

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

**Consolidated Financial Statements for the
Nine Months Ended September 30, 2023 and 2022 and
Independent Auditors' Review Report**

INDEPENDENT AUDITORS' REVIEW REPORT

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

Introduction

We have reviewed the accompanying consolidated balance sheets of Arizon RFID Technology (Cayman) Co., Ltd. (the "Company") and its subsidiaries (collectively, the "Group") as of September 30, 2023 and 2022, the related consolidated statements of comprehensive income for the three months ended September 30, 2023 and 2022, and for the nine months ended September 30, 2023 and 2022, the consolidated statements of changes in equity and cash flows for the nine months then ended, and the related notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as 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 International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

We conducted our reviews in accordance with the Standards on Review Engagements of the Republic of China 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our reviews, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of September 30, 2023 and 2022, its consolidated financial performance for the three months ended September 30, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the nine months ended September 30, 2023 and 2022 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

November 8, 2023

Notice to Readers

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

For the convenience of readers, the independent auditors' review 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' review report and consolidated financial statements shall prevail.

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

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

| ASSETS | September 30, 2023 | | December 31, 2022 | | September 30, 2022 | |
|---|---------------------|------------|---------------------|------------|---------------------|------------|
| | Amount | % | Amount | % | Amount | % |
| CURRENT ASSETS | | | | | | |
| Cash and cash equivalents (Note 6) | \$ 1,316,807 | 22 | \$ 608,787 | 13 | \$ 1,173,788 | 26 |
| Financial assets at amortized cost - current (Note 7) | 475,524 | 8 | 220,472 | 5 | - | - |
| Notes and accounts receivable (Notes 8 and 16) | 499,642 | 9 | 252,200 | 6 | 296,653 | 7 |
| Accounts receivable from related parties (Notes 16 and 23) | 27 | - | 691 | - | 595 | - |
| Inventories (Note 9) | 601,960 | 10 | 473,388 | 10 | 353,807 | 8 |
| Other current assets | 137,227 | 2 | 75,348 | 2 | 71,862 | 1 |
| Total current assets | 3,031,187 | 51 | 1,630,886 | 36 | 1,896,705 | 42 |
| NON-CURRENT ASSETS | | | | | | |
| Financial assets at amortized cost - non-current (Note 7) | 1,595,567 | 27 | 1,785,824 | 39 | 1,408,666 | 32 |
| Property, plant and equipment (Note 11) | 1,048,743 | 18 | 1,040,671 | 23 | 1,090,701 | 24 |
| Right-of-use assets (Note 12) | 73,170 | 1 | 25,907 | 1 | 29,461 | 1 |
| Deferred tax assets | 33,873 | 1 | 36,256 | 1 | 36,770 | 1 |
| Other non-current assets | 114,033 | 2 | 14,073 | - | 14,101 | - |
| Total non-current assets | 2,865,386 | 49 | 2,902,731 | 64 | 2,579,699 | 58 |
| TOTAL | \$ 5,896,573 | 100 | \$ 4,533,617 | 100 | \$ 4,476,404 | 100 |
| LIABILITIES AND EQUITY | | | | | | |
| CURRENT LIABILITIES | | | | | | |
| Short-term borrowings (Note 13) | \$ 90,000 | 2 | \$ - | - | \$ - | - |
| Contract liabilities - current (Note 16) | 28,428 | 1 | 28,419 | 1 | 35,923 | 1 |
| Notes and accounts payable | 247,181 | 4 | 317,203 | 7 | 270,750 | 6 |
| Accounts payable to related parties (Note 23) | 703 | - | 1,052 | - | 757 | - |
| Other payables | 145,304 | 3 | 104,634 | 2 | 99,845 | 2 |
| Other payables to related parties (Note 23) | 231 | - | 243 | - | 280 | - |
| Current tax liabilities | 18,478 | - | 14,192 | 1 | 19,297 | 1 |
| Lease liabilities - current (Note 12) | 12,621 | - | 4,105 | - | 6,932 | - |
| Other current liabilities (Note 23) | 14,043 | - | 3,708 | - | 4,961 | - |
| Total current liabilities | 556,989 | 10 | 473,556 | 11 | 438,745 | 10 |
| NON-CURRENT LIABILITIES | | | | | | |
| Lease liabilities - non-current (Note 12) | 39,746 | - | 1,029 | - | 1,334 | - |
| Other non-current liabilities | 42,157 | 1 | 50,913 | 1 | 51,488 | 1 |
| Total non-current liabilities | 81,903 | 1 | 51,942 | 1 | 52,822 | 1 |
| Total liabilities | 638,892 | 11 | 525,498 | 12 | 491,567 | 11 |
| EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 15) | | | | | | |
| Share capital | | | | | | |
| Ordinary shares | 743,180 | 13 | 660,600 | 14 | 660,600 | 15 |
| Capital surplus | 4,067,014 | 69 | 3,168,965 | 70 | 3,167,388 | 71 |
| Retained earnings | | | | | | |
| Legal reserve | 30,208 | 1 | - | - | - | - |
| Special reserve | 124,319 | 2 | - | - | - | - |
| Unappropriated earnings | 315,512 | 5 | 302,084 | 7 | 226,353 | 5 |
| Total retained earnings | 470,039 | 8 | 302,084 | 7 | 226,353 | 5 |
| Other equity | (23,418) | (1) | (124,319) | (3) | (70,284) | (2) |
| Total equity attributable to owners of the Company | 5,256,815 | 89 | 4,007,330 | 88 | 3,984,057 | 89 |
| NON-CONTROLLING INTERESTS | | | | | | |
| | 866 | - | 789 | - | 780 | - |
| Total equity | 5,257,681 | 89 | 4,008,119 | 88 | 3,984,837 | 89 |
| TOTAL | \$ 5,896,573 | 100 | \$ 4,533,617 | 100 | \$ 4,476,404 | 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 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

| | For the Three Months Ended September 30 | | | | For the Nine Months Ended September 30 | | | |
|--|---|-------------|------------------|-------------|--|-------------|--------------------|-------------|
| | 2023 | | 2022 | | 2023 | | 2022 | |
| | Amount | % | Amount | % | Amount | % | Amount | % |
| NET SALES (Notes 16 and 23) | \$ 655,272 | 100 | \$ 567,487 | 100 | \$ 1,815,613 | 100 | \$ 1,604,260 | 100 |
| COST OF GOODS SOLD (Notes 9, 17 and 23) | <u>(478,656)</u> | <u>(73)</u> | <u>(375,513)</u> | <u>(66)</u> | <u>(1,291,253)</u> | <u>(71)</u> | <u>(1,088,928)</u> | <u>(68)</u> |
| GROSS PROFIT | <u>176,616</u> | <u>27</u> | <u>191,974</u> | <u>34</u> | <u>524,360</u> | <u>29</u> | <u>515,332</u> | <u>32</u> |
| OPERATING EXPENSES (Notes 17 and 23) | | | | | | | | |
| Selling and marketing | (25,856) | (4) | (18,303) | (3) | (57,226) | (3) | (50,371) | (3) |
| General and administrative | (45,399) | (7) | (59,301) | (10) | (136,886) | (8) | (140,009) | (9) |
| Research and development | <u>(24,641)</u> | <u>(4)</u> | <u>(25,328)</u> | <u>(5)</u> | <u>(70,192)</u> | <u>(4)</u> | <u>(70,798)</u> | <u>(4)</u> |
| Total operating expenses | <u>(95,896)</u> | <u>(15)</u> | <u>(102,932)</u> | <u>(18)</u> | <u>(264,304)</u> | <u>(15)</u> | <u>(261,178)</u> | <u>(16)</u> |
| PROFIT FROM OPERATIONS | <u>80,720</u> | <u>12</u> | <u>89,042</u> | <u>16</u> | <u>260,056</u> | <u>14</u> | <u>254,154</u> | <u>16</u> |
| NON-OPERATING INCOME AND EXPENSES | | | | | | | | |
| Interest income (Note 23) | 30,260 | 5 | 17,322 | 3 | 75,683 | 4 | 36,723 | 2 |
| Other income | 246 | - | 2,543 | - | 12,965 | 1 | 12,312 | - |
| Gain (loss) on disposal of property, plant and equipment | (8) | - | (1,410) | - | 3,257 | - | (1,462) | - |
| Gain on financial assets at FVTPL | - | - | 983 | - | - | - | 14,008 | 1 |
| Finance costs (Note 23) | (310) | - | (117) | - | (477) | - | (328) | - |
| Other expenses | (311) | - | (147) | - | (989) | - | (600) | - |
| Foreign exchange gain (loss) (Note 25) | <u>(11,050)</u> | <u>(2)</u> | <u>3,678</u> | <u>1</u> | <u>15,477</u> | <u>1</u> | <u>14,338</u> | <u>1</u> |
| Total non-operating income and expenses | <u>18,827</u> | <u>3</u> | <u>22,852</u> | <u>4</u> | <u>105,916</u> | <u>6</u> | <u>74,991</u> | <u>4</u> |
| PROFIT BEFORE INCOME TAX | 99,547 | 15 | 111,894 | 20 | 365,972 | 20 | 329,145 | 20 |
| INCOME TAX EXPENSE (Notes 4 and 18) | <u>(12,565)</u> | <u>(2)</u> | <u>(21,826)</u> | <u>(4)</u> | <u>(50,811)</u> | <u>(3)</u> | <u>(66,181)</u> | <u>(4)</u> |
| NET PROFIT FOR THE PERIOD | <u>86,982</u> | <u>13</u> | <u>90,068</u> | <u>16</u> | <u>315,161</u> | <u>17</u> | <u>262,964</u> | <u>16</u> |
| OTHER COMPREHENSIVE INCOME (LOSS) | | | | | | | | |
| Items that will not be reclassified subsequently to profit or loss: | | | | | | | | |
| Exchange differences arising on translation to the presentation currency | 214,584 | 33 | 38,614 | 7 | 89,621 | 5 | 109,083 | 7 |

