

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

**Consolidated Financial Statements for the
Years Ended December 31, 2023 and 2022 and
Independent Auditors' Report**

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of Arizon RFID Technology (Cayman) Co., Ltd. and its subsidiaries (collectively referred to as “the Group”), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the “consolidated financial statements”).

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC) and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission (FSC) of the Republic of China.

Basis for Opinion

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

Key Audit Matter

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements for the year ended December 31, 2023. The matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

The key audit matter identified in the Group's consolidated financial statements for the year ended December 31, 2023 is as follows:

Occurrence of Sales Revenue Recognition

The Group mainly engages in radio-frequency identification (RFID) system's design, development, manufacture and trading. For the year ended December 31, 2023, the consolidated sales revenue was \$2,685,946 thousand. Due to the significant amount and the naturally high risk of sales revenue, therefore, we consider the occurrence of sales revenue recognition as a key audit matter.

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

1. We reviewed the control activities related to revenue recognition and tested the effectiveness of the design and implementation of the control activities.
2. We sampled the sales revenue by verifying certificates related to shipments, and we reviewed the recipients, payees and the amounts received for abnormalities to confirm the occurrence of the sales revenue recognition.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine the matter that was of most significance in the audit of the consolidated financial statements for the year ended December 31, 2023, and is therefore the key audit matter. We describe the matter in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 12, 2024

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

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

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

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

ASSETS	2023		2022	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 1,432,071	23	\$ 608,787	13
Financial assets at amortized cost - current (Notes 4 and 7)	458,665	7	220,472	5
Notes and accounts receivable (Notes 4, 8 and 16)	693,711	11	252,200	6
Accounts receivable from related parties (Notes 4, 16 and 23)	-	-	691	-
Inventories (Notes 4 and 9)	592,281	10	473,388	10
Other current assets	<u>135,494</u>	<u>2</u>	<u>75,348</u>	<u>2</u>
Total current assets	<u>3,312,222</u>	<u>53</u>	<u>1,630,886</u>	<u>36</u>
NON-CURRENT ASSETS				
Financial assets at amortized cost - non-current (Notes 4 and 7)	1,539,000	25	1,785,824	39
Property, plant and equipment (Notes 4, 11 and 17)	1,050,484	17	1,040,671	23
Right-of-use assets (Notes 4, 12 and 17)	69,149	1	25,907	1
Deferred tax assets (Notes 4 and 18)	32,672	-	36,256	1
Other non-current assets (Note 4)	<u>237,976</u>	<u>4</u>	<u>14,073</u>	<u>-</u>
Total non-current assets	<u>2,929,281</u>	<u>47</u>	<u>2,902,731</u>	<u>64</u>
TOTAL ASSETS	<u>\$ 6,241,503</u>	<u>100</u>	<u>\$ 4,533,617</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 13)	\$ 300,000	5	\$ -	-
Contract liabilities - current (Notes 4 and 16)	28,664	-	28,419	1
Notes and accounts payable	382,114	6	317,203	7
Accounts payable to related parties (Note 23)	742	-	1,052	-
Other payables	184,691	3	104,634	2
Other payables to related parties (Note 23)	223	-	243	-
Current tax liabilities (Notes 4 and 18)	31,757	1	14,192	1
Lease liabilities - current (Notes 4 and 12)	11,353	-	4,105	-
Other current liabilities	<u>4,786</u>	<u>-</u>	<u>3,708</u>	<u>-</u>
Total current liabilities	<u>944,330</u>	<u>15</u>	<u>473,556</u>	<u>11</u>
NON-CURRENT LIABILITIES				
Lease liabilities - non-current (Notes 4 and 12)	38,689	-	1,029	-
Other non-current liabilities	<u>45,957</u>	<u>1</u>	<u>50,913</u>	<u>1</u>
Total non-current liabilities	<u>84,646</u>	<u>1</u>	<u>51,942</u>	<u>1</u>
Total liabilities	<u>1,028,976</u>	<u>16</u>	<u>525,498</u>	<u>12</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4 and 15)				
Share capital				
Ordinary shares	743,180	12	660,600	14
Capital surplus	4,068,511	65	3,168,965	70
Retained earnings				
Legal reserve	30,208	1	-	-
Special reserve	124,319	2	-	-
Unappropriated earnings	448,340	7	302,084	7
Other equity	<u>(202,897)</u>	<u>(3)</u>	<u>(124,319)</u>	<u>(3)</u>
Total equity attributable to owners of the Company	5,211,661	84	4,007,330	88
NON-CONTROLLING INTERESTS	<u>866</u>	<u>-</u>	<u>789</u>	<u>-</u>
Total equity	<u>5,212,527</u>	<u>84</u>	<u>4,008,119</u>	<u>88</u>
TOTAL LIABILITIES AND EQUITY	<u>\$ 6,241,503</u>	<u>100</u>	<u>\$ 4,533,617</u>	<u>100</u>

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

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2023		2022	
	Amount	%	Amount	%
OPERATING INCOME (Notes 4, 16 and 23)	\$ 2,685,946	100	\$ 2,103,632	100
OPERATING COST (Notes 4, 9, 10, 17 and 23)	<u>(1,892,694)</u>	<u>(70)</u>	<u>(1,428,158)</u>	<u>(68)</u>
GROSS PROFIT	<u>793,252</u>	<u>30</u>	<u>675,474</u>	<u>32</u>
OPERATING EXPENSES (Notes 4, 17 and 23)				
Selling and marketing	(94,348)	(3)	(74,709)	(4)
General and administrative	(205,703)	(8)	(188,412)	(9)
Research and development	<u>(102,290)</u>	<u>(4)</u>	<u>(89,652)</u>	<u>(4)</u>
Total operating expenses	<u>(402,341)</u>	<u>(15)</u>	<u>(352,773)</u>	<u>(17)</u>
PROFIT FROM OPERATIONS	<u>390,911</u>	<u>15</u>	<u>322,701</u>	<u>15</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income (Note 4)	106,579	4	55,507	2
Other income	22,476	1	16,074	1
Gain (loss) on disposal of property, plant and equipment (Note 4)	6,391	-	(1,465)	-
Gain on financial assets at FVTPL	-	-	13,995	1
Finance costs	(2,253)	-	(433)	-
Other expenses	(2,556)	-	(909)	-
Foreign exchange gain (Notes 4 and 24)	<u>9,909</u>	<u>-</u>	<u>14,628</u>	<u>1</u>
Total non-operating income and expenses	<u>140,546</u>	<u>5</u>	<u>97,397</u>	<u>5</u>
PROFIT BEFORE INCOME TAX	531,457	20	420,098	20
INCOME TAX EXPENSE (Notes 4 and 18)	<u>(83,438)</u>	<u>(3)</u>	<u>(81,384)</u>	<u>(4)</u>
NET PROFIT FOR THE YEAR	<u>448,019</u>	<u>17</u>	<u>338,714</u>	<u>16</u>

