

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

**Consolidated Financial Statements for the
Six Months Ended June 30, 2024 and 2023 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 June 30, 2024 and 2023, the consolidated statements of comprehensive income for the three months ended June 30, 2024 and 2023, and for the six months ended June 30, 2024 and 2023, the consolidated statements of changes in equity and cash flows for the six months ended June 30, 2024 and 2023, 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 June 30, 2024 and 2023, its consolidated financial performance for the three months ended June 30, 2024 and 2023, and its consolidated financial performance and its consolidated cash flows for the six months then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Accounting Standard 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matter

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements for the six months ended June 30, 2024. 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 six months ended June 30, 2024 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 six months ended June 30, 2024, the consolidated sales revenue was \$2,071,133 thousand. Due to the significant amount and the naturally high risk of sales revenue, we, therefore, 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 International Accounting Standard 34 “Interim Financial Reporting” 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 six months ended June 30, 2024, 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

August 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 (In Thousands of New Taiwan Dollars)

ASSETS	June 30, 2024		December 31, 2023		June 30, 2023	
	Amount	%	Amount	%	Amount	%
CURRENT ASSETS						
Cash and cash equivalents (Note 6)	\$ 1,881,685	25	\$ 1,432,071	23	\$ 1,450,116	25
Financial assets at amortized cost - current (Note 7)	289,817	4	458,665	7	430,956	8
Notes and accounts receivable (Notes 8 and 16)	958,956	13	693,711	11	369,145	6
Accounts receivable from related parties (Notes 16 and 23)	592	-	-	-	1,156	-
Inventories (Note 9)	985,741	13	592,281	10	702,692	12
Other current assets	<u>156,118</u>	<u>2</u>	<u>135,494</u>	<u>2</u>	<u>111,075</u>	<u>2</u>
Total current assets	<u>4,272,909</u>	<u>57</u>	<u>3,312,222</u>	<u>53</u>	<u>3,065,140</u>	<u>53</u>
NON-CURRENT ASSETS						
Financial assets at amortized cost - non-current (Note 7)	1,365,971	19	1,539,000	25	1,529,893	26
Property, plant and equipment (Note 11)	1,428,055	19	1,050,484	17	997,643	17
Right-of-use assets (Note 12)	63,746	1	69,149	1	75,517	1
Deferred tax assets	24,200	-	32,672	-	35,434	1
Other non-current assets	<u>288,004</u>	<u>4</u>	<u>237,976</u>	<u>4</u>	<u>84,547</u>	<u>2</u>
Total non-current assets	<u>3,169,976</u>	<u>43</u>	<u>2,929,281</u>	<u>47</u>	<u>2,723,034</u>	<u>47</u>
TOTAL	<u>\$ 7,442,885</u>	<u>100</u>	<u>\$ 6,241,503</u>	<u>100</u>	<u>\$ 5,788,174</u>	<u>100</u>
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term borrowings (Note 13)	\$ 500,000	7	\$ 300,000	5	\$ 30,000	1
Contract liabilities - current (Note 16)	28,095	-	28,664	-	28,234	1
Notes and accounts payable	639,042	9	382,114	6	383,656	7
Accounts payable to related parties (Note 23)	1,012	-	742	-	555	-
Other payables	462,592	6	184,691	3	250,272	4
Other payables to related parties (Note 23)	299	-	223	-	381	-
Current tax liabilities	33,641	1	31,757	1	24,920	-
Lease liabilities - current (Note 12)	11,278	-	11,353	-	12,635	-
Other current liabilities	<u>7,055</u>	<u>-</u>	<u>4,786</u>	<u>-</u>	<u>3,165</u>	<u>-</u>
Total current liabilities	<u>1,683,014</u>	<u>23</u>	<u>944,330</u>	<u>15</u>	<u>733,818</u>	<u>13</u>
NON-CURRENT LIABILITIES						
Deferred tax liabilities	23,111	-	-	-	-	-
Lease liabilities - non-current (Note 12)	33,084	-	38,689	-	42,819	1
Other non-current liabilities	<u>46,294</u>	<u>1</u>	<u>45,957</u>	<u>1</u>	<u>40,730</u>	<u>-</u>
Total non-current liabilities	<u>102,489</u>	<u>1</u>	<u>84,646</u>	<u>1</u>	<u>83,549</u>	<u>1</u>
Total liabilities	<u>1,785,503</u>	<u>24</u>	<u>1,028,976</u>	<u>16</u>	<u>817,367</u>	<u>14</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 15)						
Share capital						
Ordinary shares	743,180	10	743,180	12	743,180	13
Capital surplus	4,071,602	55	4,068,511	65	4,065,792	70
Retained earnings						
Legal reserve	75,001	1	30,208	1	30,208	1
Special reserve	202,897	3	124,319	2	124,319	2
Unappropriated earnings	516,702	7	448,340	7	228,548	4
Other equity	<u>47,001</u>	<u>-</u>	<u>(202,897)</u>	<u>(3)</u>	<u>(222,055)</u>	<u>(4)</u>
Total equity attributable to owners of the Company	5,656,383	76	5,211,661	84	4,969,992	86
NON-CONTROLLING INTERESTS						
Total equity	<u>999</u>	<u>-</u>	<u>866</u>	<u>-</u>	<u>815</u>	<u>-</u>
TOTAL	<u>\$ 7,442,885</u>	<u>100</u>	<u>\$ 6,241,503</u>	<u>100</u>	<u>\$ 5,788,174</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 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2024		2023		2024		2023	
	Amount	%	Amount	%	Amount	%	Amount	%
NET SALES (Notes 16 and 23)	\$ 1,170,015	100	\$ 573,099	100	\$ 2,071,133	100	\$ 1,160,341	100
COST OF GOODS SOLD (Notes 9, 17 and 23)	<u>(765,624)</u>	<u>(66)</u>	<u>(413,377)</u>	<u>(72)</u>	<u>(1,344,729)</u>	<u>(65)</u>	<u>(812,597)</u>	<u>(70)</u>
GROSS PROFIT	<u>404,391</u>	<u>34</u>	<u>159,722</u>	<u>28</u>	<u>726,404</u>	<u>35</u>	<u>347,744</u>	<u>30</u>
OPERATING EXPENSES (Notes 17 and 23)								
Selling and marketing	(20,065)	(2)	(17,167)	(3)	(35,474)	(2)	(31,370)	(3)
General and administrative	(86,514)	(7)	(46,413)	(8)	(168,333)	(8)	(91,487)	(8)
Research and development	<u>(49,119)</u>	<u>(4)</u>	<u>(21,153)</u>	<u>(4)</u>	<u>(78,666)</u>	<u>(4)</u>	<u>(45,551)</u>	<u>(4)</u>
Total operating expenses	<u>(155,698)</u>	<u>(13)</u>	<u>(84,733)</u>	<u>(15)</u>	<u>(282,473)</u>	<u>(14)</u>	<u>(168,408)</u>	<u>(15)</u>
PROFIT FROM OPERATIONS	<u>248,693</u>	<u>21</u>	<u>74,989</u>	<u>13</u>	<u>443,931</u>	<u>21</u>	<u>179,336</u>	<u>15</u>
NON-OPERATING INCOME AND EXPENSES								
Interest income	25,573	2	26,889	5	53,698	3	45,423	4
Other income	5,561	-	1,824	-	8,417	-	12,719	1
(Loss) gain on disposal of property, plant and equipment	(3,962)	-	(23)	-	(3,781)	-	3,265	-
Finance costs	(2,592)	-	(77)	-	(3,325)	-	(167)	-
Other expenses	(295)	-	(296)	-	(523)	-	(678)	-
Foreign exchange gain (loss) (Note 24)	<u>621</u>	<u>-</u>	<u>39,554</u>	<u>7</u>	<u>(888)</u>	<u>-</u>	<u>26,527</u>	<u>3</u>
Total non-operating income and expenses	<u>24,906</u>	<u>2</u>	<u>67,871</u>	<u>12</u>	<u>53,598</u>	<u>3</u>	<u>87,089</u>	<u>8</u>
PROFIT BEFORE INCOME TAX	273,599	23	142,860	25	497,529	24	266,425	23
INCOME TAX EXPENSE (Notes 4 and 18)	<u>(47,943)</u>	<u>(4)</u>	<u>(16,719)</u>	<u>(3)</u>	<u>(82,751)</u>	<u>(4)</u>	<u>(38,246)</u>	<u>(3)</u>
NET PROFIT FOR THE PERIOD	<u>225,656</u>	<u>19</u>	<u>126,141</u>	<u>22</u>	<u>414,778</u>	<u>20</u>	<u>228,179</u>	<u>20</u>