(Continued)

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

| | For the Three Months Ended September 30 | | | | For the Nine Months Ended September 30 | | | |
|---|---|-----------|-------------------|-----------|--|-----------|-------------------|-----------|
| | 2023 | | 2022 | | 2023 | | 2022 | |
| | Amount | % | Amount | % | Amount | % | Amount | % |
| Items that may be reclassified subsequently to profit or loss: | | | | | | | | |
| Exchange differences on translation of the financial statements of foreign operations | \$ (15,914) | (2) | \$ 5,090 | 1 | \$ 11,300 | 1 | \$ 9,667 | 1 |
| Other comprehensive income for the period, net of income tax | 198,670 | 31 | 43,704 | 8 | 100,921 | 6 | 118,750 | 8 |
| TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD | <u>\$ 285,652</u> | <u>44</u> | <u>\$ 133,772</u> | <u>24</u> | <u>\$ 416,082</u> | <u>23</u> | <u>\$ 381,714</u> | <u>24</u> |
| NET PROFIT ATTRIBUTABLE TO: | | | | | | | | |
| Owners of the Company | \$ 86,964 | 13 | \$ 90,048 | 16 | \$ 315,105 | 17 | \$ 262,907 | 16 |
| Non-controlling interests | 18 | - | 20 | - | 56 | - | 57 | - |
| | <u>\$ 86,982</u> | <u>13</u> | <u>\$ 90,068</u> | <u>16</u> | <u>\$ 315,161</u> | <u>17</u> | <u>\$ 262,964</u> | <u>16</u> |
| TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO: | | | | | | | | |
| Owners of the Company | \$ 285,601 | 44 | \$ 133,743 | 24 | \$ 416,006 | 23 | \$ 381,643 | 24 |
| Non-controlling interests | 51 | - | 29 | - | 76 | - | 71 | - |
| | <u>\$ 285,652</u> | <u>44</u> | <u>\$ 133,772</u> | <u>24</u> | <u>\$ 416,082</u> | <u>23</u> | <u>\$ 381,714</u> | <u>24</u> |
| EARNINGS PER SHARE | | | | | | | | |
| (Note 19) | | | | | | | | |
| Basic | <u>\$ 1.17</u> | | <u>\$ 1.37</u> | | <u>\$ 4.38</u> | | <u>\$ 4.03</u> | |
| Diluted | <u>\$ 1.16</u> | | <u>\$ 1.37</u> | | <u>\$ 4.35</u> | | <u>\$ 4.03</u> | |

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
(In Thousands of New Taiwan Dollars)

| | Equity Attribute to Owners of the Company (Note 16) | | | | | | | Other Equity Exchange Differences on Translating the Financial Statements of Foreign Operations | Total | Non-controlling Interest | Total Equity |
|---|---|------------|-----------------|-------------------|-----------------|----------------------------|--------------|--|--------------|-----------------------------|--------------|
| | Share Capital | | Capital Surplus | Retained Earnings | | | Total | | | | |
| | Shares (In Thousands) | Amount | | Legal Reserve | Special Reserve | Unappropriated Earnings | | | | | |
| BALANCE AT JANUARY 1, 2022 | 29,585 | \$ 877,790 | \$ 391,971 | \$ - | \$ - | \$ 2,451,317 | \$ 2,451,317 | \$ (189,020) | \$ 3,532,058 | \$ 708 | \$ 3,532,766 |
| Net profit for the nine months ended September 30, 2022 | - | - | - | - | - | 262,907 | 262,907 | - | 262,907 | 57 | 262,964 |
| Other comprehensive income for the nine months ended September 30, 2022 | - | - | - | - | - | - | - | 118,736 | 118,736 | 14 | 118,750 |
| Total comprehensive income for the nine months ended September 30, 2022 | - | - | - | - | - | 262,907 | 262,907 | 118,736 | 381,643 | 71 | 381,714 |
| Organization restructure (Notes 1 and 4) | 35,415 | (227,790) | 2,715,661 | - | - | (2,487,871) | (2,487,871) | - | - | - | - |
| Share-based compensation expenses (Note 20) | 1,060 | 10,600 | 59,756 | - | - | - | - | - | 70,356 | 1 | 70,357 |
| BALANCE AT SEPTEMBER 30, 2022 | 66,060 | \$ 660,600 | \$ 3,167,388 | \$ - | \$ - | \$ 226,353 | \$ 226,353 | \$ (70,284) | \$ 3,984,057 | \$ 780 | \$ 3,984,837 |
| BALANCE AT JANUARY 1, 2023 | 66,060 | \$ 660,600 | \$ 3,168,965 | \$ - | \$ - | \$ 302,084 | \$ 302,084 | \$ (124,319) | \$ 4,007,330 | \$ 789 | \$ 4,008,119 |
| Appropriation of 2022 earnings | | | | | | | | | | | |
| Legal reserve | - | - | - | 30,208 | - | (30,208) | - | - | - | - | - |
| Special reserve | - | - | - | - | 124,319 | (124,319) | - | - | - | - | - |
| Cash dividends distributed by the Company | - | - | - | - | - | (147,150) | (147,150) | - | (147,150) | - | (147,150) |
| Net profit for the nine months ended September 30, 2023 | - | - | - | - | - | 315,105 | 315,105 | - | 315,105 | 56 | 315,161 |
| Other comprehensive income for the nine months ended September 30, 2023 | - | - | - | - | - | - | - | 100,901 | 100,901 | 20 | 100,921 |
| Total comprehensive income for the nine months ended September 30, 2023 | - | - | - | - | - | 315,105 | 315,105 | 100,901 | 416,006 | 76 | 416,082 |
| Issuance of ordinary shares for cash | 8,258 | 82,580 | 893,673 | - | - | - | - | - | 976,253 | - | 976,253 |
| Share-based compensation expenses (Note 20) | - | - | 4,376 | - | - | - | - | - | 4,376 | 1 | 4,377 |
| BALANCE AT SEPTEMBER 30, 2023 | 74,318 | \$ 743,180 | \$ 4,067,014 | \$ 30,208 | \$ 124,319 | \$ 315,512 | \$ 470,039 | \$ (23,418) | \$ 5,256,815 | \$ 866 | \$ 5,257,681 |

