194,294	184,048
Amortization expense	1,364	1,215
Expected credit loss (reversed) recognized	(791)	92
Net gain on fair value changes of financial assets at FVTPL	(13,995)	(38,243)
Finance costs	433	308
Interest income	(55,507)	(18,936)
Share-based compensation expenses	11,090	-
Loss (gain) on disposal of property, plant and equipment	1,465	(18)
Write-downs of inventories	4,251	2,969
Unrealized (gain) loss on foreign currency exchange	(9,134)	4,341
Changes in operating assets and liabilities		
Notes receivable from related parties	-	-
Financial assets as at FVTPL	1,306,444	91,510
Notes and accounts receivable	106,877	(16,728)
Accounts receivable from related parties	(420)	2,457
Inventories	(188,760)	(75,466)
Other current assets	7,358	28,261
Contract liabilities	(4,716)	9,893
Notes and accounts payable	79,372	(31,991)
Accounts payable to related parties	770	46
Other payables	791	31,546
Other payables to related parties	(2,055)	(4,790)
Other current liabilities	(3,074)	14,496
Cash generated from operations	1,856,155	517,093
Interest received	18,786	4,556
Interest paid	(433)	(308)
Income tax paid	(83,150)	(57,941)
Net cash generated from operating activities	1,791,358	463,400
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in financial assets at amortized cost	(1,574,300)	(217,084)
Payments for property, plant and equipment	(37,443)	(371,163)
Proceeds from disposal of property, plant and equipment	-	143
Decrease in other receivables from related parties	-	200,279
(Increase) decrease in other non-current assets	(3,841)	496
Net cash used in investing activities	(1,615,584)	(387,329)
CASH FLOWS FROM FINANCING ACTIVITIES		
(Decrease) increase in other non-current liabilities	(1,753)	9,412
Repayment of the principal portion of lease liabilities	(12,486)	(12,157)

(Continued)

ARIZON RFID TECHNOLOGY (CAYMAN) CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars)

	2022	2021
Net cash inflow on acquisition of subsidiaries in equity (Note 21)	$ -	$ 1,043
Distribution of cash dividends	(203,600)	-
Issuance of ordinary shares for cash	60,844	-
Net cash used in financing activities	(156,995)	(1,702)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	24,141	(1,199)
NET INCREASE IN CASH AND CASH EQUIVALENTS	42,920	73,170
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	565,867	492,697
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 608,787	$ 565,867

The accompanying notes are an integral part of the consolidated financial statements. (Concluded)

ARIZON RFID TECHNOLOGY (CAYMAN) CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Arizon RFID Technology (Cayman) Co., Ltd. (the "Company"), was established on October 21, 2021 in the Cayman Islands under reorganization mainly for the purpose of applying for listing on Taiwan Stock Exchange ("TWSE"). The organization restructuring was conducted through the share exchanges between the Company and YFY RFID Co. Limited ("YFY RFID") in the first quarter of 2022. After completing the organization restructuring, the Company became the ultimate holding company. The Company is the continuation of YFY RFID, therefore the consolidated financial statements of the Company for the prior period are prepared under the assumption that the Company and YFY RFID were consolidated at the very beginning and is not restricted by the date of incorporation.

The Company's ultimate parent company is YFY Inc., and the Company's parent company is YFY Global Investment B.V., which both held 69.55% and 86.53% of the Company's shares as of December 31, 2022 and 2021, respectively.

The Company and its subsidiaries' (collectively referred to as the "Group") are mainly engaged in the design, development, manufacture and trading of radio-frequency identification (RFID) system.

The functional currency of the Company is the renminbi (RMB). For greater comparability and consistency of financial reporting, the consolidated financial statements are presented in New Taiwan dollars.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company's board of directors on March 10, 2023.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC)

   The initial application of the IFRSs endorsed and issued into effect by the FSC did not have a material impact on the Group's accounting policies.

b. New IFRSs endorsed by the FSC for application starting from 2023

New IFRSs	Effective Date Announced by IASB
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 1)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 2)
Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"	January 1, 2023 (Note 3)

Note 1: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 2: The amendments will be applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 3: Except for deferred taxes that were recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments are applied prospectively to transactions that occur on or after January 1, 2022.

As of the date the consolidated financial statements were authorized for issue, the Group has assessed that the application of other standards and interpretations will not have a material impact on the Group's financial position and financial performance.

c. The IFRSs in issue by IASB but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
Amendments to IFRS 16 "Leases Liability in a Sale and Leaseback"	January 1, 2024 (Note 2)
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17 - Comparative Information"	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2024
Amendments to IAS 1 "Non-current Liabilities with Covenants"	January 1, 2024

Note 1: Unless stated otherwise, the above IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed and issued into effect by the FSC.

b. Basis of preparation

As stated in Note 1, the share exchange transaction of the Company with YFY RFID was an organization restructure under common control that the Company is the continuation of YFY RFID. The related assets and liabilities in the Company's consolidated financial statements were recognized based on the carrying amounts of those in YFY RFID's consolidated financial statements. The consolidated financial statements of the Company for prior period are prepared under the assumption that the Company and YFY RFID were amalgamated at the very beginning.

The consolidated financial statements have been prepared on the historical cost basis except for the financial instruments measured at fair value.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or a liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

3) Level 3 inputs are unobservable inputs for an asset or a liability.

c. Classification of current and non-current assets and liabilities

Current assets include:

1) Assets held primarily for the purpose of trading;

2) Assets expected to be realized within 12 months after the reporting period; and

3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

2) Liabilities due to be settled within 12 months after the reporting period; and

3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

Assets and liabilities that are not classified as current are classified as non-current.

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e. its subsidiaries). When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

See Note 11, Tables 4 and 5 for the detailed information of subsidiaries (including the percentages of ownership and main businesses).

e. Foreign currencies

In preparing the financial statements of each individual entity in the Group, transactions in currencies other than the entity's functional currency (i.e., foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the period.

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purpose of presenting the consolidated financial statements, the functional currencies of the Company and its foreign operations (including subsidiaries in other countries or those that use currencies which are different from the currency of the Company) are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income and attributed to the owners of the Company and non-controlling interests as appropriate. The exchange differences accumulated in equity, which resulted from the translation of the assets and liabilities of the entities in the Group into the presentation currency, are not subsequently reclassified to profit or loss.

f. Inventories

Inventories are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at the weighted-average cost on the balance sheet date.

g. Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment loss.

Property, plant and equipment in the course of construction are measured at cost less any recognized impairment loss. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for their intended use.

Depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

h. Intangible assets

1) Separate acquisition

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

2) Derecognition

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset are recognized in profit or loss.

i. Impairment of property, plant and equipment, right-of-use assets and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual or smallest group of cash-generating units on a reasonable and consistent allocation basis.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually and whenever there is an indication that the assets may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized on the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

j. Financial instruments

Financial assets and financial liabilities are recognized when an entity in the Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss (FVTPL)) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

1) Financial assets

   All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

   a) Measurement category

      Financial assets are classified into the following categories: Financial assets at FVTPL and financial assets at amortized cost.

      i. Financial assets at FVTPL

         Financial asset is classified as at FVTPL when the financial asset is mandatorily classified as at FVTPL. The Group's financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

         Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss.

      ii. Financial assets at amortized cost

         Financial assets that meet the following conditions are subsequently measured at amortized cost:

         i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

         ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

      Subsequent to initial recognition, financial assets at amortized cost are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

      Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

   b) Impairment of financial assets

      The Group recognizes a loss allowance for expected credit losses (ECLs) on financial assets at amortized cost (including accounts receivable) at the end of each reporting period.