(Continued)

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

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

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2024		2023		2024		2023	
	Amount	%	Amount	%	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	\$ 54,623	5	\$ (143,347)	(25)	\$ 268,332	13	\$ (124,963)	(11)
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on translation of the financial statements of foreign operations	<u>(3,355)</u>	-	<u>14,322</u>	3	<u>(18,393)</u>	(1)	<u>27,214</u>	2
Other comprehensive income (loss) for the period, net of income tax	<u>51,268</u>	5	<u>(129,025)</u>	(22)	<u>249,939</u>	12	<u>(97,749)</u>	(9)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	<u>\$ 276,924</u>	<u>24</u>	<u>\$ (2,884)</u>	<u>-</u>	<u>\$ 664,717</u>	<u>32</u>	<u>\$ 130,430</u>	<u>11</u>
NET PROFIT								
ATTRIBUTABLE TO:								
Owners of the Company	\$ 225,611	19	\$ 126,124	22	\$ 414,687	20	\$ 228,141	20
Non-controlling interests	<u>45</u>	-	<u>17</u>	-	<u>91</u>	-	<u>38</u>	-
	<u>\$ 225,656</u>	<u>19</u>	<u>\$ 126,141</u>	<u>22</u>	<u>\$ 414,778</u>	<u>20</u>	<u>\$ 228,179</u>	<u>20</u>
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:								
Owners of the Company	\$ 276,871	24	\$ (2,882)	-	\$ 664,585	32	\$ 130,405	11
Non-controlling interests	<u>53</u>	-	<u>(2)</u>	-	<u>132</u>	-	<u>25</u>	-
	<u>\$ 276,924</u>	<u>24</u>	<u>\$ (2,884)</u>	<u>-</u>	<u>\$ 664,717</u>	<u>32</u>	<u>\$ 130,430</u>	<u>11</u>
EARNINGS PER SHARE (Note 19)								
Basic	<u>\$ 3.04</u>		<u>\$ 1.70</u>		<u>\$ 5.58</u>		<u>\$ 3.22</u>	
Diluted	<u>\$ 3.02</u>		<u>\$ 1.69</u>		<u>\$ 5.55</u>		<u>\$ 3.20</u>	

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

(Concluded)

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars)

	Equity Attribute to Owners of the Company (Note 15)							Other Equity Exchange Differences on Translating the Financial Statements of Foreign Operations	Total	Non-controlling Interest	Total Equity
	Share Capital		Capital Surplus	Retained Earnings			Total				
	Shares (In Thousands)	Amount		Legal Reserve	Special Reserve	Unappropriated Earnings					
BALANCE AT JANUARY 1, 2023	66,060	\$ 660,600	\$ 3,168,965	\$ -	\$ -	\$ 302,084	\$ 302,084	\$ (124,319)	\$ 4,007,330	\$ 789	\$ 4,008,119
Appropriation of 2022 earnings											
Legal reserve	-	-	-	30,208	-	(30,208)	-	-	-	-	-
Special reserve	-	-	-	-	124,319	(124,319)	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(147,150)	(147,150)	-	(147,150)	-	(147,150)
Net profit for the six months ended June 30, 2023	-	-	-	-	-	228,141	228,141	-	228,141	38	228,179
Other comprehensive loss for the six months ended June 30, 2023	-	-	-	-	-	-	-	(97,736)	(97,736)	(13)	(97,749)
Total comprehensive income (loss) for the six months ended June 30, 2023	-	-	-	-	-	228,141	228,141	(97,736)	130,405	25	130,430
Issuance of ordinary shares for cash	8,258	82,580	893,673	-	-	-	-	-	976,253	-	976,253
Share-based compensation expenses (Note 20)	-	-	3,154	-	-	-	-	-	3,154	1	3,155
BALANCE AT JUNE 30, 2023	74,318	\$ 743,180	\$ 4,065,792	\$ 30,208	\$ 124,319	\$ 228,548	\$ 383,075	\$ (222,055)	\$ 4,969,992	\$ 815	\$ 4,970,807
BALANCE AT JANUARY 1, 2024	74,318	\$ 743,180	\$ 4,068,511	\$ 30,208	\$ 124,319	\$ 448,340	\$ 602,867	\$ (202,897)	\$ 5,211,661	\$ 866	\$ 5,212,527
Appropriation of 2023 earnings											
Legal reserve	-	-	-	44,793	-	(44,793)	-	-	-	-	-
Special reserve	-	-	-	-	78,578	(78,578)	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(222,954)	(222,954)	-	(222,954)	-	(222,954)
Net profit for the six months ended June 30, 2024	-	-	-	-	-	414,687	414,687	-	414,687	91	414,778
Other comprehensive income for the six months ended June 30, 2024	-	-	-	-	-	-	-	249,898	249,898	41	249,939
Total comprehensive income for the six months ended June 30, 2024	-	-	-	-	-	414,687	414,687	249,898	664,585	132	664,717
Share-based compensation expenses (Note 20)	-	-	3,091	-	-	-	-	-	3,091	1	3,092
BALANCE AT JUNE 30, 2024	74,318	\$ 743,180	\$ 4,071,602	\$ 75,001	\$ 202,897	\$ 516,702	\$ 794,600	\$ 47,001	\$ 5,656,383	\$ 999	\$ 5,657,382