(Continued)

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2023		2022	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Exchange differences arising on translation to the presentation currency	\$ (100,460)	(4)	\$ 53,185	2
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations	<u>21,872</u>	<u>1</u>	<u>11,520</u>	<u>1</u>
Other comprehensive (loss) income for the year, net of income tax	<u>(78,588)</u>	<u>(3)</u>	<u>64,705</u>	<u>3</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 369,431</u>	<u>14</u>	<u>\$ 403,419</u>	<u>19</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	\$ 447,933	17	\$ 338,638	16
Non-controlling interests	<u>86</u>	<u>-</u>	<u>76</u>	<u>-</u>
	<u>\$ 448,019</u>	<u>17</u>	<u>\$ 338,714</u>	<u>16</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$ 369,355	14	\$ 403,339	19
Non-controlling interests	<u>76</u>	<u>-</u>	<u>80</u>	<u>-</u>
	<u>\$ 369,431</u>	<u>14</u>	<u>\$ 403,419</u>	<u>19</u>
EARNINGS PER SHARE (Note 19)				
Basic	<u>\$ 6.17</u>		<u>\$ 5.18</u>	
Diluted	<u>\$ 6.14</u>		<u>\$ 5.17</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 FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

	Equity Attribute to Owners of the Company (Note 15)										
	Share Capital		Capital Surplus	Retained Earnings				Other Equity Exchange Differences on Translating the Financial Statements of Foreign Operations	Total	Non-controlling Interests	Total Equity
	Shares (In Thousands)	Amount		Legal Reserve	Special Reserve	Unappropriated Earnings	Total				
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 year ended December 31, 2022	-	-	-	-	-	338,638	338,638	-	338,638	76	338,714
Other comprehensive income for the year ended December 31, 2022	-	-	-	-	-	-	-	64,701	64,701	4	64,705
Total comprehensive income for the year ended December 31, 2022	-	-	-	-	-	338,638	338,638	64,701	403,339	80	403,419
Organization restructure (Notes 1 and 4)	35,415	(227,790)	2,715,661	-	-	(2,487,871)	(2,487,871)	-	-	-	-
Share-based compensation expenses (Note 20)	1,060	10,600	61,333	-	-	-	-	-	71,933	1	71,934
BALANCE AT DECEMBER 31, 2022	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 year ended December 31, 2023	-	-	-	-	-	447,933	447,933	-	447,933	86	448,019
Other comprehensive loss for the year ended December 31, 2023	-	-	-	-	-	-	-	(78,578)	(78,578)	(10)	(78,588)
Total comprehensive income (loss) for the year ended December 31, 2023	-	-	-	-	-	447,933	447,933	(78,578)	369,355	76	369,431
Issuance of ordinary shares for cash	8,258	82,580	893,673	-	-	-	-	-	976,253	-	976,253
Share-based compensation expenses (Note 20)	-	-	5,873	-	-	-	-	-	5,873	1	5,874
BALANCE AT DECEMBER 31, 2023	74,318	\$ 743,180	\$ 4,068,511	\$ 30,208	\$ 124,319	\$ 448,340	\$ 602,867	\$ (202,897)	\$ 5,211,661	\$ 866	\$ 5,212,527

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

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

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 531,457	\$ 420,098
Adjustments for:		
Depreciation expenses	172,196	194,294
Amortization expenses	1,381	1,364
Expected credit loss reversed	-	(791)
Net gain on fair value changes of financial assets at FVTPL	-	(13,995)
Finance costs	2,253	433
Interest income	(106,579)	(55,507)
Share-based compensation expenses	5,874	11,090
(Gain) loss on disposal of property, plant and equipment	(6,391)	1,465
Write-downs of inventories	22,804	4,251
Unrealized gain on foreign currency exchange	(2,168)	(9,134)
Changes in operating assets and liabilities		
Financial assets as at FVTPL	-	1,306,444
Notes and accounts receivable	(452,720)	106,877
Accounts receivable from related parties	693	(420)
Inventories	(152,264)	(188,760)
Other current assets	(20,143)	7,358
Contract liabilities	738	(4,716)
Notes and accounts payable	71,694	79,372
Accounts payable to related parties	(298)	770
Other payables	68,212	791
Other payables to related parties	(20)	(2,055)
Other current liabilities	1,164	(3,074)
Cash generated from operations	137,883	1,856,155
Interest received	64,050	18,786
Interest paid	(2,253)	(433)
Income tax paid	(62,230)	(83,150)
Net cash generated from operating activities	<u>137,450</u>	<u>1,791,358</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in financial assets at amortized cost	(25,659)	(1,574,300)
Payments for property, plant and equipment	(161,351)	(37,443)
Proceeds from disposal of property, plant and equipment	9,267	-
Increase in other non-current assets	(239,735)	(3,841)
Net cash used in investing activities	<u>(417,478)</u>	<u>(1,615,584)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	300,000	-
Decrease in other non-current liabilities	(4,182)	(1,753)
Repayment of the principal portion of lease liabilities	(11,751)	(12,486)

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

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

	2023	2022
Distribution of cash dividends	\$ (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>1,113,170</u>	<u>(156,995)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	<u>(9,858)</u>	<u>24,141</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	823,284	42,920
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>608,787</u>	<u>565,867</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 1,432,071</u>	<u>\$ 608,787</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 YEARS ENDED DECEMBER 31, 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 December 31, 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 March 12, 2024.