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 (In Thousands of New Taiwan Dollars)

| | For the Nine Months Ended September 30 | |
|---|---|------------|
| | 2023 | 2022 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit before income tax | \$ 365,972 | \$ 329,145 |
| Adjustments for: | | |
| Depreciation expenses | 127,511 | 147,105 |
| Amortization expenses | 1,001 | 1,016 |
| Expected credit loss recognized | - | 538 |
| Net gain on fair value changes of financial assets at FVTPL | - | (14,008) |
| Finance costs | 477 | 328 |
| Share-based compensation expenses | 4,377 | 9,513 |
| Interest income | (75,683) | (36,723) |
| (Gain) loss on disposal of property, plant and equipment | (3,257) | 1,462 |
| Write-downs of inventories | 4,719 | 957 |
| Unrealized loss on foreign currency exchange | 64 | 3,584 |
| Changes in operating assets and liabilities | | |
| Financial assets as at FVTPL | - | 1,307,701 |
| Notes and accounts receivable | (238,329) | 69,471 |
| Accounts receivable from related parties | 665 | (316) |
| Inventories | (121,997) | (60,284) |
| Other current assets | (7,647) | 3,246 |
| Contract liabilities | (530) | 2,328 |
| Notes and accounts payable | (74,697) | 11,662 |
| Accounts payable to related parties | (363) | 463 |
| Other payables | 33,058 | (5,986) |
| Other payables to related parties | (16) | (2,219) |
| Other current liabilities | 1,811 | (1,885) |
| Cash generated from operations | 17,136 | 1,767,098 |
| Interest received | 24,125 | 8,598 |
| Interest paid | (477) | (328) |
| Income tax paid | (43,972) | (63,073) |
| Net cash (used in) generated from operating activities | (3,188) | 1,712,295 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Acquisition of financial assets at amortized cost | (25,599) | (954,366) |
| Payments for property, plant and equipment | (92,848) | (30,928) |
| Proceeds from disposal of property, plant and equipment | 4,295 | - |
| Increase in other non-current assets | (103,767) | (3,071) |
| Net cash used in investing activities | (217,919) | (988,365) |

(Continued)

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

CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

| | For the Nine Months Ended September 30 | |
|---|---|---------------------|
| | 2023 | 2022 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Increase in short-term borrowings | \$ 88,375 | \$ - |
| Decrease in other non-current liabilities | (9,563) | (1,901) |
| Repayment of the principal portion of lease liabilities | (9,452) | (9,354) |
| Cash dividends released | (147,150) | (203,600) |
| Issuance of ordinary shares for cash | <u>976,253</u> | <u>60,844</u> |
| Net cash generated from (used in) financing activities | <u>898,463</u> | <u>(154,011)</u> |
| EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES | <u>30,664</u> | <u>38,002</u> |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 708,020 | 607,921 |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD | <u>608,787</u> | <u>565,867</u> |
| CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD | <u>\$ 1,316,807</u> | <u>\$ 1,173,788</u> |

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 NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022 (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 61.48% and 69.55% of the Company’s shares as of September 30, 2023 and 2022, 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 Company’s shares have been listed on the Taiwan Stock Exchange (TWSE) since March 21, 2023.

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 November 8, 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. The IFRSs endorsed by the FSC for application starting from 2024

| <u>New, Amended and Revised Standards and Interpretations</u> | <u>Effective Date Announced by IASB (Note 1)</u> |
|---|---|
| Amendments to IFRS 16 “Leases Liability in a Sale and Leaseback” | January 1, 2024 (Note 2) |
| 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 |
| Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements” | January 1, 2024 (Note 3) |

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.

Note 3: The amendments provide some transition relief regarding disclosure requirements.

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

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

| <u>New, Amended and Revised Standards and Interpretations</u> | <u>Effective Date Announced by IASB (Note 1)</u> |
|--|---|
| 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 |
| 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 21 “Lack of Exchangeability” | January 1, 2025 (Note 2) |

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

Note 2: An entity shall apply those amendments for annual reporting periods beginning on or after January 1, 2025. Upon initial application of the amendments, the entity recognizes any effect as an adjustment to the opening balance of retained earnings. When the entity uses a presentation currency other than its functional currency, it shall, at the date of initial application, recognize any effect as an adjustment to the cumulative amount of translation differences in equity.

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

4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

a. Statement of compliance

These interim consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 “Interim Financial Reporting” as endorsed and issued into effect by the FSC. Disclosure information included in these interim consolidated financial statements is less than the disclosure information required in a complete set of annual consolidated financial statements.

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

e. Other material accounting policies

Except for other accounting policies listed below, refer to the consolidated financial statements for the year ended December 31, 2022.

Income tax expense

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings.

5. MATERIAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

For the critical accounting judgments and key sources of estimation uncertainty, refer to the consolidated financial statements for the year ended December 31, 2022.

6. CASH AND CASH EQUIVALENTS

| | September 30, 2023 | December 31, 2022 | September 30, 2022 |
|---|-----------------------|----------------------|-----------------------|
| Cash on hand | \$ 109 | \$ 143 | \$ 114 |
| Checking accounts and demand deposits | 384,834 | 564,014 | 430,988 |
| Cash equivalents (time deposits with original maturities of three months or less) | <u>931,864</u> | <u>44,630</u> | <u>742,686</u> |
| | <u>\$ 1,316,807</u> | <u>\$ 608,787</u> | <u>\$ 1,173,788</u> |

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

| | September 30, 2023 | December 31, 2022 | September 30, 2022 |
|------------------|-------------------------------|------------------------------|-------------------------------|
| Cash equivalents | 1.10%-5.52% | 1.80% | 1.75%-1.80% |

7. FINANCIAL ASSETS AT AMORTIZED COST - NON-CURRENT

| | September 30, 2023 | December 31, 2022 | September 30, 2022 |
|---|-------------------------------|------------------------------|-------------------------------|
| <u>Current</u> | | | |
| Time deposits with original maturities between 3 months and a year | <u>\$ 475,524</u> | <u>\$ 220,472</u> | <u>\$ -</u> |
| <u>Non-current</u> | | | |
| Time deposits with original maturities of more than 1 year | <u>\$ 1,595,567</u> | <u>\$ 1,785,824</u> | <u>\$ 1,408,666</u> |

As of September 30, 2023, December 31, 2022 and September 30, 2022, the interest rates for time deposits with original maturity between three months and a year were 2.10%, 3.99% and 3.99%, respectively.

As of September 30, 2023, December 31, 2022 and September 30, 2022, the interest rates for time deposits with original maturity of more than a year were 3.10%-3.55%, 3.10%-3.99% and 3.35%-3.99%, respectively.

8. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE

| | September 30, 2023 | December 31, 2022 | September 30, 2022 |
|-------------------------------------|-------------------------------|------------------------------|-------------------------------|
| Notes receivable | \$ 21,624 | \$ 10,533 | \$ 744 |
| Accounts receivable | 478,030 | 241,680 | 297,260 |
| Less: Allowance for impairment loss | <u>(12)</u> | <u>(13)</u> | <u>(1,351)</u> |
| | <u>\$ 499,642</u> | <u>\$ 252,200</u> | <u>\$ 296,653</u> |

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.

September 30, 2023

| | 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 | 0.002% | - | - | - | - | |
| Gross carrying amount | \$ 492,839 | \$ 6,815 | \$ - | \$ - | \$ - | \$ 499,654 |
| Loss allowance (Lifetime ECLs) | <u>(12)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(12)</u> |
| Amortized cost | <u>\$ 492,827</u> | <u>\$ 6,815</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 499,642</u> |

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) | <u>(13)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(13)</u> |
| Amortized cost | <u>\$ 244,222</u> | <u>\$ 7,938</u> | <u>\$ 40</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 252,200</u> |

September 30, 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 | 0.20% | 0.67% | 1.79% | - | 100% | |
| Gross carrying amount | \$ 249,921 | \$ 47,495 | \$ 56 | \$ - | \$ 532 | \$ 298,004 |
| Loss allowance (Lifetime ECLs) | <u>(501)</u> | <u>(317)</u> | <u>(1)</u> | <u>-</u> | <u>(532)</u> | <u>(1,351)</u> |
| Amortized cost | <u>\$ 249,420</u> | <u>\$ 47,178</u> | <u>\$ 55</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 296,653</u> |

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

| | For the Nine Months Ended September 30 | |
|-------------------------------------|---|-----------------|
| | 2023 | 2022 |
| Balance at January 1 | \$ 13 | \$ 5,121 |
| Net remeasurement of loss allowance | - | 538 |
| Amount written off | - | (4,420) |
| Foreign exchange gains and losses | <u>(1)</u> | <u>112</u> |
| Balance at September 30 | <u>\$ 12</u> | <u>\$ 1,351</u> |

9. INVENTORIES

| | September 30, 2023 | December 31, 2022 | September 30, 2022 |
|------------------------------|-----------------------|----------------------|-----------------------|
| Finished and purchased goods | \$ 199,032 | \$ 179,696 | \$ 131,197 |
| Work in process | 47,109 | 26,518 | 17,230 |
| Materials | <u>355,819</u> | <u>267,174</u> | <u>205,380</u> |
| | <u>\$ 601,960</u> | <u>\$ 473,388</u> | <u>\$ 353,807</u> |

The cost of goods sold for the three months ended September 30, 2023 and 2022 included reversal of inventory write-downs of \$2,823 thousand and \$850 thousand, respectively. The cost of goods sold for the nine months ended September 30, 2023 and 2022 included inventory write-downs of \$4,719 thousand and \$957 thousand, respectively.

10. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements:

| Investor | Investee | Main Business | % of Ownership | | | Remark |
|----------------------------------|--|--|-----------------------|----------------------|-----------------------|--------|
| | | | September 30, 2023 | December 31, 2022 | September 30, 2022 | |
| The Company | YFY RFID Co., Limited | Investment and holding. | 100.00 | 100.00 | 100.00 | a. |
| | ARIZON CORPORATION | Product distribution and R&D services | 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 | 99.98 | |
| Arizon RFID Technology Co., Ltd. | Yeon Technologies (Yangzhou) Co., Ltd. | Design and agent of RFID module, system and antenna. | 100.00 | 100.00 | 100.00 | |
| | Arizon RFID Technologies (Hong Kong) Co., Ltd. | Product distribution and R&D services | 100.00 | 100.00 | 100.00 | |
| | Arizon JAPAN Co., Ltd. | Product distribution and technical consulting services | 100.00 | 100.00 | 100.00 | |

Remarks:

- a. 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.
- b. In order to expand the US market, the company established ARIZON CORPORATION in August 2023.
- c. The financial statements of subsidiaries included in the consolidated financial statements are based on the reviewed amounts.

11. PROPERTY, PLANT AND EQUIPMENT

| | Buildings | Machinery | Transportation Equipment | Miscellaneous Equipment | Property in Construction | Total |
|--|-------------------|---------------------|-----------------------------|----------------------------|-----------------------------|---------------------|
| <u>Cost</u> | | | | | | |
| Balance at January 1, 2022 | \$ 602,202 | \$ 1,691,256 | \$ 3,412 | \$ 48,750 | \$ 23,621 | \$ 2,369,241 |
| Additions | - | 6,973 | - | 7,956 | 6,618 | 21,547 |
| Disposals | (2,204) | - | - | (216) | - | (2,420) |
| Effect of foreign currency exchange differences | 18,111 | 44,627 | 102 | 467 | 438 | 63,745 |
| Reclassification | 4,087 | 22,478 | - | 4,112 | (30,677) | - |
| Balance at September 30, 2022 | <u>\$ 622,196</u> | <u>\$ 1,765,334</u> | <u>\$ 3,514</u> | <u>\$ 61,069</u> | <u>\$ -</u> | <u>\$ 2,452,113</u> |
| <u>Accumulated depreciation</u> | | | | | | |
| Balance at January 1, 2022 | \$ 112,035 | \$ 1,059,963 | \$ 3,099 | \$ 14,100 | \$ - | \$ 1,189,197 |
| Depreciation expenses | 22,013 | 108,687 | 145 | 6,532 | - | 137,377 |
| Disposals | (794) | - | - | (164) | - | (958) |
| Effect of foreign currency exchange differences | 3,526 | 31,888 | 94 | 288 | - | 35,796 |
| Balance at September 30, 2022 | <u>\$ 136,780</u> | <u>\$ 1,200,538</u> | <u>\$ 3,338</u> | <u>\$ 20,756</u> | <u>\$ -</u> | <u>\$ 1,361,412</u> |
| Carrying amount at September 30, 2022 | <u>\$ 485,416</u> | <u>\$ 564,796</u> | <u>\$ 176</u> | <u>\$ 40,313</u> | <u>\$ -</u> | <u>\$ 1,090,701</u> |
| <u>Cost</u> | | | | | | |
| Balance at January 1, 2023 | \$ 613,499 | \$ 1,746,631 | \$ 3,465 | \$ 61,905 | \$ 2,011 | \$ 2,427,511 |
| Additions | - | 47,394 | - | 2,993 | 60,494 | 110,881 |
| Disposals | - | (7,099) | - | (188) | - | (7,287) |
| Effect of foreign currency exchange differences | 11,841 | 30,331 | 67 | 363 | 485 | 43,087 |
| Reclassifications | - | 36,097 | - | 139 | (36,236) | - |
| Balance at September 30, 2023 | <u>\$ 625,340</u> | <u>\$ 1,853,354</u> | <u>\$ 3,532</u> | <u>\$ 65,212</u> | <u>\$ 26,754</u> | <u>\$ 2,574,192</u> |
| <u>Accumulated depreciation</u> | | | | | | |
| Balance at January 1, 2023 | \$ 142,174 | \$ 1,218,544 | \$ 3,292 | \$ 22,830 | \$ - | \$ 1,386,840 |
| Depreciation expenses | 21,939 | 88,783 | - | 6,971 | - | 117,693 |
| Disposals | - | (6,071) | - | (178) | - | (6,249) |
| Effect of foreign currency exchange differences | 3,148 | 23,530 | 63 | 424 | - | 27,165 |
| Balance at September 30, 2023 | <u>\$ 167,261</u> | <u>\$ 1,324,786</u> | <u>\$ 3,355</u> | <u>\$ 30,047</u> | <u>\$ -</u> | <u>\$ 1,525,449</u> |
| Carrying amount at December 31, 2022 and January 1, 2023 | <u>\$ 471,325</u> | <u>\$ 528,087</u> | <u>\$ 173</u> | <u>\$ 39,075</u> | <u>\$ 2,011</u> | <u>\$ 1,040,671</u> |
| Carrying amount at September 30, 2023 | <u>\$ 458,079</u> | <u>\$ 528,568</u> | <u>\$ 177</u> | <u>\$ 35,165</u> | <u>\$ 26,754</u> | <u>\$ 1,048,743</u> |

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 |

12. LEASE AGREEMENTS

a. Right-of-use assets

| | September 30, 2023 | December 31, 2022 | September 30, 2022 | |
|--|--|----------------------|---|-----------------|
| <u>Carrying amount</u> | | | | |
| Land | \$ 20,854 | \$ 20,839 | \$ 21,263 | |
| Buildings | 51,255 | 3,268 | 6,089 | |
| Others | <u>1,061</u> | <u>1,800</u> | <u>2,109</u> | |
| | <u>\$ 73,170</u> | <u>\$ 25,907</u> | <u>\$ 29,461</u> | |
| | <u>For the Three Months Ended September 30</u> | | <u>For the Nine Months Ended September 30</u> | |
| | 2023 | 2022 | 2023 | 2022 |
| Additions to right-of-use assets | <u>\$ -</u> | <u>\$ 683</u> | <u>\$ 56,691</u> | <u>\$ 1,551</u> |
| Depreciation charge for right-of-use assets | | | | |
| Land | \$ 128 | \$ 129 | \$ 382 | \$ 384 |
| Buildings | 2,915 | 2,849 | 8,679 | 8,559 |
| Others | <u>215</u> | <u>285</u> | <u>757</u> | <u>785</u> |
| | <u>\$ 3,258</u> | <u>\$ 3,263</u> | <u>\$ 9,818</u> | <u>\$ 9,728</u> |

b. Lease liabilities

| | September 30, 2023 | December 31, 2022 | September 30, 2022 |
|------------------------|-----------------------|----------------------|-----------------------|
| <u>Carrying amount</u> | | | |
| Current | <u>\$ 12,621</u> | <u>\$ 4,105</u> | <u>\$ 6,932</u> |
| Non-current | <u>\$ 39,746</u> | <u>\$ 1,029</u> | <u>\$ 1,334</u> |

Range of discount rates for lease liabilities was as follows:

| | September 30, 2023 | December 31, 2022 | September 30, 2022 |
|-----------|-----------------------|----------------------|-----------------------|
| Buildings | 2.28%-7.4% | 1.52%-7.4% | 1.52%-7.4% |
| Others | 1.52%-4.6% | 1.52%-4.6% | 1.52%-4.6% |

c. Material lease-in activities and terms

The Group leases certain equipment and buildings 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 and buildings located in mainland China specifies that land and buildings 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 and buildings at the end of the lease terms.

d. Other lease information

| | For the Three Months Ended September 30 | | For the Nine Months Ended September 30 | |
|---|--|-----------------|---|------------------|
| | 2023 | 2022 | 2023 | 2022 |
| Expenses relating to short-term leases and low-value asset leases | <u>\$ 1,449</u> | <u>\$ 1,183</u> | <u>\$ 4,013</u> | <u>\$ 3,735</u> |
| Total cash outflow for leases | <u>\$ 4,616</u> | <u>\$ 4,958</u> | <u>\$ 13,636</u> | <u>\$ 14,440</u> |

13. SHORT-TERM BORROWINGS

| | September 30, 2023 | December 31, 2022 | September 30, 2022 |
|-------------------|-----------------------|----------------------|-----------------------|
| Bank credit loans | <u>\$ 90,000</u> | <u>\$ -</u> | <u>\$ -</u> |

As of September 30, 2023, the interest rate of short-term borrowings was 1.95%-2.05% per annum.