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

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

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

	For the Six Months Ended June 30	
	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 497,529	\$ 266,425
Adjustments for:		
Depreciation expenses	101,954	84,723
Amortization expenses	892	669
Finance costs	3,325	167
Interest income	(53,698)	(45,423)
Loss (gain) on disposal of property, plant and equipment	3,781	(3,265)
Share-based compensation expenses	3,092	3,155
(Reversal of) write-downs of inventories recognized	(12,181)	1,896
Unrealized gain on foreign currency exchange	(1,849)	(2,511)
Changes in operating assets and liabilities		
Notes and accounts receivable	(226,002)	(118,555)
Accounts receivable from related parties	(584)	(492)
Inventories	(346,426)	(247,598)
Other current assets	(11,769)	(4,036)
Contract liabilities	(1,983)	470
Notes and accounts payable	235,102	70,887
Accounts payable to related parties	229	(484)
Other payables	26,391	(4,754)
Other payables to related parties	60	147
Other current liabilities	<u>2,000</u>	<u>(470)</u>
Cash generated from operations	219,863	951
Interest received	51,849	11,269
Interest paid	(3,195)	(167)
Income tax paid	<u>(49,687)</u>	<u>(27,063)</u>
Net cash generated from (used in) operating activities	<u>218,830</u>	<u>(15,010)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at amortized cost	(38,979)	-
Decrease in financial assets at amortized cost	475,159	-
Payments for property, plant and equipment	(406,912)	(40,956)
Proceeds from disposal of property, plant and equipment	-	4,293
Increase in other non-current assets	<u>(48,326)</u>	<u>(77,989)</u>
Net cash used in investing activities	<u>(19,058)</u>	<u>(114,652)</u>

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

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

	For the Six Months Ended	
	June 30	
	2024	2023
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	\$ 200,000	\$ 30,709
Decrease in other non-current liabilities	(1,947)	(9,243)
Repayment of the principal portion of lease liabilities	(5,804)	(6,314)
Issuance of ordinary shares for cash	<u>-</u>	<u>976,253</u>
Net cash generated from financing activities	<u>192,249</u>	<u>991,405</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	<u>57,593</u>	<u>(20,414)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	449,614	841,329
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>1,432,071</u>	<u>608,787</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$ 1,881,685</u>	<u>\$ 1,450,116</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 SIX MONTHS ENDED JUNE 30, 2024 AND 2023 (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 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 ultimate parent company is YFY Inc., and the Company’s parent company is YFY Global Investment B.V., which both held 61.48% of the Company’s shares as of June 30, 2024 and 2023.

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 August 7, 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)

The initial application of the amendments to the IFRS Accounting Standards endorsed and issued into effect by the FSC did not have any material impact on the Group’s accounting policies.

- b. The IFRS Accounting Standards endorsed by the FSC for application starting from 2025

New IFRS Accounting Standards	Effective Date Announced by IASB
Amendments to IAS 21 “Lack of Exchangeability”	January 1, 2025 (Note)

Note: An entity shall apply those amendments for annual reporting periods beginning on or after January 1, 2025. Upon initial application of the amendments to IAS 21, the Group shall not restate the comparative information and shall recognize any effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or, if applicable, to the cumulative amount of translation differences in equity as well as affected assets or liabilities.

- c. The IFRS Accounting Standards in issue by IASB but not yet endorsed and issued into effect by the FSC

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB (Note)
Annual Improvements to IFRS Accounting Standards - Volume 11	January 1, 2026
Amendments to IFRS 9 and IFRS 7 “Amendments to the Classification and Measurement of Financial Instruments”	January 1, 2026
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 17 and IFRS 9 - Comparative Information”	January 1, 2023
IFRS 18 “Presentation and Disclosure in Financial Statements”	January 1, 2027
IFRS 19 “Subsidiaries without Public Accountability: Disclosures”	January 1, 2027

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

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

4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

- a. Statement of compliance

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

- b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis.

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

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within 12 months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period; and
- 3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

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

d. Basis of consolidation

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

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the 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. Other material accounting policies

Except for other accounting policies listed below, refer to the consolidated financial statements for the year ended December 31, 2023.

Taxation

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

5. MATERIAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

For the material accounting judgments and key sources of estimation uncertainty, refer to the consolidated financial statements for the year ended December 31, 2023.