The Group always recognizes lifetime ECLs for accounts receivable. For all other financial instruments, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

ECLs reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amounts through a loss allowance account.

c) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset’s carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

2) Equity instruments

Equity instruments issued by the Group are classified as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Group’s own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Group’s own equity instruments.

3) Financial liabilities

a) Subsequent measurement

All the financial liabilities are measured at amortized cost using the effective interest method.

b) Derecognition of financial liabilities

The difference between the carrying amount of the financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

k. Provisions

Provisions, including those arising from the contractual obligation, are stated at the best estimate of the discounted cash flow of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

l. Revenue recognition

The Group identifies contracts with customers and recognizes revenue when performance obligations are satisfied.

Revenue from sale of goods comes from production and sales of RFID software and hardware. Revenue and trade receivables are recognized when the goods are delivered to designated locations and performance obligations are satisfied. Advance payments from sales of goods are recognized as contract liabilities before performance obligations are satisfied.

m. Leases

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease.

1) The Group as lessor

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases.

2) The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost (the initial measurement of lease liabilities), and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments (fixed payments). The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee’s incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in future lease payments resulting from a change in a lease term, the Group remeasures the lease liability with a corresponding adjustment to the right-of-use assets. However, if the carrying amount of a right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

n. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expenses when employees have rendered service entitling them to the contributions.

o. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

Income tax payable is based on taxable profit for the year determined according to the applicable tax laws of each tax jurisdiction.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and unused tax credits for investments to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred taxes for the year

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income; in which case, the current and deferred taxes are also recognized in other comprehensive income.

p. Employee share options

The fair value at the grant date of the employee share options is expensed on a straight-line basis over the vesting period, based on the Group's best estimate of the number of options that are expected to ultimately vest, with a corresponding increase in capital surplus - employee share options and non-controlling interests. The employee share options are recognized as an expense in full at the grant date if they are vested immediately.

At each balance sheet date, the Group reviews its estimate of the number of employee share options expected to vest. The impact of the revision of the original estimates is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the capital surplus - employee share options and non-controlling interests.

The grant date of issued ordinary shares for cash which are reserved for employees is the date on which the number of shares granted to the employees for subscription is confirmed.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions on the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The Group considers the possible impact of the recent development of the COVID-19 in partial area of its subsidiaries and its economic environment implications when making its critical accounting estimates on cash flow projections, growth rate, discount rate, profitability, etc. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2022	2021
Cash on hand	$ 143	$ 99
Checking accounts and demand deposits	608,644	400,677
Cash equivalents (investments with original maturities of three months or less)	-	165,091
	$ 608,787	$ 565,867

The market rate intervals of cash equivalents at the end of the reporting period were as follows:

	December 31	
	2022	2021
Cash equivalents	-	1.80%

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL) - CURRENT

	December 31	
	2022	2021
Financial assets mandatorily classified as at FVTPL		
Hybrid financial asset		
Structured deposits	$ -	$ 1,265,301

8. FINANCIAL ASSETS AT AMORTIZED COST

	December 31	
	2022	2021
Current		
Time deposits with original maturities of more than 3 months and 1 year	$ 220,472	$ -
Non-current		
Time deposits with original maturities of more than 1 year	$ 1,785,824	$ 434,150

As of December 31, 2022, the interest rates for time deposits with original maturity between three months and a year was 3.99%.

As of December 31, 2022 and 2021, the interest rates for time deposits with original maturity of more than a year were 3.10%-3.99% and 3.99%, respectively.

9. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE

	December 31	
	2022	2021
Notes receivable	$ 10,533	$ 5,609
Accounts receivable	241,680	348,806
Less: Allowance for impairment loss	(13)	(5,121)
	$ 252,200	$ 349,294

The average credit period of sales of goods was 30-90 days The Group established department to manage receivables and related regulations for credit checking and quota management in order to ensure the Company’s benefits.

The Group applies the simplified approach for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all trade receivables. The expected credit losses on trade receivables are estimated using a provision matrix prepared by reference to the past default experience of the customer, the customer’s current financial position, economic condition of the industry in which the customer operates, as well as the GDP forecasts and industry outlook. As the Group’s historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group’s different customer base.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For trade receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of trade receivables based on the Group's provision matrix:

December 31, 2022

	Not Past Due	Up to 90 Days	91 Days to 180 Days	181 Days to 360 Days	Over 361 Days	Total
Expected credit loss rate	0.01%	-	-	-	-	
Gross carrying amount	$ 244,235	$ 7,938	$ 40	$ -	$ -	$ 252,213
Loss allowance (Lifetime ECLs)	(13)	-	-	-	-	(13)
Amortized cost	$ 244,222	$ 7,938	$ 40	$ -	$ -	$ 252,200

December 31, 2021

	Not Past Due	Up to 90 Days	91 Days to 180 Days	181 Days to 360 Days	Over 361 Days	Total
Expected credit loss rate	0.05%	0.62%	-	100%	100%	
Gross carrying amount	$ 332,355	$ 17,213	$ -	$ 517	$ 4,330	$ 354,415
Loss allowance (Lifetime ECLs)	(168)	(106)	-	(517)	(4,330)	(5,121)
Amortized cost	$ 332,187	$ 17,107	$ -	$ -	$ -	$ 349,294

The movements of the loss allowance of trade receivables were as follows:

	2022	2021
Balance at January 1	$ 5,121	$ 5,058
Net remeasurement of allowance	(791)	92
Amounts written off	(4,423)	-
Foreign currency exchange gains and losses	106	(29)
Balance at December 31	$ 13	$ 5,121

10. INVENTORIES

	December 31	
	2022	2021
Finished and purchased goods	$ 179,696	$ 91,481
Work in process	26,518	28,693
Materials	267,174	165,286
	$ 473,388	$ 285,460

The cost of goods sold for the years ended December 31, 2022 and 2021 included reversal of inventory write-downs of $4,251 thousand and $2,969 thousand, respectively.

11. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements:

Investor	Investee	Main Business	% of Ownership December 31 2022	2021	Remark
The Company	YFY RFID Co. Limited	Investment holding	100.00	100.00	b.
YFY RFID Co. Limited	Arizon RFID Technology Co., Ltd.	Design, development, manufacture, sale and packaging of RFID (radio frequency identification) products	99.98	99.98	a.
	The Company	Investment and holding	-	100.00	b.
Arizon RFID Technology Co., Ltd.	Yeon Technologies (Yangzhou) Co., Ltd.	Design and agent of RFID module, system and antenna.	100.00	100.00	
	Arizon RFID Technologies (Hong Kong) Co., Ltd.	Product distribution and R&D services	100.00	100.00	
	Arizon JAPAN Co., Ltd.	Product distribution and technical consulting services	100.00	100.00	

Remarks:

a. In December 2021, YFY RFID purchased 13.47% of the shares from a minority shareholder and became a 99.98%-owned subsidiary.

b. The Company was established by YFY RFID as its 100%-owned subsidiary in the fourth quarter of 2021. The organization restructuring was conducted by the Company's share exchange with YFY RFID's share in the first quarter of 2022. After completing the organization restructuring, the Company became the ultimate holding company. The Company is the continuation of YFY RFID, therefore the consolidated financial statements of the Company for the prior period are prepared under the assumption that the Company and YFY RFID were amalgamated at the very beginning and is not restricted by the date of incorporation.