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

| | September 30, 2023 | December 31, 2022 | September 30, 2022 |
|--|-----------------------|----------------------|-----------------------|
| Number of shares authorized (in thousands) | <u>100,000</u> | <u>100,000</u> | <u>100,000</u> |
| Shares authorized (\$10 per share) | <u>\$ 1,000,000</u> | <u>\$ 1,000,000</u> | <u>\$ 1,000,000</u> |
| Number of shares issued (in thousands) | <u>74,138</u> | <u>66,060</u> | <u>66,060</u> |
| Shares issued | <u>\$ 743,180</u> | <u>\$ 660,600</u> | <u>\$ 660,600</u> |

The Company was established in October 2021 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 new shares before listing with a par value of \$10. The subscription base date was March 17, 2023. The exercise prices of the shares consist of the weighted average bid price for a competitive auction of \$133.22 per share and the price of shares for a public offering of \$83.58 per share. The Company collected the abovementioned proceeds, amounting to \$985,323 thousand. The transaction was approved by the Taiwan Stock Exchange Corporation on January 30, 2023. The total paid-in capital after the capital increase was \$743,180 thousand.

b. Capital surplus

The reconciliation of capital surplus for the nine months ended September 30, 2023 and 2022 was as follows:

| | 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, 2022 | \$ 30,228 | \$ 361,743 | \$ - | \$ 391,971 |
| Organization restructure | (30,228) | 2,745,889 | - | 2,715,661 |
| Share-based payment | - | - | 9,512 | 9,512 |
| Capital increase in shares for subscription by employees | <u>-</u> | <u>58,968</u> | <u>(8,724)</u> | <u>50,244</u> |
| Balance at September 30, 2022 | <u>\$ -</u> | <u>\$ 3,166,610</u> | <u>\$ 788</u> | <u>\$ 3,167,388</u> |
| Balance at January 1, 2023 | \$ - | \$ 3,166,600 | \$ 2,365 | \$ 3,168,965 |
| Issuance of ordinary shares for cash | - | 893,673 | - | 893,673 |
| Share-based payment | <u>-</u> | <u>-</u> | <u>4,376</u> | <u>4,376</u> |
| Balance at September 30, 2023 | <u>\$ -</u> | <u>\$ 4,060,273</u> | <u>\$ 6,741</u> | <u>\$ 4,067,014</u> |

As aforementioned in Note 1., the share exchange transaction of the Company with YFY RFID was treated as a reorganization 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 amended Articles, where the Company made 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, and 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.

In consideration of the overall environment and the long-term financial planning to achieve sustainable and stable business development, the Company’s dividend policy is mainly based on the future capital budget plan to measure the capital needs of the following year. Every year, no less than 30% of the available profit shall be distributed shareholder dividends. The distribution of dividends may be in cash or in shares, of which the cash dividends should be no less than 20%. However, when the Company has capital expenditure needs, all the aforementioned dividends will be distributed in the form of share dividends. For the policies on the distribution of compensation of employees and remuneration of directors after the amendment, 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.

Items referred to under Rule No. 1010047490, Rule No. 1030006415 and Rule No. 1090150022 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.

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.

The appropriation of earnings for 2022, which was approved by the shareholders in their meeting on June 27, 2023, was as follows:

| | For the Year Ended December 31, 2022 |
|---------------------------------|---|
| Legal reserve | <u>\$ 30,208</u> |
| Special reserve | <u>\$ 124,319</u> |
| Cash dividends | <u>\$ 147,150</u> |
| Cash dividends per share (NT\$) | <u>\$ 1.98</u> |

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 Nine Months Ended September 30 | |
|--|---|---------------|
| | 2023 | 2022 |
| Balance at January 1 | \$ 789 | \$ 708 |
| Attributable to non-controlling interests: | | |
| Share-based payment | 1 | 1 |
| Share of profit for the period | 56 | 57 |
| Other comprehensive income during the year | <u>20</u> | <u>14</u> |
| Balance at September 30 | <u>\$ 866</u> | <u>\$ 780</u> |

16. REVENUE

| | For the Three Months Ended September 30 | | For the Nine Months Ended September 30 | |
|---|--|-------------------|---|---------------------|
| | 2023 | 2022 | 2023 | 2022 |
| Revenue from contracts with customers - sale of goods | \$ 652,815 | \$ 553,441 | \$ 1,808,797 | \$ 1,545,512 |
| Other income | <u>2,457</u> | <u>14,046</u> | <u>6,816</u> | <u>58,748</u> |
| | <u>\$ 655,272</u> | <u>\$ 567,487</u> | <u>\$ 1,815,613</u> | <u>\$ 1,604,260</u> |

Contract Balances

| | September 30, 2023 | December 31, 2022 | September 30, 2022 |
|--|-------------------------------|------------------------------|-------------------------------|
| Notes receivable and accounts receivable | \$ 499,642 | \$ 252,200 | \$ 296,653 |
| Receivables from related parties | <u>27</u> | <u>691</u> | <u>595</u> |
| | <u>\$ 499,669</u> | <u>\$ 252,891</u> | <u>\$ 297,248</u> |
| Contract liabilities - current | <u>\$ 28,428</u> | <u>\$ 28,419</u> | <u>\$ 35,923</u> |

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

| | For the Three Months Ended September 30 | | For the Nine Months Ended September 30 | |
|---|--|-----------------|---|------------------|
| | 2023 | 2022 | 2023 | 2022 |
| Revenue from contracts with customers - sale of goods | <u>\$ 4,724</u> | <u>\$ 3,692</u> | <u>\$ 12,145</u> | <u>\$ 16,684</u> |

For information about notes receivable and accounts receivable, refer to Note 8. 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 Three Months Ended September 30 | | For the Nine Months Ended September 30 | |
|--|--|------------------|---|-------------------|
| | 2023 | 2022 | 2023 | 2022 |
| Property, plant and equipment | \$ 39,530 | \$ 44,743 | \$ 117,693 | \$ 137,377 |
| Right-of-use assets | 3,258 | 3,263 | 9,818 | 9,728 |
| Intangible asset (under other non-current assets) | <u>332</u> | <u>347</u> | <u>1,001</u> | <u>1,016</u> |
| | <u>\$ 43,120</u> | <u>\$ 48,353</u> | <u>\$ 128,512</u> | <u>\$ 148,121</u> |
| An analysis of depreciation by function | | | | |
| Operating costs | \$ 33,595 | \$ 39,244 | \$ 101,302 | \$ 120,309 |
| Operating expenses | <u>9,193</u> | <u>8,762</u> | <u>26,209</u> | <u>26,796</u> |
| | <u>\$ 42,788</u> | <u>\$ 48,006</u> | <u>\$ 127,511</u> | <u>\$ 147,105</u> |
| An analysis of amortization by function | | | | |
| Operating expenses | <u>\$ 332</u> | <u>\$ 347</u> | <u>\$ 1,001</u> | <u>\$ 1,016</u> |

b. Employee benefit expense

| | For the Three Months Ended September 30 | | For the Nine Months Ended September 30 | |
|--|--|------------------|---|-------------------|
| | 2023 | 2022 | 2023 | 2022 |
| Short-term employee benefits | \$ 90,276 | \$ 78,110 | \$ 260,244 | \$ 229,608 |
| Share-based payment | 1,222 | 9,513 | 4,377 | 9,513 |
| Post-employment benefits | | | | |
| Defined contribution plans | <u>7,020</u> | <u>2,842</u> | <u>15,834</u> | <u>12,702</u> |
| Total employee benefit expense | <u>\$ 98,518</u> | <u>\$ 90,465</u> | <u>\$ 280,455</u> | <u>\$ 251,823</u> |
| An analysis of employee benefit expense by function | | | | |
| Operating costs | \$ 50,173 | \$ 33,307 | \$ 136,546 | \$ 108,439 |
| Operating expenses | <u>48,345</u> | <u>57,158</u> | <u>143,909</u> | <u>143,384</u> |
| | <u>\$ 98,518</u> | <u>\$ 90,465</u> | <u>\$ 280,455</u> | <u>\$ 251,823</u> |

As of September 30, 2023 and 2022, the Group had 573 and 499 employees with 4 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 nine months ended September 30, 2023 were as follows:

| <u>Amount</u> | For the Nine Months Ended September 30, 2023 |
|---------------------------|---|
| Compensation of employees | \$ 3,218 |
| Remuneration of directors | 3,218 |

The compensation of employees and remuneration of directors for the year ended December 31, 2022 were approved by the Company's board of directors on March 10, 2023, as follows:

| | For the Years Ended December 31, 2022 |
|---------------------------|--|
| | <u>Cash</u> |
| 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.