6. CASH AND CASH EQUIVALENTS

	June 30, 2024	December 31, 2023	June 30, 2023
Cash on hand	\$ 100	\$ 54	\$ 107
Checking accounts and demand deposits	1,540,348	731,943	558,461
Cash equivalents (time deposits with original maturities of three months or less)	<u>341,237</u>	<u>700,074</u>	<u>891,548</u>
	<u>\$ 1,881,685</u>	<u>\$ 1,432,071</u>	<u>\$ 1,450,116</u>

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

	June 30, 2024	December 31, 2023	June 30, 2023
Cash equivalents	1.70%-5.45%	1.10%-5.52%	1.08%-5.32%

7. FINANCIAL ASSETS AT AMORTIZED COST

	June 30, 2024	December 31, 2023	June 30, 2023
<u>Current</u>			
Time deposits with original maturities between 3 months and a year	<u>\$ 289,817</u>	<u>\$ 458,665</u>	<u>\$ 430,956</u>
<u>Non-current</u>			
Time deposits with original maturities of more than 1 year	<u>\$ 1,365,971</u>	<u>\$ 1,539,000</u>	<u>\$ 1,529,893</u>

As of June 30, 2024, December 31, 2023 and June 30, 2023, the interest rates for time deposits with original maturity between three months and a year were 2.55%-5.24%, 1.65%-2.1% and 3.99%, respectively.

As of June 30, 2024, December 31, 2023 and June 30, 2023, the interest rates for time deposits with original maturity of more than a year were 3.10%-3.55%, 3.10%-3.99% and 3.10%-3.55%, respectively.

8. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE

	June 30, 2024	December 31, 2023	June 30, 2023
Notes receivable	\$ 11,883	\$ 8,801	\$ 16,954
Accounts receivable	947,084	684,922	352,203
Less: Allowance for impairment loss	<u>(11)</u>	<u>(12)</u>	<u>(12)</u>
	<u>\$ 958,956</u>	<u>\$ 693,711</u>	<u>\$ 369,145</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.

June 30, 2024

	Not Past Due	Up to 90 Days	Total
Expected credit loss rate	0.001%	-	
Gross carrying amount	\$ 958,870	\$ 97	\$ 958,967
Loss allowance (Lifetime ECLs)	<u>(11)</u>	<u>-</u>	<u>(11)</u>
Amortized cost	<u>\$ 958,859</u>	<u>\$ 97</u>	<u>\$ 958,956</u>

December 31, 2023

	Not Past Due	Up to 90 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>(12)</u>
Amortized cost	<u>\$ 673,286</u>	<u>\$ 20,425</u>	<u>\$ 693,711</u>

June 30, 2023

	Not Past Due	Up to 90 Days	Total
Expected credit loss rate	0.01%	-	
Gross carrying amount	\$ 348,733	\$ 20,424	\$ 369,157
Loss allowance (Lifetime ECLs)	<u>(12)</u>	<u>-</u>	<u>(12)</u>
Amortized cost	<u>\$ 348,721</u>	<u>\$ 20,424</u>	<u>\$ 369,145</u>

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

	For the Six Months Ended June 30	
	2024	2023
Balance at January 1	\$ 12	\$ 13
Foreign exchange losses	<u>(1)</u>	<u>(1)</u>
Balance at June 30	<u>\$ 11</u>	<u>\$ 12</u>

9. INVENTORIES

	June 30, 2024	December 31, 2023	June 30, 2023
Finished and purchased goods	\$ 460,161	\$ 289,718	\$ 211,784
Work in process	165,468	66,400	38,896
Materials	<u>360,112</u>	<u>236,163</u>	<u>452,012</u>
	<u>\$ 985,741</u>	<u>\$ 592,281</u>	<u>\$ 702,692</u>

The cost of goods sold for the three months ended June 30, 2024 and 2023 included reversal of inventory write-downs of \$11,703 thousand and \$1,234 thousand, respectively. The cost of goods sold for the six months ended June 30, 2024 and 2023 included reversal of inventory write-downs (recognized) of \$12,181 thousand and \$(1,896) thousand, respectively.

10. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements:

Investor	Investee	Main Business	% of Ownership			Remark
			June 30, 2024	December 31, 2023	June 30, 2023	
The Company	YFY RFID Co., Limited	Investment and holding.	100.00	100.00	100.00	
	ARIZON CORPORATION	Product distribution and technical consulting services	100.00	100.00	-	a.
YFY RFID Co., Limited	ARIZON TECHNOLOGY (VIETNAM)	Product distribution and R&D services	100.00	-	-	b.
	Arizon RFID Technology Co., Ltd.	Design, development, manufacture, sale and packaging of RFID (radio frequency identification) products	99.98	99.98	99.98	
Arizon RFID Technology Co., Ltd.	Yeon Technologies (Yangzhou) Co., Ltd.	Design and agent of RFID module, system and antenna.	100.00	100.00	100.00	
	Arizon RFID Technologies (Hong Kong) Co., Ltd.	Product distribution and R&D services	100.00	100.00	100.00	
	Arizon JAPAN Co., Ltd.	Product distribution and technical consulting services	100.00	100.00	100.00	

Remarks:

- a. In order to expand the US market, the Company established ARIZON CORPORATION in August 2023.
- b. In order to expand the Vietnam market, the Company established ARIZON TECHNOLOGY (VIETNAM) in February 2024, the capital injection has not been completed as of June 30, 2024.