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

- a. Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRS Accounting Standards”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

Except for the following, the initial application of the IFRS Accounting Standards endorsed and issued into effect by the FSC did not have material impact on the Group’s accounting policies:

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

The amendments introduce a temporary exception to the requirements in IAS 12 by stipulating that the Group should neither recognize nor disclose information about deferred tax assets and liabilities related to Pillar Two income taxes. The amendments also require the Group to disclose that it has applied the exception and separately disclose its current tax expense (income) related to Pillar Two income taxes. In addition, for periods in which Pillar Two legislation is enacted or substantively enacted but not yet in effect, the Group should disclose qualitative and quantitative information that helps users of financial statements understand the Group’s exposure to Pillar Two income taxes. The requirement that the

Group apply the exception and the requirement to disclose that fact are applied immediately and retrospectively upon issuance of the amendments. The remaining disclosure requirements apply for annual reporting periods beginning on or after January 1, 2023, but not for any interim period ending on or before December 31, 2023.

- b. The IFRS Accounting Standards 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 IFRS Accounting Standards 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 has assessed that the application of other standards and interpretations will not have a material impact on the Group’s financial position and financial performance.

- c. The IFRS Accounting Standards in issue by IASB 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 IFRS Accounting Standards 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

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

b. Basis of preparation

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

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

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

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or 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 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 of the Group. 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 interests of the Group 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 7 and 8 for the detailed information of subsidiaries (including the percentages of ownership and main businesses).

e. Foreign currencies

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

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

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

Non-monetary item denominated in a foreign currency and measured at historical cost is stated at the reporting currency as originally translated from the foreign currency.

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

f. Inventories

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

g. Property, plant and equipment

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

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

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

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

h. Intangible assets

1) Intangible assets acquired separately

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

2) Derecognition of intangible assets

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

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

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

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

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

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

j. Financial instruments

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

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

1) Financial assets

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

a) Measurement category

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

i. Financial assets at FVTPL

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

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

ii. Financial assets at amortized cost

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

- i) The financial assets are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii) The contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

b) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables).

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

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

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account.

c) Derecognition of financial assets

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

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

2) Equity instruments

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

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

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

3) Financial liabilities

a) Subsequent measurement

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

b) Derecognition of financial liabilities

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

k. Provisions

Provisions, are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

l. Revenue recognition

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

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

m. Leases

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

1) The Group as lessor

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

2) The Group as lessee

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

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

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

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee's incremental borrowing rate will be used.

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

n. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

o. Taxation

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

1) Current tax

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

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

2) Deferred tax

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

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

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

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

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

3) Current and deferred taxes

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

p. Employee share options

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

At the end of each reporting period, the Group revises its estimate of the number of employee share options that are expected to vest. The impact of the revision of the original estimates is recognized in profit or loss such that the cumulative expenses reflect the revised estimate, with a corresponding adjustment to capital surplus - employee share options and non-controlling interests.

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

5. MATERIAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Based on the assessment of the Group's management, the accounting policies, estimates, and assumptions adopted by the Group have not been subject to material accounting judgements, estimates and assumptions uncertainty.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2023	2022
Cash on hand	\$ 54	\$ 143
Checking accounts and demand deposits	731,943	564,014
Cash equivalents (investments with original maturities of three months or less)	<u>700,074</u>	<u>44,630</u>
	<u>\$ 1,432,071</u>	<u>\$ 608,787</u>

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

	December 31	
	2023	2022
Cash equivalents	1.10%-5.52%	1.80%

7. FINANCIAL ASSETS AT AMORTIZED COST

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
<u>Current</u>		
Time deposits with original maturities of more than 3 months and 1 year	\$ 458,665	\$ 220,472
<u>Non-current</u>		
Time deposits with original maturities of more than 1 year	\$ 1,539,000	\$ 1,785,824

As of December 31, 2023 and 2022, the interest rates for time deposits with original maturity between three months and a year were 1.65%-2.1% and 3.99%, respectively, the interest rates for time deposits with original maturity of more than a year were both 3.10%-3.99%.

8. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Notes receivable	\$ 8,801	\$ 10,533
Accounts receivable	684,922	241,680
Less: Allowance for impairment loss	<u>(12)</u>	<u>(13)</u>
	<u>\$ 693,711</u>	<u>\$ 252,200</u>

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

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

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

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

December 31, 2023

	Not Past Due	Up to 90 Days	91 Days to 180 Days	Total
Expected credit loss rate	0.001%	-	-	
Gross carrying amount	\$ 673,298	\$ 20,425	\$ -	\$ 693,723
Loss allowance (Lifetime ECLs)	<u>(12)</u>	<u>-</u>	<u>-</u>	<u>(12)</u>
Amortized cost	<u>\$ 673,286</u>	<u>\$ 20,425</u>	<u>\$ -</u>	<u>\$ 693,711</u>

December 31, 2022

	Not Past Due	Up to 90 Days	91 Days to 180 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>(13)</u>
Amortized cost	<u>\$ 244,222</u>	<u>\$ 7,938</u>	<u>\$ 40</u>	<u>\$ 252,200</u>

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

	2023	2022
Balance at January 1	\$ 13	\$ 5,121
Net remeasurement of allowance	-	(791)
Amounts written off	-	(4,423)
Foreign currency exchange gains and losses	<u>(1)</u>	<u>106</u>
Balance at December 31	<u>\$ 12</u>	<u>\$ 13</u>

9. INVENTORIES

	December 31	
	2023	2022
Finished and purchased goods	\$ 289,718	\$ 179,696
Work in process	66,400	26,518
Materials	<u>236,163</u>	<u>267,174</u>
	<u>\$ 592,281</u>	<u>\$ 473,388</u>

The cost of goods sold for the years ended December 31, 2023 and 2022 included inventory write-downs of \$22,804 thousand and \$4,251 thousand, respectively.

10. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements:

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

Remarks:

- 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.
- In order to expand the US market, the Company established ARIZON CORPORATION in August 2023.
- The financial statements of subsidiaries included in the consolidated financial statements are based on the audited 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	-	9,934	-	9,123	8,634	27,691
Disposals	(2,201)	-	-	(310)	-	(2,511)
Effect of foreign currency exchange differences	9,415	22,985	53	230	407	33,090
Reclassifications	4,083	22,456	-	4,112	(30,651)	-
Balance at December 31, 2022	<u>\$ 613,499</u>	<u>\$ 1,746,631</u>	<u>\$ 3,465</u>	<u>\$ 61,905</u>	<u>\$ 2,011</u>	<u>\$ 2,427,511</u>

(Continued)

	Buildings	Machinery	Transportation Equipment	Miscellaneous Equipment	Property in Construction	Total
<u>Accumulated depreciation</u>						
Balance at January 1, 2022	\$ 112,035	\$ 1,059,963	\$ 3,099	\$ 14,100	\$ -	\$ 1,189,197
Depreciation expenses	29,340	143,487	145	8,337	-	181,309
Disposals	(793)	-	-	(253)	-	(1,046)
Effect of foreign currency exchange differences	1,592	15,604	48	136	-	17,380
Reclassifications	-	(510)	-	510	-	-
Balance at December 31, 2022	<u>\$ 142,174</u>	<u>\$ 1,218,544</u>	<u>\$ 3,292</u>	<u>\$ 22,830</u>	<u>\$ -</u>	<u>\$ 1,386,840</u>
Carrying amounts at December 31, 2022	<u>\$ 471,325</u>	<u>\$ 528,087</u>	<u>\$ 173</u>	<u>\$ 39,075</u>	<u>\$ 2,011</u>	<u>\$ 1,040,671</u>
<u>Cost</u>						
Balance at January 1, 2023	\$ 613,499	\$ 1,746,631	\$ 3,465	\$ 61,905	\$ 2,011	\$ 2,427,511
Additions	-	69,806	1,506	9,272	105,704	186,288
Disposals	-	(14,060)	(1,526)	(341)	-	(15,927)
Effect of foreign currency exchange differences	(10,329)	(27,272)	(57)	(421)	(914)	(38,993)
Reclassifications	-	61,761	-	139	(61,900)	-
Balance at December 31, 2023	<u>\$ 603,170</u>	<u>\$ 1,836,866</u>	<u>\$ 3,388</u>	<u>\$ 70,554</u>	<u>\$ 44,901</u>	<u>\$ 2,558,879</u>
<u>Accumulated depreciation</u>						
Balance at January 1, 2023	\$ 142,174	\$ 1,218,544	\$ 3,292	\$ 22,830	\$ -	\$ 1,386,840
Depreciation expenses	29,322	120,302	24	9,471	-	159,119
Disposals	-	(11,279)	(1,449)	(323)	-	(13,051)
Effect of foreign currency exchange differences	(2,982)	(21,282)	(27)	(222)	-	(24,513)
Reclassifications	-	(248)	-	248	-	-
Balance at December 31, 2023	<u>\$ 168,514</u>	<u>\$ 1,306,037</u>	<u>\$ 1,840</u>	<u>\$ 32,004</u>	<u>\$ -</u>	<u>\$ 1,508,395</u>
Carrying amounts at December 31, 2023	<u>\$ 434,656</u>	<u>\$ 530,829</u>	<u>\$ 1,548</u>	<u>\$ 38,550</u>	<u>\$ 44,901</u>	<u>\$ 1,050,484</u>

(Concluded)

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

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

12. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2023	2022
<u>Carrying amounts</u>		
Land	\$ 19,989	\$ 20,839
Buildings	48,343	3,268
Others	<u>817</u>	<u>1,800</u>
	<u>\$ 69,149</u>	<u>\$ 25,907</u>

	For the Year Ended December 31	
	2023	2022
Additions to right-of-use assets	<u>\$ 56,692</u>	<u>\$ 1,537</u>
Depreciation charge for right-of-use assets		
Land	\$ 510	\$ 511
Buildings	11,592	11,406
Others	<u>975</u>	<u>1,068</u>
	<u>\$ 13,077</u>	<u>\$ 12,985</u>

b. Lease liabilities

	December 31	
	2023	2022
<u>Carrying amounts</u>		
Current	<u>\$ 11,353</u>	<u>\$ 4,105</u>
Non-current	<u>\$ 38,689</u>	<u>\$ 1,029</u>

Range of discount rates for lease liabilities was as follows:

	December 31	
	2023	2022
Buildings	2.28%-7.4%	1.52%-7.4%
Others	1.52%-4.6%	1.52%-4.6%

c. Material lease-in activities and terms

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

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

d. Other lease information

	For the Year Ended December 31	
	2023	2022
Expenses relating to short-term leases and low-value asset leases	<u>\$ 5,174</u>	<u>\$ 4,891</u>
Total cash outflow for leases	<u>\$ 17,963</u>	<u>\$ 18,210</u>

13. SHORT-TERM BORROWINGS

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Bank credit loans	<u>\$ 300,000</u>	<u>\$ -</u>

As of December 31, 2023, the interest rate of short-term borrowings was 1.95%-1.98% 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

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Number of shares authorized (in thousands)	<u>100,000</u>	<u>100,000</u>
Shares authorized (\$10 per share)	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>
Number of shares issued (in thousands)	<u>74,318</u>	<u>66,060</u>
Shares issued	<u>\$ 743,180</u>	<u>\$ 660,600</u>

The Company was established in October 2021 by YFY RFID as its 100%-owned subsidiary, 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