The financial statements of subsidiaries included in the consolidated financial statements are based on the audited amounts.

12. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Machinery	Transportation Equipment	Miscellaneous Equipment	Property in Construction	Total
Cost						
Balance at January 1, 2021	$ 319,771	$ 1,438,463	$ 3,573	$ 20,913	$ 245,976	$ 2,028,696
Additions	24,051	136,922	-	10,233	181,256	352,462
Disposals	-	(409)	(143)	(1,254)	-	(1,806)
Effect of foreign currency exchange differences	(1,720)	(7,402)	(18)	(78)	(930)	(10,148)
Reclassifications	260,100	123,682	-	18,936	(402,681)	37
Balance at December 31, 2021	$ 602,202	$ 1,691,256	$ 3,412	$ 48,750	$ 23,621	$ 2,369,241

(Continued)

	Buildings	Machinery	Transportation Equipment	Miscellaneous Equipment	Property in Construction	Total
Accumulated depreciation						
Balance at January 1, 2021	$ 91,135	$ 921,969	$ 2,966	$ 8,859	$ -	$ 1,024,929
Depreciation expenses	21,388	143,306	284	6,445	-	171,423
Disposals	-	(389)	(135)	(1,157)	-	(1,681)
Effect of foreign currency exchange differences	(488)	(4,923)	(16)	(47)	-	(5,474)
Balance at December 31, 2021	$ 112,035	$ 1,059,963	$ 3,099	$ 14,100	$ -	$ 1,189,197
Carrying amounts at December 31, 2021	$ 490,167	$ 631,293	$ 313	$ 34,650	$ 23,621	$ 1,180,044
Cost						
Balance at January 1, 2022	$ 602,202	$ 1,691,256	$ 3,412	$ 48,750	$ 23,621	$ 2,369,241
Additions	-	9,934	-	9,123	8,634	27,691
Disposals	(2,201)	-	-	(310)	-	(2,511)
Effect of foreign currency exchange differences	9,415	22,985	53	230	407	33,090
Reclassifications	4,083	22,456	-	4,112	(30,651)	-
Balance at December 31, 2022	$ 613,499	$ 1,746,631	$ 3,465	$ 61,905	$ 2,011	$ 2,427,511
Accumulated depreciation						
Balance at January 1, 2022	$ 112,035	$ 1,059,963	$ 3,099	$ 14,100	$ -	$ 1,189,197
Depreciation expenses	29,340	143,487	145	8,337	-	181,309
Disposals	(793)	-	-	(253)	-	(1,046)
Effect of foreign currency exchange differences	1,592	15,604	48	136	-	17,380
Reclassifications	-	(510)	-	510	-	-
Balance at December 31, 2022	$ 142,174	$ 1,218,544	$ 3,292	$ 22,830	$ -	$ 1,386,840
Carrying amounts at December 31, 2022	$ 471,325	$ 528,087	$ 173	$ 39,075	$ 2,011	$ 1,040,671

(Concluded)

The above items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings	20 years
Machinery	5-10 years
Transportation equipment	5 years
Miscellaneous equipment	3-6 years

13. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2022	2021
Carrying amounts		
Land	$ 20,839	$ 21,018
Buildings	3,268	14,012
Others	1,800	1,971
	$ 25,907	$ 37,001

	For the Year Ended December 31	
	2022	2021
Additions to right-of-use assets	$ 1,537	$ 1,758
Depreciation charge for right-of-use assets		
Land	$ 511	$ 500
Buildings	11,406	11,449
Others	1,068	676
	$ 12,985	$ 12,625

b. Lease liabilities

	December 31	
	2022	2021
Carrying amounts		
Current	$ 4,105	$ 12,097
Non-current	$ 1,029	$ 3,963

Range of discount rates for lease liabilities was as follows:

	December 31	
	2022	2021
Buildings	1.52%-7.4%	1.52%-7.4%
Others	1.52%-4.6%	1.52%-4.6%

c. Material lease-in activities and terms

The Group leases certain equipment and office for the use of operating activities with lease terms of 2 to 5 years. These arrangements do not contain renewal or purchase options at the end of the lease terms.

The lease contract for land located in mainland China specifies that land are mainly used as plants, and lease payments will be made at the beginning of the contract with lease terms of 50 years. The Group does not have bargain purchase options to acquire the leasehold land, buildings and equipment at the end of the lease terms.

d. Other lease information

	For the Year Ended December 31	
	2022	2021
Expenses relating to short-term leases and low-value asset leases	$ 4,891	$ 4,968
Total cash outflow for leases	$ 18,210	$ 17,898

14. RETIREMENT BENEFIT PLANS

Defined Contribution Plans

Arizon RFID Technology (Hong Kong) Co., Ltd., Taiwan Branch adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

The employees of Arizon RFID Technology Co., Ltd., Yeon Technologies (Yangzhou) Co., Ltd. and Arizon JAPAN Co., Ltd. of the Group are members of a state-managed retirement benefit plan operated by their local governments. The subsidiary is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

15. EQUITY

a. Ordinary shares

	December 31	
	2022	**2021**
Number of shares authorized (in thousands)	100,000	-
Shares authorized ($10 per share)	$ 1,000,000	$ -
Number of shares issued (in thousands)	66,060	29,585
Shares issued	$ 660,600	$ 877,790
Shares issued (US$ in thousands)	$ -	$ 29,585

YFY RFID originally had US$25,600 thousand in share capital, as 25,600 thousand shares with a par value of US$1, carry one vote per share and a right to receive dividends.

YFY RFID issued 3,985 thousand ordinary shares in December 2021 to acquire 13.47% shares of Arizon RFID Technology Co., Ltd. and $1,043 thousand in cash from minority shareholders of Arizon RFID Technology Co., Ltd.

The Company was established by YFY RFID as its 100%-owned subsidiary in the fourth quarter of 2021, with 1 share, a par value of $10, and $10 as share capital. The organization restructuring was conducted through the share exchange between the Company and YFY RFID in the first quarter of 2022, with an agreement on acquiring 1 share of the Company by exchanging YFY RFID's 0.455152 share in equity, which resulted in the acquisition of 100% of YFY RFID's equity. The Company's share capital increased to $650,000 thousand as 65,000 thousand shares with a par value of $10 after the transaction.

On July 12, 2022, the Company's board of directors resolved to issue 1,060 thousand ordinary shares with a listing price of $57.4 per share with a par value of $10. The shares issued were all employee share options due to the original shareholders' renouncement. The subscription base date was August 17, 2022. Please refer to Note 20 for the details of the compensation of employees recognized.