There was no difference between the actual amounts of the compensation and remuneration distributed in year ended December 31, 2022, and the amounts recognized in the consolidated financial statements for the year ended December 31, 2022.

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 Three Months Ended September 30 | | For the Nine Months Ended September 30 | |
|--|--|------------------|---|------------------|
| | <u>2023</u> | <u>2022</u> | <u>2023</u> | <u>2022</u> |
| Current tax | \$ 9,538 | \$ 24,501 | \$ 47,784 | \$ 65,597 |
| Deferred tax | <u>3,027</u> | <u>(2,675)</u> | <u>3,027</u> | <u>584</u> |
| Income tax expense recognized in profit or loss | <u>\$ 12,565</u> | <u>\$ 21,826</u> | <u>\$ 50,811</u> | <u>\$ 66,181</u> |

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. Income tax assessments

The tax filings of Arizon RFID Technology (Hong Kong) Co., Ltd., Taiwan Branch through 2021 have been approved by the tax authorities.

19. EARNINGS PER SHARE

| | For the Three Months Ended September 30 | | For the Nine Months Ended September 30 | |
|-----------------------------------|--|----------------|---|----------------|
| | 2023 | 2022 | 2023 | 2022 |
| Basic earnings per share (NT\$) | <u>\$ 1.17</u> | <u>\$ 1.37</u> | <u>\$ 4.38</u> | <u>\$ 4.03</u> |
| Diluted earnings per share (NT\$) | <u>\$ 1.16</u> | <u>\$ 1.37</u> | <u>\$ 4.35</u> | <u>\$ 4.03</u> |

The earnings and weighted average number of ordinary shares outstanding used in the computation of earnings per share from continuing operations were as follows:

Net profit for the period:

| | For the Three Months Ended September 30 | | For the Nine Months Ended September 30 | |
|---|--|------------------|---|-------------------|
| | 2023 | 2022 | 2023 | 2022 |
| Profit for the period attributable to owners of the Company | <u>\$ 86,964</u> | <u>\$ 90,048</u> | <u>\$ 315,105</u> | <u>\$ 262,907</u> |

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

| | For the Three Months Ended September 30 | | For the Nine Months Ended September 30 | |
|--|--|---------------|---|---------------|
| | 2023 | 2022 | 2023 | 2022 |
| Weighted average number of ordinary shares used in the computation of basic earnings per share | 74,318 | 65,507 | 72,019 | 65,171 |
| Effect of potentially dilutive ordinary shares: | | | | |
| Employee share options | 357 | 25 | 357 | 8 |
| Compensation of employees | <u>23</u> | <u>38</u> | <u>36</u> | <u>38</u> |
| Weighted average number of ordinary shares used in the computation of diluted earnings per share | <u>74,698</u> | <u>65,570</u> | <u>72,412</u> | <u>65,217</u> |

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 Company 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 is as follows:

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

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 \$4,377 thousand and \$789 thousand for the nine months ended September 30, 2023 and 2022, respectively.

- b. The board of directors of the subsidiary resolved to increase capital in cash of 1,060 thousand shares on July 12, 2022. Since all the original shareholders gave up to participate, all the shares issued this time were subscribed by employees. On August 16, 2022, the employees (the grant date is the date of confirming the number of employee stock subscriptions) who meet certain specific requirements were given the right to subscribe for new shares of the Company and its subsidiaries, with a total subscription of 1,060 thousand shares, and the exercise price is 57.4 per share.

Information on employee share options issued and weighted average exercise price on September 30, 2022 was as follows:

| Employee Share Option | For the Nine Months Ended September 30, 2022 | |
|---|---|---|
| | Number of Units (In Thousands) | Weighted Average Exercise Price (NT\$) |
| Balance at January 1 | - | \$ - |
| Options granted | 1,060 | 57.4 |
| Options exercised | <u>(1,060)</u> | 57.4 |
| Balance at December 31 | <u><u>-</u></u> | |
| Weighted-average fair value of options granted (NT\$) | <u>\$ 8.24</u> | |

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 nine months ended September 30, 2022.

21. CAPITAL MANAGEMENT

The Group manages its capital to ensure that 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.

22. 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.

| | September 30, 2023 | December 31, 2022 | September 30, 2022 |
|---|-----------------------|----------------------|-----------------------|
| <u>Financial assets</u> | | | |
| Financial assets at amortized cost (1) | \$ 4,000,830 | \$ 2,925,098 | \$ 2,929,104 |
| <u>Financial liabilities</u> | | | |
| Financial liabilities at amortized cost (2) | 483,723 | 423,385 | 374,443 |

- 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 short-term borrowings, 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).

b. 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 rate. 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 Nine Months Ended September 30 | |
|-------------------------------|---|-----------------|
| | 2023 | 2022 |
| Profit or loss at 5% variance | | |
| USD | <u>\$ 47,668</u> | <u>\$ (556)</u> |

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:

| | September 30, 2023 | December 31, 2022 | September 30, 2022 |
|-------------------------------|-------------------------------|------------------------------|-------------------------------|
| Fair value interest rate risk | | | |
| Financial assets | <u>\$ 3,002,955</u> | <u>\$ 2,050,926</u> | <u>\$ 2,151,352</u> |
| Financial liabilities | <u>\$ 52,367</u> | <u>\$ 5,134</u> | <u>\$ 8,266</u> |
| Cash flow interest rate risk | | | |
| Financial assets | <u>\$ 384,834</u> | <u>\$ 564,014</u> | <u>\$ 430,988</u> |
| Financial liabilities | <u>\$ 90,000</u> | <u>\$ -</u> | <u>\$ -</u> |

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 nine months ended September 30, 2023 and 2022 would have increased/decreased as follows:

| | For the Nine Months Ended September 30 | |
|-------------------|---|---------------|
| | 2023 | 2022 |
| Increase/decrease | <u>\$ 221</u> | <u>\$ 323</u> |

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 customer. The credit evaluation of individual customer includes considering factors that will affect its 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 Company's finance department. Since the counterparties are creditworthy banks and financial institutions with good credit rating, 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.

23. 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

| <u>Related Party Name</u> | <u>Related Party Category</u> |
|---|-------------------------------|
| YFY Packaging Inc. | 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 |
| Yuen Foong Yu Paper Enterprise (Dong Nai) Co., Ltd. | Fellow subsidiary |
| YFY Packaging (Ha Nam) Co., Ltd. | Fellow subsidiary |
| Hsin-Yi Enterprise Co., Ltd. | Substantive related party |
| Yuen Foong Paper Co., Ltd. | Substantive related party |
| SinoPac Securities Corporation | Substantive related party |
| Transcend Optronics (Yanzhou) Co., Ltd. | Substantive related party |

b. Sales of goods

| <u>Related Party Category</u> | <u>For the Three Months Ended September 30</u> | | <u>For the Nine Months Ended September 30</u> | |
|-------------------------------|--|--------------|---|-----------------|
| | <u>2023</u> | <u>2022</u> | <u>2023</u> | <u>2022</u> |
| Fellow subsidiaries | \$ 121 | \$ 590 | \$ 6,214 | \$ 1,932 |
| Substantive related parties | <u>-</u> | <u>(540)</u> | <u>479</u> | <u>459</u> |
| | <u>\$ 121</u> | <u>\$ 50</u> | <u>\$ 6,693</u> | <u>\$ 2,391</u> |

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

c. Purchases of goods

| Related Party Category | For the Three Months Ended September 30 | | For the Nine Months Ended September 30 | |
|-------------------------------|--|---------------|---|-----------------|
| | 2023 | 2022 | 2023 | 2022 |
| Fellow subsidiaries | \$ 803 | \$ 804 | \$ 1,805 | \$ 1,278 |
| Substantive related parties | <u>-</u> | <u>-</u> | <u>-</u> | <u>154</u> |
| | <u>\$ 803</u> | <u>\$ 804</u> | <u>\$ 1,805</u> | <u>\$ 1,432</u> |