c. 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, 2023	\$ 613,499	\$ 1,746,631	\$ 3,465	\$ 61,905	\$ 2,011	\$ 2,427,511
Additions	-	7,533	-	2,374	45,022	54,929
Disposals	-	(7,096)	-	-	-	(7,096)
Effect of foreign currency exchange differences	(13,898)	(35,033)	(78)	(424)	(656)	(50,089)
Reclassifications	-	18,472	-	139	(18,611)	-
Balance at June 30, 2023	<u>\$ 599,601</u>	<u>\$ 1,730,507</u>	<u>\$ 3,387</u>	<u>\$ 63,994</u>	<u>\$ 27,766</u>	<u>\$ 2,425,255</u>
<u>Accumulated depreciation</u>						
Balance at January 1, 2023	\$ 142,174	\$ 1,218,544	\$ 3,292	\$ 22,830	\$ -	\$ 1,386,840
Depreciation expenses	14,619	58,835	-	4,709	-	78,163
Disposals	-	(6,068)	-	-	-	(6,068)
Effect of foreign currency exchange differences	(3,558)	(27,417)	(75)	(273)	-	(31,323)
Balance at June 30, 2023	<u>\$ 153,235</u>	<u>\$ 1,243,894</u>	<u>\$ 3,217</u>	<u>\$ 27,266</u>	<u>\$ -</u>	<u>\$ 1,427,612</u>
Carrying amount at June 30, 2023	<u>\$ 446,366</u>	<u>\$ 486,613</u>	<u>\$ 170</u>	<u>\$ 36,728</u>	<u>\$ 27,766</u>	<u>\$ 997,643</u>
<u>Cost</u>						
Balance at January 1, 2024	\$ 603,170	\$ 1,836,866	\$ 3,388	\$ 70,554	\$ 44,901	\$ 2,558,879
Additions	297	181,738	3,198	77,271	169,602	432,106
Disposals	-	(63,169)	-	(1,052)	-	(64,221)
Effect of foreign currency exchange differences	30,338	76,060	216	1,208	2,725	110,547
Reclassifications	-	138,022	-	(1,490)	(136,532)	-
Balance at June 30, 2024	<u>\$ 633,805</u>	<u>\$ 2,169,517</u>	<u>\$ 6,802</u>	<u>\$ 146,491</u>	<u>\$ 80,696</u>	<u>\$ 3,037,311</u>
<u>Accumulated depreciation</u>						
Balance at January 1, 2024	\$ 168,514	\$ 1,306,037	\$ 1,840	\$ 32,004	\$ -	\$ 1,508,395
Depreciation expenses	14,884	73,721	398	6,423	-	95,426
Disposals	-	(59,473)	-	(967)	-	(60,440)
Effect of foreign currency exchange differences	8,686	56,448	98	643	-	65,875
Reclassifications	-	(248)	-	248	-	-
Balance at June 30, 2024	<u>\$ 192,084</u>	<u>\$ 1,376,485</u>	<u>\$ 2,336</u>	<u>\$ 38,351</u>	<u>\$ -</u>	<u>\$ 1,609,256</u>
Carrying amount at December 31, 2023 and January 1, 2024	<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>
Carrying amount at June 30, 2024	<u>\$ 441,721</u>	<u>\$ 793,032</u>	<u>\$ 4,466</u>	<u>\$ 108,140</u>	<u>\$ 80,696</u>	<u>\$ 1,428,055</u>

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

Buildings	20 years
Machinery	2-10 years
Transportation equipment	5 years
Miscellaneous equipment	5-10 years

12. LEASE AGREEMENTS

a. Right-of-use assets

	June 30, 2024	December 31, 2023	June 30, 2023	
<u>Carrying amounts</u>				
Land	\$ 20,732	\$ 19,989	\$ 20,119	
Buildings	42,518	48,343	54,165	
Others	<u>496</u>	<u>817</u>	<u>1,233</u>	
	<u>\$ 63,746</u>	<u>\$ 69,149</u>	<u>\$ 75,517</u>	
	<u>For the Three Months Ended June 30</u>		<u>For the Six Months Ended June 30</u>	
	2024	2023	2024	2023
Additions to right-of-use assets	<u>\$ 96</u>	<u>\$ 56,691</u>	<u>\$ 96</u>	<u>\$ 56,691</u>
Depreciation charge for right-of-use assets				
Land	\$ 131	\$ 126	\$ 259	\$ 254
Buildings	2,910	2,917	5,822	5,764
Others	<u>231</u>	<u>258</u>	<u>447</u>	<u>542</u>
	<u>\$ 3,272</u>	<u>\$ 3,301</u>	<u>\$ 6,528</u>	<u>\$ 6,560</u>

b. Lease liabilities

	June 30, 2024	December 31, 2023	June 30, 2023
<u>Carrying amounts</u>			
Current	<u>\$ 11,278</u>	<u>\$ 11,353</u>	<u>\$ 12,635</u>
Non-current	<u>\$ 33,084</u>	<u>\$ 38,689</u>	<u>\$ 42,819</u>

Range of discount rates for lease liabilities was as follows:

	June 30, 2024	December 31, 2023	June 30, 2023
Buildings	2.28%	2.28%-7.4%	2.28%-7.4%
Others	1.52%-4.6%	1.52%-4.6%	1.52%-4.6%

c. Material lease-in activities and terms

The Group leases certain equipment and 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 Three Months Ended		For the Six Months Ended	
	June 30		June 30	
	2024	2023	2024	2023
Expenses relating to short-term leases and low-value asset leases	<u>\$ 1,908</u>	<u>\$ 973</u>	<u>\$ 3,169</u>	<u>\$ 2,564</u>
Total cash outflow for leases	<u>\$ 5,087</u>	<u>\$ 4,189</u>	<u>\$ 9,513</u>	<u>\$ 9,020</u>

13. SHORT-TERM BORROWINGS

	June 30, 2024	December 31, 2023	June 30, 2023
Bank credit loans	<u>\$ 500,000</u>	<u>\$ 300,000</u>	<u>\$ 30,000</u>

As of June 30, 2024, December 31, 2023 and June 30, 2023, the interest rate of short-term borrowings were 2.08%-2.13%, 1.95%-1.98% and 2.05% per annum, respectively.

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

	June 30, 2024	December 31, 2023	June 30, 2023
Number of shares authorized (in thousands)	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>
Shares authorized (\$10 per share)	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>
Number of shares issued (in thousands)	<u>74,318</u>	<u>74,318</u>	<u>74,138</u>
Shares issued	<u>\$ 743,180</u>	<u>\$ 743,180</u>	<u>\$ 743,180</u>

On December 14, 2022, the Company's board of directors resolved to issue 8,258 thousand new shares before listing with a par value of \$10. The subscription base date was March 17, 2023. The exercise prices of the shares consist of the weighted average bid price for a competitive auction of \$133.22 per share and the price of shares for a public offering of \$83.58 per share. The Company collected the abovementioned proceeds, amounting to \$985,323 thousand. The transaction was approved by the Taiwan Stock Exchange Corporation on January 30, 2023. The total paid-in capital after the capital increase was \$743,180 thousand.

b. Capital surplus

The reconciliation of capital surplus for the six months ended June 30, 2024 and 2023 was as follows:

	Share Premium	Employee Share Options	Total
Balance at January 1, 2023	\$ 3,166,600	\$ 2,365	\$ 3,168,965
Issuance of ordinary shares for cash	893,673	-	893,673
Share-based payment	<u>-</u>	<u>3,154</u>	<u>3,154</u>
Balance at June 30, 2023	<u>\$ 4,060,273</u>	<u>\$ 5,519</u>	<u>\$ 4,065,792</u>
Balance at January 1, 2024	\$ 4,060,273	\$ 8,238	\$ 4,068,511
Share-based payment	<u>-</u>	<u>3,091</u>	<u>3,091</u>
Balance at June 30, 2024	<u>\$ 4,060,273</u>	<u>\$ 11,329</u>	<u>\$ 4,071,602</u>

c. Retained earnings and dividends policy

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

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.