On December 14, 2022, the Company's board of directors resolved to issue 8,258 thousand ordinary shares before listing with the price of shares for public offering of $52 per share with a par value of $10. The transaction was approved by the Taiwan Stock Exchange Corporation on January 30, 2023. The listing price, subscription base date, etc. will be determined by the Chairman authorized by the Company's board of directors.

b. Capital surplus

	Differences Between Equity Purchase Price and Carrying Amount from Actual Acquisition or Disposal of Equity in Subsidiary	Share Premium	Employee Share Options	Total
Balance at January 1, 2021	$ 24,820	$ -	$ -	$ 24,820
Subsidiary shares obtained by issuance of ordinary shares	5,408	361,743	-	367,151
Balance at December 31, 2021	$ 30,228	$ 361,743	$ -	$ 397,971
Balance at January 1, 2022	$ 30,228	$ 361,743	$ -	$ 397,971
Organization restructure	(30,228)	2,745,889	-	2,751,661
Share-based payments	-	-	11,809	11,089
Issuance of ordinary shares for employee share options	-	58,968	(8,724)	50,244
Balance at December 31, 2022	$ -	$ 3,166,600	$ 2,365	$ 3,168,965

As aforementioned in Note 1., the share exchange transaction of the Company with YFY RFID was treated as a reorganisation of entities under common control in accordance with the 'IFRS 3 Explanations to Business Combinations Under Joint Control' in the IFRS Q&A issued by Accounting Research and Development Foundation (ARDF), and the ARDF Interpretation 100-390. The balance exceeds the Company's share capital and equity shall be adjusted in capital surplus as an increase, other than the equity item related to assets and liabilities of YFY RFID, which should be transferred at its original amount.

c. Retained earnings and dividends policy

Under the dividends policy as set forth in the Articles amended in July 2022, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonuses to shareholders.

As the Company is in the growing stage, the distribution of dividend may be in cash or in shares to shareholders, as well as the Company shall take the Company's capital expenditures, future expansion plans, and financial structure, funds requirement and other plans for sustainable development into consideration on the dividend the Company wish to distribute based on the Company's dividends policy. Every year, no less than 30% of the available profit shall be distributed as shareholder dividends. The distribution of dividends may be in cash or in shares, of which the cash dividends should be no less than 20%. For the policies on the distribution of compensation of employees and remuneration of directors, refer to compensation of employees and remuneration of directors in Note 17(c).

The legal reserve may be used to offset deficit. If the Company has no deficit, all or a portion of its legal reserve, or the capital surplus which arises out of the share premium or donations to the Company may be transferred to capital, issue new shares or distribute to the Members in cash, by a resolution adopted by a majority of the shareholders who represent two-thirds or more of the total number of shareholders in a shareholders' meeting.

YFY RFID's resolution of distribution of cash dividends of $203,709 thousand (US$7,272 thousand) was approved by the Company's board of directors on December 2, 2021 and was distributed on March 22, 2022.

Items referred to under Rule No. 1010012865, Rule No. 1010047490, and Rule No. 1030006415 issued by the FSC and in the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", should be appropriated to or reversed from a special reserve by the Company. When the deduction balance of other shareholders' equity is reversed, the surplus may be distributed thereafter.

The appropriations of earnings for 2022, which were proposed by the Company's board of directors on March 10, 2023, were as follows:

	For the Year Ended December 31, 2022
Legal reserve	$ 30,208
Special reserve	$ 124,319
Cash dividends	$ 147,150
Cash dividends per share (NT$)	$ 1.98

The appropriations of earnings for 2022 will be approved by the shareholders in their meeting to be held in June 2023. Information about the appropriations of earnings is available at the Market Observation Post System website of the Taiwan Stock Exchange.

d. Non-controlling interests

	For the Year Ended December 31	
	2022	**2021**
Balance at January 1	$ 708	$ 442,309
Attributable to non-controlling interests:		
Share-based payment	1	-
Share of profit for the year	76	38,110
Other comprehensive income/(loss) during the year	4	(3,031)
Equity transaction with non-controlling interests (Note 21)	-	(476,410)
Balance at December 31	$ 789	$ 708

16. REVENUE

	For the Year Ended December 31	
	2022	2021
Revenue from contracts with customers - sale of goods	$ 2,043,295	$ 1,895,818
Other income	60,337	135,177
	$ 2,103,632	$ 2,030,995

Contract Balances

	December 31	
	2022	2021
Notes receivable and accounts receivable	$ 252,200	$ 349,294
Receivables from related parties	691	269
	$ 252,891	$ 349,563
Contract liabilities - current	$ 28,419	$ 32,598

The amount of contract liabilities from the beginning of the year recognized as income in the current period is as follows:

	For the Year Ended December 31	
	2022	2021
Revenue from contracts with customers - sale of goods	$ 16,461	$ 8,397

For information about notes receivable and accounts receivable, refer to Note 9. The changes in the balance of contract liabilities primarily result from the timing difference between the Group’s satisfaction of performance obligations and the respective customer’s payment.

17. NET PROFIT

a. Depreciation and amortization

	For the Year Ended December 31	
	2022	2021
Right-of -use assets	$ 181,309	$ 171,423
Property, plant and equipment	12,985	12,625
Intangible asset (under other non-current assets)	1,364	1,215
	$ 195,658	$ 185,263
An analysis of depreciation by function		
Operating costs	$ 160,448	$ 159,029
Operating expenses	33,846	25,019
	$ 194,294	$ 184,048
An analysis of amortization by function		
Operating expenses	$ 1,364	$ 1,215

b. Employee benefits expense

	For the Year Ended December 31	
	2022	**2021**
Short-term employee benefits	$ 348,719	$ 342,909
Share-based payment	11,090	-
Post-employment benefits		
Defined contribution plans	17,791	17,282
	$ 377,600	$ 360,191
An analysis of employee benefit expense by function		
Operating costs	$ 188,565	$ 195,871
Operating expenses	189,035	164,320
	$ 377,600	$ 360,191

As of December 31, 2022 and 2021, the Group had 510 and 550 employees with 4 and 1 directors that were not adjunct employees, respectively. The calculation basis is consistent with the employee benefits.

c. Compensation of employees and remuneration of directors

The Company accrued compensation of employees and remuneration of directors at rates of no less than 1% and no higher than 2%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors. The compensation of employees and remuneration of directors for the years ended December 31, 2022, which was approved by the Company's board of directors on March 10, 2023, was as follows:

Amount

	For the Year Ended December 31, 2022
Compensation of employees	$ 3,075
Remuneration of directors	3,075

If there is a change in the amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate in the following year.

Information on the compensation of employees and remuneration of directors resolved by the Company's board of directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

18. INCOME TAXES

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	For the Year Ended December 31	
	2022	2021
Current tax		
In respect of the current year	$ 78,310	$ 61,064
Adjustments for prior years	2,490	1,635
	80,800	62,699
Deferred tax		
In respect of the current year	584	(3,448)
Adjustments for prior years	-	2,198
	584	(1,250)
Income tax expense recognized in profit or loss	$ 81,834	$ 61,449

A reconciliation of accounting profit and income tax expenses is as follows:

	For the Year Ended December 31	
	2022	2021
Profit before tax	$ 420,098	$ 332,083
Income tax expense calculated at the statutory rate	$ 69,380	$ 52,181
Permanent differences	9,514	5,435
Adjustments for prior years	2,490	3,833
Income tax expense recognized in profit or loss	$ 81,384	$ 61,449

The applicable tax rate of 15% for designated high and new technology enterprises is used by Arizon RFID Technology Co., Ltd., the Group's subsidiary in China. Tax rates used by other entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

b. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2022

Deferred tax assets	Opening Balance	Recognized in Profit or Loss	Exchange Differences	Closing Balance
Temporary differences				
Depreciation of Property, plant and equipment	$ 28,365	$ (1,545)	$ 453	$ 27,273
Allowance for loss on inventories	1,696	335	25	2,056
Others	6,683	140	104	6,927
	$ 36,744	$ (1,070)	$ 582	$ 36,256