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 | September 30, 2023 | December 31, 2022 | September 30, 2022 |
|-------------------------------|-------------------------------|------------------------------|-------------------------------|
| Fellow subsidiaries | \$ 27 | \$ 686 | \$ 553 |
| Substantive related parties | <u>-</u> | <u>5</u> | <u>42</u> |
| | <u>\$ 27</u> | <u>\$ 691</u> | <u>\$ 595</u> |

The outstanding accounts receivable from related parties are unsecured.

e. Accounts payable to related parties

| Related Party Category | September 30, 2023 | December 31, 2022 | September 30, 2022 |
|-------------------------------|-------------------------------|------------------------------|-------------------------------|
| Fellow subsidiaries | <u>\$ 703</u> | <u>\$ 1,052</u> | <u>\$ 757</u> |

The outstanding accounts payable to related parties are unsecured.

f. Other payables to related parties

| Related Party Category | September 30, 2023 | December 31, 2022 | September 30, 2022 |
|-------------------------------|-------------------------------|------------------------------|-------------------------------|
| Substantive related parties | \$ 228 | \$ 218 | \$ 225 |
| Fellow subsidiaries | <u>3</u> | <u>25</u> | <u>55</u> |
| | <u>\$ 231</u> | <u>\$ 243</u> | <u>\$ 280</u> |

g. Lease arrangements

| Lease Paid | For the Three Months Ended September 30 | | For the Nine Months Ended September 30 | |
|-----------------------------|--|---------------|---|-----------------|
| | 2023 | 2022 | 2023 | 2022 |
| Substantive related parties | <u>\$ 531</u> | <u>\$ 520</u> | <u>\$ 1,575</u> | <u>\$ 1,560</u> |

The lease period, rent and the payment condition for related parties are equivalent to non-related parties.

h. Other transactions with related parties

| Related Party Category | Miscellaneous Expenses (Accounted as Operating Costs) | | | |
|------------------------|---|--------|---|--------|
| | For the Three Months Ended September 30 | | For the Nine Months Ended September 30 | |
| | 2023 | 2022 | 2023 | 2022 |
| Fellow subsidiaries | \$ 194 | \$ 202 | \$ 554 | \$ 505 |

| Related Party Category | Operating Expenses | | | |
|-----------------------------|--|---------------|---|---------------|
| | For the Three Months Ended September 30 | | For the Nine Months Ended September 30 | |
| | 2023 | 2022 | 2023 | 2022 |
| Substantive related parties | \$ 335 | \$ 126 | \$ 857 | \$ 335 |
| Fellow subsidiaries | 84 | 95 | 229 | 237 |
| | <u>\$ 419</u> | <u>\$ 221</u> | <u>\$ 1,086</u> | <u>\$ 572</u> |

| Related Party Category | Prepaid Expenses | | |
|------------------------|-----------------------|----------------------|-----------------------|
| | September 30, 2023 | December 31, 2022 | September 30, 2022 |
| | Fellow subsidiaries | \$ 265 | \$ 415 |

i. Remuneration of key management personnel

| | For the Three Months Ended September 30 | | For the Nine Months Ended September 30 | |
|--------------------------|--|------------------|---|------------------|
| | 2023 | 2022 | 2023 | 2022 |
| | Short-term employee benefits | \$ 11,770 | \$ 14,291 | \$ 34,935 |
| Post-employment benefits | 197 | 181 | 558 | 517 |
| Share-based payments | 822 | 7,674 | 2,465 | 7,674 |
| | <u>\$ 12,789</u> | <u>\$ 22,146</u> | <u>\$ 37,958</u> | <u>\$ 45,222</u> |

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

24. 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.

25. EXCHANGE RATE OF FINANCIAL 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:

| | September 30, 2023 | | |
|------------------------------|-----------------------------|----------------------|-------------------------------|
| | Foreign Currency | Exchange Rate | New Taiwan Dollars |
| <u>Financial assets</u> | | | |
| Monetary items | | | |
| USD | \$ 34,147 | 7.1798 (USD:RMB) | \$ 1,101,924 |
| NTD | 162,747 | 0.22 (NTD:RMB) | 162,747 |
| <u>Financial liabilities</u> | | | |
| Monetary items | | | |
| USD | 4,604 | 7.1798 (USD:RMB) | 148,571 |
| | December 31, 2022 | | |
| | Foreign Currency | Exchange Rate | New Taiwan Dollars |
| <u>Financial assets</u> | | | |
| Monetary items | | | |
| USD | \$ 5,613 | 6.9646 (USD:RMB) | \$ 172,375 |
| <u>Financial liabilities</u> | | | |
| Monetary items | | | |
| USD | 8,379 | 6.9646 (USD:RMB) | 257,319 |
| | September 30, 2022 | | |
| | Foreign Currency | Exchange Rate | New Taiwan Dollars |
| <u>Financial assets</u> | | | |
| Monetary items | | | |
| USD | \$ 6,042 | 7.0998 (USD:RMB) | \$ 191,834 |
| <u>Financial liabilities</u> | | | |
| Monetary items | | | |
| USD | 6,329 | 7.0998 (USD:RMB) | 202,946 |

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

| Foreign Currency | For the Nine Months Ended September 30 | | | |
|---------------------|---|---|---|---|
| | 2023 | | 2022 | |
| | Exchange Rate (Foreign Currency: Functional Currency) | Net Foreign Exchange Gains (Losses) | Exchange Rate (Foreign Currency: Functional Currency) | Net Foreign Exchange Gains (Losses) |
| USD | 7.1798 (USD:RMB) | \$ 25,610 | 7.100 (USD:RMB) | \$ 12,236 |
| USD | 32.37 (USD:NTD) | (15,418) | 31.75 (USD:NTD) | <u>3,425</u> |
| NTD | 0.22 (NTD:RMB) | <u>5,737</u> | | |
| | | <u>\$ 15,929</u> | | <u>\$ 15,661</u> |

26. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 1) Financing provided to others (None)
- 2) Endorsements/guarantees provided (Table 1)
- 3) Marketable securities held (Table 2)
- 4) Marketable securities acquired and disposed at costs or prices at least NT\$300 million or 20% of the paid-in capital (None)
- 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 (None)
- 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 year 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)

27. 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.

- 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.

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

ENDORSEMENT FOR OTHERS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| No. (Note1) | Endorser/Guarantor | Endorser/Guarantor | | Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note 3) | Maximum Amount Endorsed/ Guaranteed During the Period (Note 4) | Outstanding Endorsement/ Guarantee at the End of the Period (Note 4) | Actual Borrowing Amount | Amount Endorsed/ Guaranteed by Collaterals | Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%) | Aggregate Endorsement/ Guarantee Limit | Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries | Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent | Endorsement/ Guarantee Given on Behalf of Companies in Mainland China |
|----------------|--------------------|---|--------------------------|--|--|---|-------------------------------|---|--|---|---|---|---|
| | | Name | Relationship (Note 2) | | | | | | | | | | |
| 0 | The Company | Arizon RFID Technologies (Hong Kong) Co., Ltd. | (2) | \$ 7,456,211 | \$ 380,000 | \$ 380,000 | \$ 90,000 | \$ - | 7.64 | \$ 9,941,614 | Note 8 | N | N |

Note 1: The description of the number column is as follows:

- a. 0 for the issuer.
- b. Investees are numbered starting from "1".

Note 2: Relationship between the endorser/guarantor and the endorsee/guarantee is classified as follows:

- a. Having a business relationship.
- b. The endorser/guarantor directly or indirectly owns more than 50% of the ordinary shares of the endorsee/guarantee.
- c. The endorsee/guarantee directly or indirectly owns more than 50% of the ordinary shares of the endorser/guarantor.
- d. Company in which the public company directly or indirectly holds 90% or more of the voting shares may make endorsements/guarantees for each other.
- e. Where a public company fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or joint builders for purposes of undertaking a construction project.
- f. Due to joint venture, all shareholders provide endorsements/guarantees to the endorsee/guarantee in proportion to its ownership.
- g. Where companies in the same industry provide among themselves joint and several securities for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other.

Note 3: The limit of the company's endorsement guarantee for a single enterprise is 150% of the net equity value of the latest financial statement issued by an accountant; the maximum limit of the endorsement guarantee is 200% of the net equity value of the latest financial statement issued by an accountant.