The appropriations of earnings for 2023 and 2022, were as follows:

	For the Year Ended December 31	
	2023	2022
Legal reserve	<u>\$ 44,793</u>	<u>\$ 30,208</u>
Special reserve	<u>\$ 78,578</u>	<u>\$ 124,319</u>
Cash dividends	<u>\$ 222,954</u>	<u>\$ 147,150</u>
Cash dividends per share (NT\$)	<u>\$ 3.00</u>	<u>\$ 1.98</u>

The appropriation of earnings for 2023 and 2022 was resolved in the shareholders’ meeting on June 27, 2024 and 2023. Information about the appropriations of earnings is available at the Market Observation Post System website of the Taiwan Stock Exchange.

d. Non-controlling interests

	For the Six Months Ended	
	June 30	
	2024	2023
Balance at January 1	\$ 866	\$ 789
Attributable to non-controlling interests:		
Share-based payment	1	1
Share of profit for the period	91	38
Other comprehensive income (loss) during the period	<u>41</u>	<u>(13)</u>
Balance at June 30	<u>\$ 999</u>	<u>\$ 815</u>

16. REVENUE

	For the Three Months Ended		For the Six Months Ended	
	June 30		June 30	
	2024	2023	2024	2023
Revenue from contracts with customers - sale of goods	\$ 1,149,502	\$ 569,929	\$ 2,044,586	\$ 1,155,982
Other income	<u>20,513</u>	<u>3,170</u>	<u>26,547</u>	<u>4,359</u>
	<u>\$ 1,170,015</u>	<u>\$ 573,099</u>	<u>\$ 2,071,133</u>	<u>\$ 1,160,341</u>

Contract Balances

	June 30, 2024	December 31, 2023	June 30, 2023
Notes receivable and accounts receivable	\$ 958,956	\$ 693,711	\$ 369,145
Receivables from related parties	<u>592</u>	<u>-</u>	<u>1,156</u>
	<u>\$ 959,548</u>	<u>\$ 693,711</u>	<u>\$ 370,301</u>
Contract liabilities - current	<u>\$ 28,095</u>	<u>\$ 28,664</u>	<u>\$ 28,234</u>

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

	<u>For the Three Months Ended June 30</u>		<u>For the Six Months Ended June 30</u>	
	2024	2023	2024	2023
Revenue from contracts with customers - sale of goods	<u>\$ 446</u>	<u>\$ 1,939</u>	<u>\$ 12,319</u>	<u>\$ 7,421</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

	<u>For the Three Months Ended June 30</u>		<u>For the Six Months Ended June 30</u>	
	2024	2023	2024	2023
Property, plant and equipment	\$ 53,439	\$ 37,930	\$ 95,426	\$ 78,163
Right-of-use assets	3,272	3,301	6,528	6,560
Intangible asset (under other non-current assets)	<u>460</u>	<u>331</u>	<u>892</u>	<u>669</u>
	<u>\$ 57,171</u>	<u>\$ 41,562</u>	<u>\$ 102,846</u>	<u>\$ 85,392</u>
An analysis of depreciation by function				
Operating costs	\$ 37,473	\$ 33,092	\$ 68,353	\$ 67,707
Operating expenses	<u>19,238</u>	<u>8,139</u>	<u>33,601</u>	<u>17,016</u>
	<u>\$ 56,711</u>	<u>\$ 41,231</u>	<u>\$ 101,954</u>	<u>\$ 84,723</u>
An analysis of amortization by function				
Operating expenses	<u>\$ 460</u>	<u>\$ 331</u>	<u>\$ 892</u>	<u>\$ 669</u>

b. Employee benefits expense

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2024	2023	2024	2023
Short-term employee benefits	\$ 190,247	\$ 83,126	\$ 320,394	\$ 169,968
Share-based payment	1,594	1,577	3,092	3,155
Post-employment benefits				
Defined contribution plans	<u>8,201</u>	<u>4,375</u>	<u>13,470</u>	<u>8,814</u>
Total employee benefit expense	<u>\$ 200,042</u>	<u>\$ 89,078</u>	<u>\$ 336,956</u>	<u>\$ 181,937</u>
An analysis of employee benefit expense by function				
Operating costs	\$ 106,377	\$ 44,149	\$ 167,766	\$ 86,373
Operating expenses	<u>93,665</u>	<u>44,929</u>	<u>169,190</u>	<u>95,564</u>
	<u>\$ 200,042</u>	<u>\$ 89,078</u>	<u>\$ 336,956</u>	<u>\$ 181,937</u>

As of June 30, 2024 and 2023, the Group had 762 and 583 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 were as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2024	2023	2024	2023
<u>Amount</u>				
Compensation of employees	\$ 2,288	\$ 1,288	\$ 4,252	\$ 2,329
Remuneration of directors	3,251	1,281	6,216	2,322

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.

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, respectively were as follows:

	For the Year Ended December 31	
	2023	2022
	Cash	Cash
Compensation of employees	\$ 4,630	\$ 3,075
Remuneration of directors	7,000	3,075

There was no difference between the actual amounts of employees' compensation and remuneration of directors in years ended December 31, 2023 and 2022, and the amounts recognized in the consolidated financial statements for the years ended December 31, 2023 and 2022.