	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 payments	-	-	11,089	11,089
Issuance of ordinary shares for employee share options	-	58,968	(8,724)	50,244
Balance at December 31, 2022	<u>\$ -</u>	<u>\$ 3,166,600</u>	<u>\$ 2,365</u>	<u>\$ 3,168,965</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 payments	-	-	5,873	5,873
Balance at December 31, 2023	<u>\$ -</u>	<u>\$ 4,060,273</u>	<u>\$ 8,238</u>	<u>\$ 4,068,511</u>

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

c. Retained earnings and dividends policy

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

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

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

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 IFRS Accounting Standards", 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 appropriations of earnings for 2022, which were proposed by the shareholders in their meeting on June 27, 2023, were 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>

The appropriations of earnings for 2023, which were proposed by the Company's board of directors on March 12, 2024, were as follows:

	For the Year Ended December 31, 2023
Legal reserve	<u>\$ 44,793</u>
Special reserve	<u>\$ 78,578</u>
Cash dividends	<u>\$ 222,954</u>
Cash dividends per share (NT\$)	<u>\$ 3</u>

The appropriations of earnings for 2023 will be approved by the shareholders in their meeting to be held in June 2024. Information about the appropriations of earnings is available at the Market Observation Post System website of the Taiwan Stock Exchange.

d. Non-controlling interests

	For the Year Ended December 31	
	2023	2022
Balance at January 1	\$ 789	\$ 708
Attributable to non-controlling interests:		
Share-based payment	1	1
Share of profit for the year	86	76
Other comprehensive (loss)/income during the year	<u>(10)</u>	<u>4</u>
Balance at December 31	<u>\$ 866</u>	<u>\$ 789</u>

16. REVENUE

	For the Year Ended December 31	
	2023	2022
Revenue from contracts with customers - sale of goods	\$ 2,617,180	\$ 2,043,295
Other income	<u>68,766</u>	<u>60,337</u>
	<u>\$ 2,685,946</u>	<u>\$ 2,103,632</u>

Contract Balances

	December 31	
	2023	2022
Notes receivable and accounts receivable	\$ 693,711	\$ 252,200
Receivables from related parties	<u>-</u>	<u>691</u>
	<u>\$ 693,711</u>	<u>\$ 252,891</u>
Contract liabilities - current	<u>\$ 28,664</u>	<u>\$ 28,419</u>

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

	For the Year Ended December 31	
	2023	2022
Revenue from contracts with customers - sale of goods	<u>\$ 11,929</u>	<u>\$ 16,461</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 Year Ended December 31	
	2023	2022
Right-of -use assets	\$ 159,119	\$ 181,309
Property, plant and equipment	13,077	12,985
Intangible asset (under other non-current assets)	<u>1,381</u>	<u>1,364</u>
	<u>\$ 173,577</u>	<u>\$ 195,658</u>
 An analysis of depreciation by function		
Operating costs	\$ 133,126	\$ 160,448
Operating expenses	<u>39,070</u>	<u>33,846</u>
	<u>\$ 172,196</u>	<u>\$ 194,294</u>
 An analysis of amortization by function		
Operating expenses	<u>\$ 1,381</u>	<u>\$ 1,364</u>

b. Employee benefits expense

	For the Year Ended December 31	
	2023	2022
Short-term employee benefits	\$ 417,641	\$ 348,719
Share-based payment	5,874	11,090
Post-employment benefits		
Defined contribution plans	<u>21,615</u>	<u>17,791</u>
	<u>\$ 445,130</u>	<u>\$ 377,600</u>
 An analysis of employee benefit expense by function		
Operating costs	\$ 229,019	\$ 188,565
Operating expenses	<u>216,111</u>	<u>189,035</u>
	<u>\$ 445,130</u>	<u>\$ 377,600</u>

As of December 31, 2023 and 2022, the Group had 682 and 510 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 years ended December 31, 2023 and 2022, which was approved by the Company's board of directors on March 12, 2024 and March 10, 2023, were as follows:

Amount

	<u>For the Year Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Compensation of employees	\$ 4,630	\$ 3,075
Remuneration of directors	7,000	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 employees' compensation and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the ended 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:

	<u>For the Year Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Current tax		
In respect of the current year	\$ 74,759	\$ 78,310
Adjustments for prior years	<u>5,645</u>	<u>2,490</u>
	<u>80,404</u>	<u>80,800</u>
Deferred tax		
In respect of the current year	<u>3,034</u>	<u>584</u>
Income tax expense recognized in profit or loss	<u>\$ 83,438</u>	<u>\$ 81,384</u>

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

	For the Year Ended December 31	
	2023	2022
Profit before tax	<u>\$ 531,457</u>	<u>\$ 420,098</u>
Income tax expense calculated at the statutory rate	\$ 77,367	\$ 69,380
Permanent differences	426	9,514
Adjustments for prior years	<u>5,645</u>	<u>2,490</u>
Income tax expense recognized in profit or loss	<u>\$ 83,438</u>	<u>\$ 81,384</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. Deferred tax assets and liabilities

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

For the year ended December 31, 2023

	Opening Balance	Recognized in Profit or Loss	Exchange Differences	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Depreciation of property, plant and equipment	\$ 27,273	\$ (5,109)	\$ (357)	\$ 21,807
Allowance for loss on inventories	2,056	3,275	(100)	5,231
Others	<u>6,927</u>	<u>(1,200)</u>	<u>(93)</u>	<u>5,634</u>
	<u>\$ 36,256</u>	<u>\$ (3,034)</u>	<u>\$ (550)</u>	<u>\$ 32,672</u>

For the year ended December 31, 2022

	Opening Balance	Recognized in Profit or Loss	Exchange Differences	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Depreciation of property, plant and equipment	\$ 28,365	\$ (1,545)	\$ 453	\$ 27,273
Allowance for loss on inventories	1,696	335	25	2,056
Others	<u>6,683</u>	<u>140</u>	<u>104</u>	<u>6,927</u>
	<u>\$ 36,744</u>	<u>\$ (1,070)</u>	<u>\$ 582</u>	<u>\$ 36,256</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Others	<u>\$ 476</u>	<u>\$ (486)</u>	<u>\$ 10</u>	<u>\$ -</u>

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

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

	December 31, 2023
Loss carryforwards	
Expiry in 2030	\$ 30,811
Expiry in 2031	86,597
Expiry in 2032	41,454
Expiry in 2033	<u>33,536</u>
	<u>\$ 192,398</u>

- d. 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.