(Continued)

	Opening Balance	Recognized in Profit or Loss	Exchange Differences	Closing Balance
Deferred tax liabilities				
Temporary differences				
Others	$ 476	$ (486)	$ 10	$ -

(Concluded)

For the year ended December 31, 2021

	Opening Balance	Recognized in Profit or Loss	Exchange Differences	Closing Balance
Deferred tax assets				
Temporary differences				
Depreciation of Property, plant and equipment	$ 27,942	$ 573	$ (150)	$ 28,365
Allowance for loss on inventories	1,793	(88)	(9)	1,696
Others	6,559	159	(35)	6,683
	$ 36,294	$ 644	$ (194)	$ 36,744
Deferred tax liabilities				
Temporary differences				
Others	$ 1,084	$ (606)	$ (2)	$ 476

c. Unused loss carryforwards for which no deferred tax assets have been recognized in the consolidated balance sheets

Arizon RFID Technology (Hong Kong) Co., Ltd., Taiwan Branch

	December 31, 2022
Loss carryforwards	
Expiry in 2030	$ 30,811
Expiry in 2031	86,597
Expiry in 2032	41,154
	$ 158,862

Arizon JAPAN Co., Ltd.

	December 31, 2022
Loss carryforwards	
Expiry in 2032	$ 1,003

d. Income tax assessments

The tax filings of Arizon RFID Technology (Hong Kong) Co., Ltd., Taiwan Branch through 2020 have been approved by the tax authorities.

19. EARNINGS PER SHARE

	For the Year Ended December 31	
	2022	2021
Basic earnings per share (NT$)	$ 5.18	$ 4.07
Diluted earnings per share (NT$)	$ 5.17	

The earnings and weighted average number of ordinary shares outstanding used in the computation of earnings per share are as follows:

Net profit for the year:

	For the Year Ended December 31	
	2022	2021
Profit for the year attributable to owners of the Company	$ 388,638	$ 232,524

Weighted average number of ordinary shares outstanding (in thousands of shares):

	For the Year Ended December 31	
	2022	2021
Weighted average number of ordinary shares used in the computation of basic earnings per share	$ 65,395	$ 57,108
Effect of potentially dilutive ordinary shares:		
Employee share options	52	
Compensation of employees	51	
Weighted average number of ordinary shares used in the computation of diluted earnings per share	$ 65,498	

The agreement on a joint share exchange between the Company and YFY RFID was regarded as an organizational restructuring under common control, and the earnings per share of prior periods were calculated based on the weighted average number of ordinary shares outstanding retrospectively adjusted in accordance with a share exchange ratio of 0.455152:1 stated in the joint share exchange agreement.

The Company may settle compensation or bonuses paid to employees in cash or shares; therefore, the Group assumes that the entire amount of the compensation or bonuses will be settled in shares, and the resulting potential shares will be included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

20. SHARE-BASED PAYMENT ARRANGEMENTS

a. The board of directors resolved to issue 595 employee share options on July 21, 2022. The Company granted the right to subscribe for 1 thousand ordinary shares to specific employees on August 16, 2022 (the date of the number of shares for employees to subscribe is confirmed). The price per share of ordinary shares for employee stock subscription is $57.4. Pursuant to the Company's "Regulations Governing Issuance and Exercising of Employee Share Options," the options granted are valid for 3 years and exercisable at the following vesting conditions after the second anniversary of the grant date. For any subsequent changes in the Company's capital structure, the exercise price is adjusted according to the terms.

   Information on employee share options issued and weighted average exercise price of 2022 is as follows:

Employee Share Option	Number of Units (In Thousands)	Weighted Average Exercise Price (NT$)
Balance at January 1	-	$ -
Options granted	595	57.4
Balance at December 31	595	
Options exercisable, end of period	-	
Weighted-average fair value of options granted in December 31 (NT$)	$ 21.2	

   The Company measured employee share options by using the Black-Scholes-Merton Option Pricing Model, and the inputs to the models were as follows:

	August 16, 2022
Per share price at the grant date	$65.64
Exercise price per share	$57.40
Expected share price volatility (%)	42.47
Expected lives (years)	2.5
Risk free interest rate (%)	0.92

   The compensation of employees recognized on the consolidated statement of comprehensive income was $2,366 thousand for the year ended December 31, 2022.

b. The board of directors resolved to issue 1,060 thousand ordinary shares on July 12, 2022. The shares issued were all issued as employee share options due to the original shareholders' renouncement. The Company granted the right to subscribe for 1,060 thousand ordinary shares to the Company and subsidiaries' specific employees on August 16, 2022 (the date of the number of shares for employees to subscribe is confirmed), respectively. The price per share of 1,060 thousand ordinary shares for employee stock subscription is $57.4.

Information on employee share options issued and the weighted average exercise price of 2022 is as follows:

Employee Share Options	Number of Units (In Thousands)	Weighted Average Exercise Price (NT$)
Balance at January 1	-	
Options granted	1,060	$ 57.4
Options exercised	(1,060)	57.4
Balance at December 31	-	
Weighted-average fair value of options granted in December 31 (NT$)	$ 8.24	

The Company measured employee share options by using the Black-Scholes-Merton Option Pricing Model, and the inputs to the models were as follows:

	August 16, 2022
Per share price at the grant date	$65.64
Exercise price per share	$57.40
Expected share price volatility (%)	42.13
Expected lives (days)	2
Risk free interest rate (%)	0.74

The compensation of employees recognized on the consolidated statement of comprehensive income was $8,724 thousand for the year ended December 31, 2022.

21. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

YFY RFID issued new shares in December 2021 to acquire 13.47% shares of Arizon RFID Technology Co., Ltd. and $1,043 thousand in cash from minority shareholders of Arizon RFID Technology Co., Ltd. As a result, YFY RFID's shareholdings in Arizon RFID Technology Co., Ltd. increased from 85.61% to 99.98%. The transaction was accounted for as an equity transaction since the transaction did not change the Group's control over Arizon RFID Technology Co., Ltd.

	Amount
Issuance of new shares and share premium of YFY RFID	$ (472,045)
Consideration YFY RFID collected	1,043
The proportionate share of the carrying amount of the net assets of Arizon RFID Technology Co., Ltd. transferred to non-controlling interests	476,410
Differences recognized from equity transactions	$ 5,408

22. CAPITAL MANAGEMENT

The Group manages its capital to ensure entities in the Group will be able to continue as going concerns through consideration of the future operational plan, profitability, capital expenditure, operating income and debt repayment when assessing various costs and risks. In order to balance the overall capital and financial structure, the Group may pay dividends, issue new shares, etc.

23. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments

The management of the Group considers that the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements to approximate their fair values.

b. Fair value of financial instruments that are measured at fair value on a recurring basis

1) Fair value hierarchy

December 31, 2021

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Structured deposits	$ -	$ -	$ 1,265,301	$ 1,265,301

2) Valuation techniques and inputs used to make Level 3 fair value measurement

Financial Instruments	Valuation Techniques and Inputs
Structured deposits	Discounted cash flow method: The future cash flow is estimated based on the observable interest rate at the end of the period, discounted at the market interest rate.

c. Categories of financial instruments

	December 31	
	2022	2021
Financial assets		
FVTPL		
Mandatorily classified as at FVTPL	$ -	$ 1,265,301
Financial assets at amortized cost (1)	2,925,098	1,373,277
Financial liabilities		
Financial liabilities at amortized cost (2)	423,385	558,261

1) The balances include financial assets measured at amortized cost, which comprise cash and cash equivalents, notes and accounts receivable, accounts receivable from related parties, other receivables (accounted as other current assets), current financial assets at amortized cost, non-current financial assets at amortized cost, and refundable deposits (accounted as other current assets and other non-current assets).

2) The balances include financial liabilities measured at amortized cost, which comprise notes and accounts payable, accounts payable to related parties, other payables, other payables to related parties, and deposits received (accounted as other current liabilities and other non-current liabilities).

d. Financial risk management objectives and policies

The Group's main objective of financial risk management is to manage the market risk related to operating activity including foreign currency risk, interest rate risk, credit risk and liquidity risk. To reduce the potential and detrimental influence of market fluctuations on the Group's financial performance, the Group endeavors to identify, estimate and hedge the uncertainties of the market.

The Group's significant financial activity is reviewed and approved by the board of directors in compliance with related regulations and internal control policy, and the authority and responsibility are delegated according to the operating procedures. The Group did not enter into or trade financial instruments for speculative purposes.

1) Market risk

a) Foreign currency risk

The Group had foreign currency sales and purchases, which exposed the Group to foreign currency risk. Exchange rate exposures are managed within approved policy parameters utilizing foreign exchange forward contracts.

Sensitivity analysis

The Group is mainly exposed to the USD.

The following table details the Group's sensitivity to a 5% increase and decrease in the functional currency against the relevant foreign currencies. 5% represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency-denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. For a 5% weakening of the RMB against the relevant currency, there would be an equal and opposite impact on pre-tax profit.

	For the Year Ended December 31	
	2022	**2021**
Profit or loss at 5% variance		
USD	$ (4,247)	$ 4,181

b) Interest rate risk

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	December 31	
	2022	**2021**
Fair value interest rate risk		
Financial assets	$ 2,006,296	$ 434,150
Financial liabilities	$ 5,134	$ 16,060
Cash flow interest rate risk		
Financial assets	$ 608,644	$ 565,768

Due to the close and long-term relationship with banks, the Group obtained better and flexible interest rates from banks. The impact of the change in interest rates is not significant to the Group.

Sensitivity analysis

For the Group's floating interest rate financial assets and liabilities, if interest rates had been 0.1% higher/lower and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2022 and 2021 would have increased/decreased as follows:

	For the Year Ended December 31	
	2022	**2021**
Increase/decrease	$ 609	$ 566

c) Other price risk

The Group was exposed to equity price risk through its investments in structured deposits. To prevent significant price risk, the Group has built an immediate control system.

Sensitivity analysis

The sensitivity analyses below were determined based on the changes in fair value of financial assets at FVTPL at the end of the reporting period.

If equity prices had been 5% higher/lower, the Group's comprehensive income for the years ended December 31, 2022 and 2021 would have increased/decreased as follows:

	For the Year Ended December 31, 2021
Profit before tax	
Increase/decrease	$ 63,265

2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in a financial loss to the Group. As at the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to the failure of the counterparty to discharge its obligation is at the level of the carrying amounts of the respective recognized financial assets which comprise receivables from operating activities as stated in the consolidated balance sheets.

To maintain the quality of the accounts receivable, the Group has developed a credit risk management procedure to reduce the credit risk from specific customers. The credit evaluation of individual customers includes considering factors that will affect their payment ability such as financial condition, past transaction records and current economic conditions. Credit risk of bank deposits, fixed-income investments and other financial instruments with banks is evaluated and monitored by the Group's finance department. Since the counterparties are creditworthy banks and financial institutions with good credit ratings, there was no significant credit risk.

3) Liquidity risk

The objective of liquidity risk management is to maintain adequate cash and cash equivalents with high liquidity and to ensure the Group has sufficient financial flexibility.

24. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

a. Related party name and category

Related Party Name	Related Party Category
YFY Inc.	Ultimate parent company
YFY Global Investment B.V.	Parent company
YFY Packaging Inc.	Fellow subsidiary
Pek Crown Paper Co., Ltd.	Fellow subsidiary
Fidelis IT Solutions Co., Ltd.	Fellow subsidiary
Chung Hwa Pulp Corporation	Fellow subsidiary
YFY Corporate Advisory & Services Co., Ltd.	Fellow subsidiary
YFY Paper Enterprise (Nanjing) Co., Ltd.	Fellow subsidiary
Yuen Foong Shop Co., Ltd.	Fellow subsidiary
YFY International B.V.	Fellow subsidiary
Yuen Foong Yu Paper Enterprise (Vietnam) Binh Duong Co., Ltd.	Fellow subsidiary
Yuen Foong Yu Paper Enterprise (Vietnam) Co., Ltd.	Fellow subsidiary
E Ink Holdings Inc.	Substantive related party
Hsin-Yi Enterprise Co., Ltd.	Substantive related party
Yuen Foong Paper Co., Ltd.	Substantive related party
YFY BioTechnology (Kunshun) Co., Ltd.	Substantive related party
Transcend Optronics (Yangzhou) Co., Ltd.	Substantive related party

b. Sales of goods

	For the Year Ended December 31	
Related Party Category	**2022**	**2021**
Fellow subsidiaries	$ 2,565	$ 2,449
Substantive related parties	464	8,081
	$ 3,029	$ 10,530

For sales of goods to related parties, the prices and terms of receivables approximate those with non-related parties.

c. Purchases of goods

	For the Year Ended December 31	
Related Party Category	**2022**	**2021**
Fellow subsidiaries	$ 2,228	$ 1,094
Substantive related parties	154	-
	$ 2,382	$ 1,094

For purchases of goods from related parties, the prices and terms of payables approximate those with non-related parties.

d. Accounts receivable from related parties

Related Party Category	December 31 2022	December 31 2021
Fellow subsidiaries	$ 686	$ 269
Substantive related parties	5	-
	$ 691	$ 269

The outstanding accounts receivable from related parties are unsecured and no expected credit losses should be recognized after estimating.

e. Accounts payable to related parties

Related Party Category	December 31 2022	December 31 2021
Fellow subsidiaries	$ 1,052	$ 282

The outstanding accounts payable to related parties are unsecured.

f. Loans to related parties

Related Party Category	December 31 2022	December 31 2021
Interest revenue		
Fellow subsidiaries		
YFY International B.V.	$ -	$ 994

g. Other payables to related parties (excluding loans from related parties)

Related Party Category	December 31 2022	December 31 2021
Substantive related parties	$ 218	$ 216
Fellow subsidiaries	25	41
Parent company		
YFY Global Investment B.V.	-	201,317
	$ 243	$ 201,574

h. Acquisitions of property, plant and equipment

Related Party Category	Proceeds For the Year Ended December 31 2022	Proceeds For the Year Ended December 31 2021
Fellow subsidiaries	$ -	$ 9,000

i. Lease arrangements

Lease Paid	For the Year Ended December 31 2022	2021
Substantive related parties	$ 2,084	$ 2,187