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

18. INCOME TAXES

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2024	2023	2024	2023
Current tax	\$ 15,180	\$ 16,719	\$ 49,988	\$ 38,246
Deferred tax	<u>32,763</u>	<u>-</u>	<u>32,763</u>	<u>-</u>
Income tax expense recognized in profit or loss	<u>\$ 47,943</u>	<u>\$ 16,719</u>	<u>\$ 82,751</u>	<u>\$ 38,246</u>

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

b. Income tax assessments

The tax filings of Arizon RFID Technology (Hong Kong) Co., Ltd., Taiwan Branch through 2022 have been approved by the tax authorities.

c. 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 Three Months Ended June 30		For the Six Months Ended June 30	
	2024	2023	2024	2023
Basic earnings per share (NT\$)	<u>\$ 3.04</u>	<u>\$ 1.70</u>	<u>\$ 5.58</u>	<u>\$ 3.22</u>
Diluted earnings per share (NT\$)	<u>\$ 3.02</u>	<u>\$ 1.69</u>	<u>\$ 5.55</u>	<u>\$ 3.20</u>

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

Net profit for the period:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2024	2023	2024	2023
Profit for the period attributable to owners of the Company	<u>\$ 225,611</u>	<u>\$ 126,124</u>	<u>\$ 414,687</u>	<u>\$ 228,141</u>

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2024	2023	2024	2023
Weighted average number of ordinary shares used in the computation of basic earnings per share	74,318	74,318	74,318	70,851
Effect of potentially dilutive ordinary shares:				
Employee share options	393	370	393	370
Compensation of employees	<u>18</u>	<u>14</u>	<u>29</u>	<u>33</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>74,729</u>	<u>74,702</u>	<u>74,740</u>	<u>71,254</u>

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

The board of directors resolved to issue 595 employee share options on July 12, 2022. The Company granted the right to subscribe for 1 thousand ordinary shares to specific employees on August 16, 2022 (the date of the number of shares for employees to subscribe is confirmed). The price per share of ordinary shares for employee stock subscription is \$57.4. Pursuant to the Company's "Regulations Governing Issuance and Exercising of Employee Share Options," the options granted are valid for 3 years and exercisable at the following vesting conditions after the second anniversary of the grant date. For any subsequent changes in the Company's capital structure, the exercise price is adjusted according to the terms.

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

Employee Share Option	First Half of 2024		First Half of 2023	
	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	595	\$ 57.4
Options granted	<u>-</u>	-	<u>-</u>	-
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 \$3,092 thousand and \$3,155 thousand for the six months ended June 30, 2024 and 2023.

21. CAPITAL MANAGEMENT

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

22. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments

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

b. Categories of financial instruments

	June 30, 2024	December 31, 2023	June 30, 2023
<u>Financial assets</u>			
FVTPL			
Financial assets at amortized cost (1)	\$ 4,602,371	\$ 4,221,957	\$ 3,871,065
<u>Financial liabilities</u>			
Financial liabilities at amortized cost (2)	1,603,251	868,022	665,464

- 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).

c. 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 Six Months Ended June 30	
	2024	2023
Profit or loss at 5% variance USD	<u>\$ 26,401</u>	<u>\$ 32,224</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:

	June 30, 2024	December 31, 2023	June 30, 2023
Fair value interest rate risk			
Financial assets	<u>\$ 1,997,025</u>	<u>\$ 2,697,739</u>	<u>\$ 2,852,397</u>
Financial liabilities	<u>\$ 44,362</u>	<u>\$ 50,042</u>	<u>\$ 55,454</u>
Cash flow interest rate risk			
Financial assets	<u>\$ 1,540,348</u>	<u>\$ 731,943</u>	<u>\$ 558,461</u>
Financial liabilities	<u>\$ 500,000</u>	<u>\$ 300,000</u>	<u>\$ 30,000</u>

Sensitivity analysis

For the Group's floating interest rate financial assets and liabilities, if interest rates had been 0.1% higher/lower and all other variables were held constant, the Group's pre-tax profit for the six months ended June 30, 2024 and 2023 would have increased/decreased as follows:

	For the Six Months Ended June 30	
	2024	2023
Increase/decrease	<u>\$ 520</u>	<u>\$ 264</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 (Yanzhou) Co., Ltd.	Substantive related party

b. Sales of goods

<u>Related Party Category</u>	<u>For the Three Months Ended</u>		<u>For the Six Months Ended</u>	
	<u>June 30</u>		<u>June 30</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Fellow subsidiaries	\$ 642	\$ 1,157	\$ 1,278	\$ 6,093
Substantive related parties	<u>-</u>	<u>69</u>	<u>-</u>	<u>479</u>
	<u>\$ 642</u>	<u>\$ 1,226</u>	<u>\$ 1,278</u>	<u>\$ 6,572</u>

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

c. Purchases of goods

Related Party Category	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2024	2023	2024	2023
Fellow subsidiaries	<u>\$ 1,352</u>	<u>\$ 464</u>	<u>\$ 2,242</u>	<u>\$ 1,002</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	June 30, 2024	December 31, 2023	June 30, 2023
Fellow subsidiaries	<u>\$ 592</u>	<u>-</u>	<u>\$ 1,156</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	June 30, 2024	December 31, 2023	June 30, 2023
Fellow subsidiaries	<u>\$ 1,012</u>	<u>\$ 742</u>	<u>\$ 555</u>

The outstanding accounts payable to related parties are unsecured.

f. Other payables to related parties

Related Party Category	June 30, 2024	December 31, 2023	June 30, 2023
Substantive related parties	\$ 299	\$ 223	\$ 286
Fellow subsidiaries	<u>-</u>	<u>-</u>	<u>95</u>
	<u>\$ 299</u>	<u>\$ 223</u>	<u>\$ 381</u>

g. Lease arrangements

Lease Paid	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2024	2023	2024	2023
Substantive related parties	<u>\$ 521</u>	<u>\$ 525</u>	<u>\$ 1,042</u>	<u>\$ 1,044</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 Three Months Ended		For the Six Months Ended	
	June 30		June 30	
	2024	2023	2024	2023
Fellow subsidiaries	\$ 398	\$ 175	\$ 805	\$ 360

Related Party Category	Operating Expenses			
	For the Three Months Ended		For the Six Months Ended	
	June 30		June 30	
	2024	2023	2024	2023
Substantive related parties	\$ 370	\$ 421	\$ 650	\$ 522
Fellow subsidiaries	111	69	213	145
	\$ 481	\$ 490	\$ 863	\$ 667

Related Party Category	Prepaid Expenses		
	December 31,		
	June 30, 2024	2023	June 30, 2023
Fellow subsidiaries	\$ 122	\$ -	\$ 329

i. Remuneration of key management personnel

	For the Three Months Ended		For the Six Months Ended	
	June 30		June 30	
	2024	2023	2024	2023
Short-term employee benefits	\$ 14,828	\$ 11,546	\$ 29,463	\$ 23,165
Post-employment benefits	244	181	485	361
Share-based payments	821	821	1,643	1,643
	\$ 15,893	\$ 12,548	\$ 31,591	\$ 25,169