- e. Pillar Two income tax legislation

In December 2023, the government of Hong Kong, where Arizon RFID Technology (Hong Kong) Co., Ltd. is incorporated, enacted the Pillar Two income tax legislation effective from January 1, 2025. Since the Pillar Two income tax legislation was not effective at the reporting date, the Group has no related current tax exposure. The Group is continuing to assess the impact of the Pillar Two income tax legislation on its future financial performance.

19. EARNINGS PER SHARE

	For the Year Ended December 31	
	2023	2022
Basic earnings per share (NT\$)	<u>\$ 6.17</u>	<u>\$ 5.18</u>
Diluted earnings per share (NT\$)	<u>\$ 6.14</u>	<u>\$ 5.17</u>

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

Net profit for the year:

	For the Year Ended December 31	
	2023	2022
Profit for the year attributable to owners of the Company	<u>\$ 447,933</u>	<u>\$ 338,638</u>

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

	For the Year Ended December 31	
	2023	2022
Weighted average number of ordinary shares used in the computation of basic earnings per share	\$ 72,599	\$ 65,395
Effect of potentially dilutive ordinary shares:		
Employee share options	357	52
Compensation of employees	<u>42</u>	<u>51</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>\$ 72,998</u>	<u>\$ 65,498</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 Group assumes that the entire amount of the compensation or bonuses will be settled in shares, and the resulting potential shares will be included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

20. SHARE-BASED PAYMENT ARRANGEMENTS

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

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

	For the Year Ended December 31, 2023		For the Year Ended December 31, 2022	
	Number of Units (In Thousands)	Weighted Average Exercise Price (NT\$)	Number of Units (In Thousands)	Weighted Average Exercise Price (NT\$)
Balance at January 1	595	\$ 57.4	-	\$ -
Options granted	<u>-</u>	-	<u>595</u>	57.4
Balance at December 31	<u>595</u>	57.4	<u>595</u>	57.4
Options exercisable, end of period	<u>-</u>		<u>-</u>	
Weighted-average fair value of options granted in December 31 (NT\$)	<u>\$ 21.2</u>		<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 were \$5,874 thousand and \$2,366 thousand for the years ended December 31, 2023 and 2022, respectively.

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

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

Employee Share Options	Number of Units (In Thousands)	Weighted Average Exercise Price (NT\$)
Balance at January 1	-	
Options granted	1,060	\$ 57.4
Options exercised	<u>(1,060)</u>	57.4
Balance at December 31	<u> -</u>	
Weighted-average fair value of options granted in December 31 (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 year ended December 31, 2022.

21. CAPITAL MANAGEMENT

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

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.

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
<u>Financial assets</u>		
Financial assets at amortized cost (1)	\$ 4,221,957	\$ 2,925,098
<u>Financial liabilities</u>		
Financial liabilities at amortized cost (2)	868,022	423,385

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 rates. The sensitivity analysis included only outstanding foreign currency-denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. For a 5% weakening of the RMB against the relevant currency, there would be an equal and opposite impact on pre-tax profit.

	For the Year Ended December 31	
	2023	2022
Profit or loss at 5% variance		
USD	\$ <u>47,636</u>	\$ <u>(4,247)</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:

	December 31	
	2023	2022
Fair value interest rate risk		
Financial assets	\$ <u>2,697,739</u>	\$ <u>2,006,296</u>
Financial liabilities	\$ <u>50,042</u>	\$ <u>5,134</u>
Cash flow interest rate risk		
Financial assets	\$ <u>731,943</u>	\$ <u>608,644</u>
Financial liabilities	\$ <u>300,000</u>	\$ <u>-</u>

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

Sensitivity analysis

For the Group's floating interest rate financial assets and liabilities, if interest rates had been 0.1% higher/lower and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2023 and 2022 would have increased/decreased as follows:

	For the Year Ended December 31	
	2023	2022
Increase/decrease	\$ <u>432</u>	\$ <u>609</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 customers. The credit evaluation of individual customers includes considering factors that will affect their payment ability such as financial condition, past transaction records and current economic conditions. Credit risk of bank deposits, fixed-income investments and other financial instruments with banks is evaluated and monitored by the Group's finance department. Since the counterparties are creditworthy banks and financial institutions with good credit ratings, there was no significant credit risk.

3) Liquidity risk

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

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
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 (Yangzhou) Co., Ltd.	Substantive related party

b. Sales of goods

Related Party Category	For the Year Ended December 31	
	2023	2022
Fellow subsidiaries	\$ 6,796	\$ 2,565
Substantive related parties	<u>479</u>	<u>464</u>
	<u>\$ 7,275</u>	<u>\$ 3,029</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 Year Ended December 31	
	2023	2022
Fellow subsidiaries	\$ 2,629	\$ 2,228
Substantive related parties	<u>-</u>	<u>154</u>
	<u>\$ 2,629</u>	<u>\$ 2,382</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	December 31	
	2023	2022
Fellow subsidiaries	\$ -	\$ 686
Substantive related parties	<u>-</u>	<u>5</u>
	<u>\$ -</u>	<u>\$ 691</u>

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

e. Accounts payable to related parties

Related Party Category	December 31	
	2023	2022
Fellow subsidiaries	<u>\$ 742</u>	<u>\$ 1,052</u>

The outstanding accounts payable to related parties are unsecured.