The lease period, rent and the payment condition for related parties approximate those with non-related parties.

j. Acquisitions of other assets

Line Item	Related Party Category	Proceeds For the Year Ended December 31 2022	2021
Other non-current assets	Fellow subsidiaries	$ -	$ 127

k. Other transactions with related parties

Related Party Category	Miscellaneous Expenses (Accounted for as Operating Costs) For the Year Ended December 31 2022	2021
Fellow subsidiaries	$ 672	$ 622
Substantive related parties	-	8
	$ 672	$ 630

Related Party Category	Operating Expenses For the Year Ended December 31 2022	2021
Substantive related parties	$ 448	$ 452
Fellow subsidiaries	306	399
Ultimate parent company	-	32
	$ 754	$ 883

Related Party Category	Advance Receipts For the Year Ended December 31 2022	2021
Fellow subsidiaries	$ 680	$ -

l. Remuneration of key management personnel

	For the Year Ended December 31	
	2022	2021
Short-term employee benefits	$ 43,926	$ 47,884
Post-employment benefits	696	545
Share-based payments	7,859	-
	$ 52,481	$ 48,429

The remuneration of directors and key executives as determined by the remuneration committee was based on the performance of individuals and market trends.

25. OTHER ITEMS

Due to the impact of the COVID-19 pandemic which has evolved globally and currently in Taiwan, some of the Group's subsidiaries, clients and suppliers located in severely affected areas are under quarantine and travel restriction policies. The Group evaluated that there was no material impact on the business operations and financial conditions. Hence there are no issues arising from its ability to continue as a going concern, asset impairment and financial risk.

26. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information on the foreign currencies other than the functional currencies of the entities in the Group and the related exchange rates between the foreign currencies and respective functional currencies. The significant assets and liabilities denominated in foreign currencies were as follows:

	December 31, 2022		
	Foreign Currency	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 5,613	6.9646 (USD:RMB)	$ 172,375
Financial liabilities			
Monetary items			
USD	8,379	6.9646 (USD:RMB)	257,319

	December 31, 2021		
	Foreign Currency	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 8,295	6.3757 (USD:RMB)	$ 229,606
Financial liabilities			
Monetary items			
USD	5,274	6.3757 (USD:RMB)	145,984

The significant realized and unrealized foreign exchange gains (losses) were as follows:

	For the Year Ended 2022		For the Year Ended 2021	
Foreign Currency	Exchange Rate (Foreign Currency: Functional Currency)	Net Foreign Exchange Gains (Losses)	Exchange Rate (Foreign Currency: Functional Currency)	Net Foreign Exchange (Losses) Gains
USD	6.965 (USD:RMB)	$ 13,288	6.376 (USD:RMB)	$ (3,902)
USD	30.71 (USD:NTD)	2,066	27.68 (USD:NTD)	3,993
		$ 15,354		$ 91

27. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

1) Financing provided to others (None)

2) Endorsements/guarantees provided (None)

3) Marketable securities held (Table 1)

4) Marketable securities acquired or disposed of at costs or prices at least NT$300 million or 20% of the paid-in capital (Table 2)

5) Acquisition of individual real estate at costs of at least NT$300 million or 20% of the paid-in capital (None)

6) Disposal of individual real estate at prices of at least NT$300 million or 20% of the paid-in capital (None)

7) Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital (None)

8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital (None)

9) Trading in derivative instruments (Table 7)

10) Intercompany relationships and significant intercompany transactions (Table 3)

11) Information on investees (Table 4)

b. Information on investments in mainland China:

1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area (Table 5)

2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: (None)

   a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period

   b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period

   c) The amount of property transactions and the amount of the resultant gains or losses

   d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes

   e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds

   f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services

c. Information of major shareholders:

   List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 6)

28. SEGMENT INFORMATION

a. Segment revenue and results are as follows:

   Information reported to the chief operating decision maker (CODM) for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. According to the operating result of resource allocation and assessment of segment performance reviewed by CODM, the parent company and its subsidiaries, which mainly are engaging in the design, development, manufacture and trading of radio-frequency identification (RFID) system, have been aggregated into a single operating segment. The measurement of the segment’s income, assets, and liabilities is the same as the standard of financial statement preparation.

   The accounting policies of each segment are the same as those accounting policies stated in Note 4. The performance of segments is measured by income before tax. Revenue and profit between segments have been adjusted; these adjustments include the elimination of intra-segment transactions to reconcile the segment information with that reported for the Group as a whole.

b. Revenue from major products and services

   Please refer to Note 16 for the analysis of the Group’s revenue from continuing operations from its major products and services.

c. Geographical information is as follows:

The Group’s revenue from continuing operations from external customers by location of operations and information about its non-current assets by location of assets are detailed below:

	Revenue from External Customers For the Year Ended December 31		Non-current Assets December 31	
	2022	2021	2022	2021
Taiwan	$ 26,694	$ 35,708	$ 210,529	$ 242,969
Mainland China	1,168,888	984,560	2,655,134	1,419,901
Other	908,050	1,010,687	812	487
	$ 2,103,632	$ 2,030,955	$ 2,866,475	$ 1,663,357

d. Information on major customers

The single customer contributed 10% or more to the Group’s revenue for both 2022 and 2021 was as follows:

	For the Year Ended December 31			
	2022		2021	
	Amount	%	Amount	%
Company A	$ 415,165	20	$ 483,656	24
Company B	213,855	10	128,716	6

ARIZON RFID TECHNOLOGY (CAYMAN) CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2021				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Arizon RFID Technology Co., Ltd.	Negotiable certificates of deposit							
	Agricultural Bank of China RMB Large-denomination Certificate of Deposit for Corporate Clients No. 017 in 2021	-	Financial assets at amortized cost - non-current	-	$ 66,142 (RMB 15,000 thousand)	-	$ 66,142 (RMB 15,000 thousand)	
	Agricultural Bank of China RMB Large-denomination Certificate of Deposit for Corporate Clients No. 046 in 2022	-	〃	-	264,567 (RMB 60,000 thousand)	-	264,567 (RMB 60,000 thousand)	
	Industrial and Commercial Bank of China RMB Large-denomination Certificate of Deposit for Corporate Clients No. 2 in 2021	-	〃	-	97,008 (RMB 22,000 thousand)	-	97,008 (RMB 22,000 thousand)	
	Industrial and Commercial Bank of China RMB Time Deposit	-	〃	-	264,567 (RMB 60,000 thousand)	-	264,567 (RMB 60,000 thousand)	
	Bank of Communications RMB Large-denomination Certificate of Deposit for Corporate Clients No. 55 in 2021	-	〃	-	57,323 (RMB 13,000 thousand)	-	57,323 (RMB 13,000 thousand)	
	Bank of Communications RMB Time Deposit	-	〃	-	661,416 (RMB 150,000 thousand)	-	661,416 (RMB 150,000 thousand)	
	Bank of Communications RMB Large-denomination Certificate of Deposit for Corporate Clients No. 131 in 2022	-	〃	-	132,283 (RMB 30,000 thousand)	-	132,283 (RMB 30,000 thousand)	
	Agricultural Bank of China RMB Large-denomination Certificate of Deposit for Corporate Clients No. 189 in 2020	-	Financial assets at amortized cost - current	-	220,472 (RMB 50,000 thousand)	-	220,472 (RMB 50,000 thousand)	

Note: The securities mentioned in the table above are those classified as financial instruments under IFRS 9, including shares, bonds, beneficiary certificates, and all other securities derived from those items.