Note 4: The maximum balance of endorsement guarantee for others in the current year.

Note 5: The amount approved by the board of directors should be entered. However, if the board of directors authorizes the chairman of the board of directors to make a decision in accordance with Article 12, Paragraph 8 of the Guidelines for Handling Fund Loans and Endorsement Guarantees of Publicly Offered Companies, it refers to the amount decided by the chairman of the board.

Note 6: This represents the actual expenditure amount of the endorsed guarantee company within the scope of the balance of the endorsement guarantee.

Note 7: Only those who are endorsed and guaranteed by the parent company to the subsidiary, those who are endorsed and guaranteed by the subsidiary to the parent company, and those who are endorsed and guaranteed by the mainland must fill in Y.

Note 8: The person who is an endorsement guarantee jointly issues a promissory note for the financing limit of the financial institution that is the target of the endorsement guarantee.

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

MARKETABLE SECURITIES HELD

SEPTEMBER 30, 2023

(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 | September 30, 2023 | | | | Note |
|----------------------------------|---|---------------------------------------|--|--------------------|--|-----------------------------|--|------|
| | | | | Number of Shares | Carrying Amount | Percentage of Ownership (%) | Fair Value | |
| Arizon RFID Technology Co., Ltd. | <u>Negotiable certificates of deposit</u> Agricultural Bank of China RMB Large-denomination Certificate of Deposit for Corporate Clients No. 046 in 2022 | - | Financial assets at amortized cost - non-current | - | \$ 269,673 (RMB 60,000 thousand) | - | \$ 269,673 (RMB 60,000 thousand) | |
| | Industrial and Commercial Bank of China RMB Time Deposit | - | " | - | 269,673 (RMB 60,000 thousand) | - | 269,673 (RMB 60,000 thousand) | |
| | Bank of Communications RMB Time Deposit | - | " | - | 674,183 (RMB 150,000 thousand) | - | 674,183 (RMB 150,000 thousand) | |
| | Bank of Communications RMB Large-denomination Certificate of Deposit for Corporate Clients No. 131 in 2022 | - | " | - | 134,837 (RMB 30,000 thousand) | - | 134,837 (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 | - | 224,728 (RMB 50,000 thousand) | - | 224,728 (RMB 50,000 thousand) | |
| | Agricultural Bank of China RMB Large-denomination Certificate of Deposit for Corporate Clients No. 017 in 2021 | - | " | - | 67,418 (RMB 15,000 thousand) | - | 67,418 (RMB 15,000 thousand) | |
| | Industrial and Commercial Bank of China RMB Large-denomination Certificate of Deposit for Corporate Clients No. 2 in 2021 (36 months) | - | " | - | 98,880 (RMB 22,000 thousand) | - | 98,880 (RMB 22,000 thousand) | |
| | Bank of Communications RMB Large-denomination Certificate of Deposit for Corporate Clients No. 55 in 2021 | - | " | - | 58,430 (RMB 13,000 thousand) | - | 58,430 (RMB 13,000 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.

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

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023**

(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. | Arizon RFID Technologies (Hong Kong) Co., Ltd. Arizon JAPAN Co., Ltd. | Subsidiary Subsidiary | Sales | \$ 34,592 | By market price | 1.91 |
| | | | | Sales | 29,595 | By market price | 1.63 |
| 2 | Arizon RFID Technologies (Hong Kong) Co., Ltd. | Arizon RFID Technology Co., Ltd. ARIZON CORPORATION | Parent company Fellow subsidiary | Sales | 69,121 | By market price | 3.81 |
| | | | | Sales | 36,552 | By market price | 2.01 |

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

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

INFORMATION ON INVESTEEES

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| Investor Company | Investee Company | Location | Main Businesses and Products | Investment Amount | | As of September 30, 2023 | | | Net Income (Loss) of the Investee | Share of Profits (Loss) | Note (Note 2) |
|----------------------------------|--|---|--|---|---|--------------------------|-------|--|-------------------------------------|-------------------------------------|---------------|
| | | | | September 30, 2023 | December 31, 2022 | 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 | \$ 4,117,749 (US\$ 127,603 thousand) | \$ 4,117,749 (US\$ 127,603 thousand) | 29,584,886 | 100.0 | \$ 4,360,971 (RMB 970,279 thousand) | \$ 279,778 (RMB 63,393 thousand) | \$ 279,778 (RMB 63,393 thousand) | Subsidiary |
| | ARIZON CORPORATION | 919 N. Market Street #950, Wilmington, Delaware 19801 | Product distribution and technical consulting services | - | - | - | 100.0 | - | - | - | 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 | 709,940 (US\$ 22,000 thousand) | 709,940 (US\$ 22,000 thousand) | 22,000,000 | 100.0 | 437,558 (RMB 97,353 thousand) | (32,496) (RMB 7,363 thousand) | (38,383) (RMB 8,697 thousand) | Subsidiary |
| | Arizon JAPAN Co., Ltd. | 11-2-3-chome, Nishishinjuku, Shinjuku-ku, Tokyo, Japan | Product distribution and technical consulting services | 10,810 (JPY 50,000 thousand) | 10,810 (JPY 50,000 thousand) | 1,000 | 100.0 | 6,841 (RMB 1,522 thousand) | 2,304 (RMB 522 thousand) | 1,218 (RMB 276 thousand) | Subsidiary |

Note 1: Except for investment gain or loss which were translated at exchange rates of RMB1=NT\$4.413391, the rest were translated at exchange rates of US\$1=NT\$32.27, RMB1=NT\$4.494554 or JPY1=NT\$0.2162 as of September 30, 2023.

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.

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

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| Investee Company | Main Businesses and Products | Paid-in Capital (In Thousands of Foreign Currencies) (Note 1) | Method of Investment | Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2023 (In Thousands of Foreign Currencies) (Note 1) | Remittance of Funds | | Accumulated Outward Remittance for Investment from Taiwan as of September 30, 2023 (In Thousands of Foreign Currencies) (Note 1) | Net Income of the Investee | % Ownership of Direct or Indirect Investment | Investment Gain (Loss) | Carrying Amount as of September 30, 2023 | Accumulated Repatriation of Investment Income as of September 30, 2023 | Note |
|--|--|--|-------------------------|---|---------------------|--------|--|--|---|--|---|--|------|
| | | | | | Outward | Inward | | | | | | | |
| Arizon RFID Technology Co., Ltd. | Design, development, manufacture, sale and packaging of RFID (radio frequency identification) products | \$ 873,247 (RMB 194,290 thousand) | (b) | \$ 819,400 (US\$ 25,392 thousand) | \$ - | \$ - | \$ 819,400 (US\$ 25,392 thousand) | \$ 279,431 (RMB 63,314 thousand) | 99.98 | \$ 279,375 (RMB 63,301 thousand) (Note 4, b.) | \$ 4,321,063 (RMB 961,400 thousand) (Note 4, b.) | \$ - | (3) |
| Yeon Technologies (Yangzhou) Co., Ltd. | Design and agent of RFID module, system and antenna. | 35,956 (RMB 8,000 thousand) | (c) | - | - | - | - | 159 (RMB 36 thousand) | 99.98 | 159 (RMB 36 thousand) (Note 4, b.) | 63,838 (RMB 14,203 thousand) (Note 4, b.) | - | (3) |

| Accumulated Investment in Mainland China as of September 30, 2023 | Investment Amounts Authorized by Investment Commission, MOEA | Upper Limit on Investment |
|--|---|---------------------------|
| \$819,400 | \$819,400 | N/A |

Note 1: Except for investment gain or loss which were translated at exchange rates of RMB1=NT\$4.413391, the rest were translated at exchange rates of US\$1=NT\$32.27 or RMB1=NT\$4.494554 as of September 30, 2023.

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

- Direct investment in mainland China and the investors.
- Investment in mainland China through companies set up in another company, the investor is YFY RFID Co., Ltd.
- 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:

- Financial statements reviewed by an international CPA firm with the cooperation of the ROC CPA firm.
- Financial statements reviewed by the ROC CPA firm.
- Others.

TABLE 6**ARIZON RFID TECHNOLOGY (CAYMAN) CO., LTD. AND SUBSIDIARIES****INFORMATION OF MAJOR SHAREHOLDERS
SEPTEMBER 30, 2023**

| Name of Major Shareholder | Shares | |
|----------------------------|------------------|-----------------------------|
| | Number of Shares | Percentage of Ownership (%) |
| YFY Global Investment B.V. | 45,694,935 | 61.48 |

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.