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

Related Party Category	December 31	
	2023	2022
Substantive related parties	\$ 223	\$ 218
Fellow subsidiaries	<u>-</u>	<u>25</u>
	<u>\$ 223</u>	<u>\$ 243</u>

g. Lease arrangements

Lease Paid	For the Year Ended December 31	
	2023	2022
Substantive related parties	<u>\$ 2,089</u>	<u>\$ 2,084</u>

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

h. Other transactions with related parties

Related Party Category	Miscellaneous Expenses (Accounted for as Operating Costs)	
	For the Year Ended December 31	
	2023	2022
Fellow subsidiaries	<u>\$ 3,233</u>	<u>\$ 672</u>

Related Party Category	Operating Expenses	
	For the Year Ended December 31	
	2023	2022
Substantive related parties	\$ 1,144	\$ 448
Fellow subsidiaries	<u>291</u>	<u>306</u>
	<u>\$ 1,435</u>	<u>\$ 754</u>

Related Party Category	Advance Receipts	
	For the Year Ended December 31	
	2023	2022
Fellow subsidiaries	<u>\$ -</u>	<u>\$ 680</u>

i. Remuneration of key management personnel

	For the Year Ended December 31	
	2023	2022
Short-term employee benefits	\$ 54,305	\$ 43,926
Post-employment benefits	756	696
Share-based payments	<u>3,286</u>	<u>7,859</u>
	<u>\$ 58,347</u>	<u>\$ 52,481</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. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

	December 31, 2023		
	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 37,765	7.0827 (USD:RMB)	\$ 1,159,574
NTD	147,318	0.23 (NTD:RMB)	147,318
<u>Financial liabilities</u>			
Monetary items			
USD	6,737	7.0827 (USD:RMB)	206,860
	December 31, 2022		
	Foreign Currency	Exchange Rate	Carrying Amount
<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

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

Foreign Currency	For the Year Ended 2023		For the Year Ended 2022	
	Exchange Rate (Foreign Currency: Functional Currency)	Net Foreign Exchange Gains (Losses)	Exchange Rate (Foreign Currency: Functional Currency)	Net Foreign Exchange (Losses) Gains
USD	7.0827 (USD:RMB)	\$ 12,033	6.965 (USD:RMB)	\$ 13,288
USD	30.705 (USD:NTD)	(16,053)	30.71 (USD:NTD)	<u>2,066</u>
NTD	0.23 (NTD:RMB)	<u>11,469</u>		
		<u>\$ 7,449</u>		<u>\$ 15,354</u>

25. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 1) Financing provided to others (Table 1)
- 2) Endorsements/guarantees provided (Table 2)
- 3) Marketable securities held (Table 3)
- 4) Marketable securities acquired or disposed of 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 (Table 4)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 5)
- 9) Trading in derivative instruments (Note)
- 10) Intercompany relationships and significant intercompany transactions (Table 6)
- 11) Information on investees (Table 7)

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 8)
- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: (None)
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period
 - c) The amount of property transactions and the amount of the resultant gains or losses
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes

- e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds
 - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services
- c. Information of major shareholders:

List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 9)

26. SEGMENT INFORMATION

- a. Segment revenue and results are as follows:

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

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

- b. Revenue from major products and services

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

- c. Geographical information is as follows:

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

	Revenue from External Customers		Non-current Assets	
	For the Year Ended		December 31	
	December 31	December 31	December 31	December 31
	2023	2022	2023	2022
Taiwan	\$ 23,126	\$ 26,694	\$ 442,003	\$ 210,529
Mainland China	1,342,760	1,168,888	2,443,793	2,655,134
Other	<u>1,320,060</u>	<u>908,050</u>	<u>10,813</u>	<u>812</u>
	<u>\$ 2,685,946</u>	<u>\$ 2,103,632</u>	<u>\$ 2,896,609</u>	<u>\$ 2,866,475</u>

d. Information on major customers

The single customer contributed 10% or more to the Group's revenue for both 2023 and 2022 was as follows:

	For the Year Ended December 31			
	2023		2022	
	Amount	%	Amount	%
Company A	\$ 414,276	15	\$ 415,165	20
Company B	1,088,189	41	213,855	10

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

**FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

No. (Note 1)	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period (Note 2)	Ending Balance	Actual Amount Borrowed	Interest Rate (%)	Nature of Financing	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 3)	Aggregate Financing Limit (Note 3)	Note
													Item	Value			
0	The Company	Arizon RFID Technologies (Hong Kong) Co., Ltd.	Other receivables - related parties	YES	\$ 140,000	\$ 140,000	\$ -	1.95	Short-term financing	\$ -	Operating capital	\$ -	None	\$ -	\$ 2,102,726	\$ 2,102,726	

Note 1: Column is numbered as follows:

- a. Parent: 0.
- b. Subsidiaries are numbered starting from "1".

Note 2: The maximum balance of financings provided in the current year.

Note 3: The total amount of loans shall not exceed 40% of the Company's net equity value based on its latest financial statements which were reviewed and attested by certified public accountants; The total amount of each borrower loans shall not exceed 40% of the Company's net equity value based on its latest financial statements which were reviewed and attested by certified public accountants.

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

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No. (Note 1)	Endorser/Guarantor	Endorsee/Guarantee		Limit 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 5)	Actual Amount Borrowed (Note 6)	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 3)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries (Note 7)	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent (Note 7)	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China (Note 7)	Note
		Name	Relationship (Note 2)											
0	The Company	Arizon RFID Technologies (Hong Kong) Co., Ltd.	(2)	\$ 7,885,223	\$ 380,000	\$ 380,000	\$ 300,000	\$ -	7.23	\$ 10,513,630	Y	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.