TABLE 2

ARIZON RFID TECHNOLOGY (CAYMAN) CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT$300 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Other Adjustments (Note 2)	Ending Balance	
					Number of Shares	Amount	Number of Shares	Amount (Note 1)	Number of Shares	Amount	Carrying Amount	Gain (Loss) on Disposal		Number of Shares	Amount
The Company .	Ordinary shares YFY RFID Co., Ltd.	Investments accounted for using equity method.	Original shareholders of YFY RFID Co., Ltd.	Subsidiary	-	$ -	29,584,886	$ 3,607,853 (RMB 813,560 thousand)	-	$ -	$ -	$ -	$ 375,350 (RMB 89,775 thousand)	29,584,886	$ 3,983,203 (RMB 903,335 thousand)

Note 1: Consideration from the acquisition of the stock exchange is the combination of share capital and share premium.

Note 2: The adjustments of increase in capital reserves, gain on exchange differences on translation of the financial statements of foreign operations, and investment gain accounted for using equity method under the ARDF Interpretation 100-390 are included.

Note 3: In preparing the consolidated financial statements, the transaction has been eliminated.

TABLE 3

ARIZON RFID TECHNOLOGY (CAYMAN) CO., LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

No.	Investee Company	Counterparty	Relationship	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% of Total Sales or Assets
1	Arizon RFID Technology Co., Ltd.	Yeon Technologies (Yangzhou) Co., Ltd.	Subsidiary	Sales	$ 6,722	By market price	0.32
				Accounts receivable	1,358	By market price	0.03
		Arizon RFID Technologies (Hong Kong) Co., Ltd.	Subsidiary	Sales	37,188	By market price	1.77
				Accounts receivable	4,000	By market price	0.09
		Arizon JAPAN Co., Ltd.	Subsidiary	Sales	34,139	By market price	1.62
				Accounts receivable	6,009	By market price	0.13
2	Yeon Technologies (Yangzhou) Co., Ltd.	Arizon RFID Technology Co., Ltd.	Parent company	Sales	539	By market price	0.03
				Accounts receivable	178	By market price	-
		Arizon RFID Technologies (Hong Kong) Co., Ltd.	Fellow subsidiary	Sales	443	By market price	0.02
3	Arizon RFID Technologies (Hong Kong) Co., Ltd.	Arizon RFID Technology Co., Ltd.	Parent company	Sales	84,470	By market price	4.02
				Accounts receivable	33,751	By market price	0.74
		Arizon JAPAN Co., Ltd.	Fellow subsidiary	Sales	12	By market price	-

Note: In preparing the consolidated financial statements, the transaction has been eliminated.

ARIZON RFID TECHNOLOGY (CAYMAN) CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		As of December 31, 2022			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note (Note 2)
				December 31, 2022	December 31, 2021	Number of Shares	%	Carrying Amount			
The Company	YFY RFID Co., Ltd.	13/F Amber Commercial Building, 70 Morrison Hill Road, Wanchai, Hong Kong	Investment and holding	$ 3,918,688 (US$ 127,603 thousand)	$ 786,176 (US$ 25,600 thousand)	29,584,866	100.0	$ 3,983,203 (RMB 903,335 thousand)	$ 343,499 (RMB 77,458 thousand)	$ 343,499 (RMB 77,458 thousand)	Subsidiary
Arizon RFID Technology Co., Ltd.	Arizon RFID Technologies (Hong Kong) Co., Ltd.	Room 2702-03 CC Wu Building, 302-8 Hennessy Road, Wan Chai, Hong Kong	Product distribution and R&D services	675,620 (US$ 22,000 thousand)	368,520 (US$ 12,000 thousand)	22,000,000	100.0	455,663 (RMB 103,338 thousand)	(46,103) (RMB 10,396 thousand)	(46,103) (RMB 10,396 thousand)	Subsidiary
Arizon RFID Technology Co., Ltd.	Arizon JAPAN Co., Ltd.	11-2-3-chome, Nishishinjuku, Shinjuku-ku, Tokyo, Japan	Product distribution and technical consulting services	11,620 (JPY 50,000 thousand)	11,620 (JPY 50,000 thousand)	1,000	100.0	6,164 (RMB 1,398 thousand)	(674) (RMB 1,522 thousand)	(674) (RMB 1,522 thousand)	Subsidiary

Note 1: Except for investment gain or loss which were translated at exchange rates of RMB1=NT$4.434649, the rest were translated at exchange rates of US$1=NT$30.71, RMB1=NT$4.409442 or JPY1=NT$0.2324 as of December 31, 2022.

Note 2: In preparing the consolidated financial statements, the transaction has been eliminated.

Note 3: Refer to Table 5 for information on investments in mainland China.

TABLE 5

ARIZON RFID TECHNOLOGY (CAYMAN) CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital (Note 1)	Method of Investment (Note 2)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2022 (Note 1)	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2022 (Notes 1 and 4)	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2022	Accumulated Repatriation of Investment Income as of December 31, 2022	Note
					Outward	Inward							
Arizon RFID Technology Co., Ltd.	Design, development, manufacture, sale and packaging of RFID (radio frequency identification) products	$ 856,710 (RMB 194,290 thousand)	(b)	$ 779,788 (US$ 25,392 thousand)	$ -	$ -	$ 779,788 (US$ 25,392 thousand)	$ 381,083 (RMB 85,933 thousand)	99.98	$ 381,007 (RMB 85,916 thousand) (Note 4, b.)	$ 3,944,453 (RMB 894,547 thousand) (Note 4, b.)	$ -	Note 3
Yeon Technologies (Yangzhou) Co., Ltd.	Design and agent of RFID module, system and antenna.	35,276 (RMB 8,000 thousand)	(c)	-	-	-	-	3,184 (RMB 718 thousand)	100.00	3,184 (RMB 718 thousand) (Note 4, b.)	62,469 (RMB 14,167 thousand) (Note 4, b.)	-	Note 3

Accumulated Investment in Mainland China as of December 31, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
$779,788	$779,788	N/A

Note 1: Except for investment gain or loss which were translated at exchange rates of RMB1=NT$4.434649, the rest were translated at exchange rates of US$1=NT$30.71, RMB1=NT$4.409442 or JPY1=NT$0.2324 as of December 31, 2022.

Note 2: Methods of investment and the related investors are as follows:

a. Direct investment in mainland China and the investors.
b. Investment in mainland China through companies set up in another company, the investor is YFY RFID Co., Ltd.
c. Investment in mainland China through companies set up in another company, the investor is Arizon RFID Technology Co., Ltd.

Note 3: In preparing the consolidated financial statements, the transaction has been eliminated.

Note 4: The recognition basis for investment gain (loss) is as follows:

a. Financial statements audited by an international CPA firm with the cooperation of the ROC CPA firm.
b. Financial statements audited by the ROC CPA firm.
c. Others.

TABLE 6

ARIZON RFID TECHNOLOGY (CAYMAN) CO., LTD. AND SUBSIDIARIES

INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2022

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
YFY Global Investment B.V.	45,944,935	69.55
Granadilla Limited	5,194,259	7.86
ALLIED HOLDING GROUP LTD.	3,500,000	5.30

Note: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration by the Company as of the last business day for the current quarter.