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

MARKETABLE SECURITIES HELD

DECEMBER 31, 2023

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

Holding Company Name	Type and Name of Marketable Securities (Note)	Relationship with the Holding Company	Financial Statement Account	December 31, 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	-	\$ 260,113 (RMB 60,000 thousand)	-	\$ 260,113 (RMB 60,000 thousand)	
	Industrial and Commercial Bank of China RMB Time Deposit	-	"	-	260,113 (RMB 60,000 thousand)	-	260,113 (RMB 60,000 thousand)	
	Bank of Communications RMB Time Deposit	-	"	-	650,282 (RMB 150,000 thousand)	-	650,282 (RMB 150,000 thousand)	
	Bank of Communications RMB Large-denomination Certificate of Deposit for Corporate Clients No. 131 in 2022	-	"	-	130,056 (RMB 30,000 thousand)	-	130,056 (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	-	216,761 (RMB 50,000 thousand)	-	216,761 (RMB 50,000 thousand)	
	Agricultural Bank of China RMB Large-denomination Certificate of Deposit for Corporate Clients No. 017 in 2021	-	"	-	65,028 (RMB 15,000 thousand)	-	65,028 (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)	-	"	-	95,375 (RMB 22,000 thousand)	-	95,375 (RMB 22,000 thousand)	
	Bank of Communications RMB Large-denomination Certificate of Deposit for Corporate Clients No. 55 in 2021	-	"	-	56,359 (RMB 13,000 thousand)	-	56,359 (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

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2023

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

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction (Note 1)		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
Arizon RFID Technologies (Hong Kong) Co., Ltd.	ARIZON CORPORATION	b.	Sale	\$ (113,020)	25.44	As agreed in contract	\$ -	-	\$ 108,869	56.94	Note 2
ARIZON CORPORATION	Arizon RFID Technologies (Hong Kong) Co., Ltd.	b.	Purchase	113,020	100.00	As agreed in contract	-	-	108,869	100.00	Note 2

Note 1: a. Parent and subsidiary.
b. Fellow subsidiary.
c. Substantive related part.

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

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

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

DECEMBER 31, 2023

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

Company Name	Related Party	Relationship	Ending Balance (Note 1)	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
Arizon RFID Technologies (Hong Kong) Co., Ltd.	ARIZON CORPORATION	Fellow subsidiary	\$ 108,869	2.08%	\$ -	-	\$ -	\$ -

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

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

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 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.	Subsidiary	Sales	\$ 96,300	By market price	3.59
				Accounts receivable	66,368	By market price	1.06
		Arizon JAPAN Co., Ltd.	Subsidiary	Sales	33,777	By market price	1.26
2	Arizon RFID Technologies (Hong Kong) Co., Ltd.	ARIZON CORPORATION	Fellow subsidiary	Sales	113,020	By market price	4.21
				Accounts receivable	108,869	By market price	4.05
		Arizon RFID Technology Co., Ltd.	Parent company	Sales	83,809	By market price	3.12

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 YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		As of December 31, 2023			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note (Note 2)
				December 31, 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	\$ 3,918,050 (US\$ 127,603 thousand)	\$ 3,918,050 (US\$ 127,603 thousand)	29,584,886	100.00	\$ 4,350,670 (RMB 1,003,566 thousand)	\$ 433,891 (RMB 98,077 thousand)	\$ 415,638 (RMB 93,951 thousand)	Subsidiary
	ARIZON CORPORATION	919 N. Market Street #950, Wilmington, Delaware 19801	Product distribution and technical consulting services	3,071 (US\$ 100 thousand)	-	1,000	100.00	3,841 (RMB 886 thousand)	783 (RMB 177 thousand)	783 (RMB 177 thousand)	Subsidiary
Arizon RFID Technology Co., Ltd.	Arizon RFID Technologies (Hong Kong) Co., Ltd.	Room 2702-03 CC Wu Building, 302-8 Hennessy Road, Wan Chai, Hong Kong	Product distribution and R&D services	675,510 (US\$ 22,000 thousand)	675,510 (US\$ 22,000 thousand)	22,000,000	100.00	426,962 (RMB 98,487 thousand)	(40,537) (RMB 9,163 thousand)	(43,696) (RMB 9,877 thousand)	Subsidiary
	Arizon JAPAN Co., Ltd.	11-2-3-chome, Nishishinjuku, Shinjuku-ku, Tokyo, Japan	Product distribution and technical consulting services	10,860 (JPY 50,000 thousand)	10,860 (JPY 50,000 thousand)	1,000	100.00	7,201 (RMB 1,661 thousand)	1,478 (RMB 334 thousand)	1,478 (RMB 334 thousand)	Subsidiary

Note 1: Except for investment gain or loss which were translated at exchange rates of RMB1=NT\$4.423988, the rest were translated at exchange rates of US\$1=NT\$30.705, RMB1=NT\$4.335211 or JPY1=NT\$0.2172 as of December 31, 2023.

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

Note 3: Refer to Table 8 for information on investments in mainland China.

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

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital (Note 1)	Method of Investment (Note 2)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2023 (Note 1)	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2023 (Note 1)	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2023	Accumulated Repatriation of Investment Income as of December 31, 2023	Note
					Outward	Inward							
Arizon RFID Technology Co., Ltd.	Design, development, manufacture, sale and packaging of RFID (radio frequency identification) products	\$ 842,288 (RMB 194,290 thousand)	(b)	\$ 779,691 (US\$ 25,392 thousand)	\$ -	\$ -	\$ 779,691 (US\$ 25,392 thousand)	\$ 433,436 (RMB 97,974 thousand)	99.98	\$ 433,352 (RMB 97,955 thousand) (Note 4, b.)	\$ 4,329,931 (RMB 998,782 thousand) (Note 4, b.)	\$ -	Note 3
Yeon Technologies (Yangzhou) Co., Ltd.	Design and agent of RFID module, system and antenna.	34,682 (RMB 8,000 thousand)	(c)	-	-	-	-	(208) (RMB 47 thousand)	99.98	(386) (RMB 87 thousand) (Note 4, b.)	61,040 (RMB 14,080 thousand) (Note 4, b.)	-	Note 3

Accumulated Investment in Mainland China as of December 31, 2023	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
\$779,661	\$779,661	N/A

Note 1: Except for investment gain or loss which were translated at exchange rates of RMB1=NT\$4.423988, the rest were translated at exchange rates of RMB1=NT\$4.335211 as of December 31, 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 audited by an international CPA firm with the cooperation of the ROC CPA firm.
- Financial statements audited by the ROC CPA firm.
- Others.

TABLE 9**ARIZON RFID TECHNOLOGY (CAYMAN) CO., LTD. AND SUBSIDIARIES****INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 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.