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

24. EXCHANGE RATE OF FINANCIAL ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

	June 30, 2024		
	Foreign Currency	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary items			
USD	\$ 30,229	7.1268 (USD:RMB)	\$ 980,931
NTD	3,669	0.22 (NTD:RMB)	3,669
<u>Financial liabilities</u>			
Monetary items			
USD	13,957	7.1268 (USD:RMB)	452,905
	December 31, 2023		
	Foreign Currency	Exchange Rate	New Taiwan Dollars
<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
	June 30, 2023		
	Foreign Currency	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary items			
USD	\$ 30,148	7.2258 (USD:RMB)	\$ 938,809
NTD	315,700	0.23 (NTD:RMB)	315,700
<u>Financial liabilities</u>			
Monetary items			
USD	9,452	7.2258 (USD:RMB)	294,335

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

Foreign Currency	For the Six Months Ended June 30			
	2024		2023	
	Exchange Rate (Foreign Currency: Functional Currency)	Net Foreign Exchange Gains (Losses)	Exchange Rate (Foreign Currency: Functional Currency)	Net Foreign Exchange Gains (Losses)
USD	7.1268 (USD:RMB)	\$ 1,756	7.2258 (USD:RMB)	\$ 35,500
USD	32.45 (USD:NTD)	6,638	31.14 (USD:NTD)	(15,909)
NTD	0.22 (NTD:RMB)	<u>(5,139)</u>	0.23 (NTD:RMB)	<u>7,764</u>
		<u>\$ 3,255</u>		<u>\$ 27,355</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 (None)
- 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 year or on the financial position, such as the rendering or receipt of services.
- c. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 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.

- b. Revenue from major products and services

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

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

**FINANCING PROVIDED TO OTHERS
FOR THE SIX MONTHS ENDED JUNE 30, 2024
(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. ARIZON CORPORATION	Other receivables - related parties	Yes	\$ 140,000	\$ 140,000	\$ 140,000	1.95	Short-term financing	\$ -	Operating capital	\$ -	None	\$ -	\$ 2,084,664	\$ 2,084,664	
			Other receivables - related parties	Yes	194,700	194,700	116,820	3.05	Short-term financing	-	Operating capital	-	None	-	560,087	560,087	

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: Reasons for short-term financing were due to purchasing materials or operational turnover requirements, 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.

Reasons for short-term financing were due to the need of business, the amount loaned to a company from the Company or subsidiaries shall not exceed 10% of the entity's net worth.

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

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE SIX MONTHS ENDED JUNE 30, 2024
(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)
		Name	Relationship (Note 2)										
0	The Company	Arizon RFID Technologies (Hong Kong) Co., Ltd.	b.	\$ 8,401,310	\$ 830,000	\$ 830,000	\$ 500,000	\$ -	14.82	\$ 11,201,746	Y	N	N

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

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

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

- Having a business relationship.
- The endorser/guarantor directly or indirectly owns more than 50% of the ordinary shares of the endorsee/guarantee.
- The endorsee/guarantee directly or indirectly owns more than 50% of the ordinary shares of the endorser/guarantor.
- Company in which the public company directly or indirectly holds 90% or more of the voting shares may make endorsements/guarantees for each other.
- 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.
- Due to joint venture, all shareholders provide endorsements/guarantees to the endorsee/guarantee in proportion to its ownership.
- 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

JUNE 30, 2024

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

Holding Company Name	Type and Name of Marketable Securities (Note 1)	Relationship with the Holding Company	Financial Statement Account	June 30, 2024				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	-	\$ 273,194 (RMB 60,000 thousand)	-	\$ 273,194 (RMB 60,000 thousand)	
	Bank of Communications RMB Large-denomination Certificate of Deposit for Corporate Clients No. 131 in 2022	-	"	-	136,597 (RMB 30,000 thousand)	-	136,597 (RMB 30,000 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 SIX MONTHS ENDED JUNE 30, 2024
(In Thousands of New Taiwan Dollars)**

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	\$ (123,786)	34.00	As agreed in contract	\$ -	-	\$ 128,838	58.00	Note 2
ARIZON CORPORATION	Arizon RFID Technologies (Hong Kong) Co., Ltd.	b.	Purchase	123,786	100.00	As agreed in contract	-	-	(128,838)	(100.00)	Note 2
Arizon RFID Technology Co., Ltd.	Arizon RFID Technologies (Hong Kong) Co., Ltd.	a.	Sale	(103,924)	6.00	As agreed in contract	-	-	58,064	7.00	Note 2
Arizon RFID Technologies (Hong Kong) Co., Ltd.	Arizon RFID Technology Co., Ltd.	a.	Purchase	103,924	15.00	As agreed in contract	-	-	(58,064)	(30.00)	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

JUNE 30, 2024

(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	\$ 128,838	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 SIX MONTHS ENDED JUNE 30, 2024
(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	\$ 103,924	By market price	5.02
2	Arizon RFID Technologies (Hong Kong) Co., Ltd.	ARIZON CORPORATION	Fellow subsidiary	Sales	123,786	By market price	5.98
		Arizon RFID Technology Co., Ltd.	Parent company	Accounts receivable	128,838	By market price	1.73
				Sales	81,787	By market price	3.95

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 SIX MONTHS ENDED JUNE 30, 2024

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

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		As of June 30, 2024			Net Income (Loss) of the Investee	Share of Profits (Loss)	Note (Note 2)
				June 30, 2024	December 31, 2023	Number of Shares	%	Carrying Amount			
The Company	YFY RFID Co., Ltd.	13/F Amber Commercial Building, 70 Morrison Hill Road, Wanchai, Hong Kong	Investment and holding	\$ 4,140,717 (US\$ 127,603 thousand)	\$ 4,140,717 (US\$ 127,603 thousand)	29,584,886	100.00	\$ 4,982,442 (RMB 1,094,264 thousand)	\$ 422,567 (RMB 94,117 thousand)	\$ 422,567 (RMB 94,117 thousand)	Subsidiary
	ARIZON CORPORATION	919 N. Market Street #950, Wilmington, Delaware 19801	Product distribution and technical consulting services	(US\$ 8,000 thousand) (US\$ 250 thousand)	(US\$ 3,200 thousand) (US\$ 100 thousand)	2,500	100.00	(RMB 14,921 thousand) (RMB 3,277 thousand)	(RMB 5,804 thousand) (RMB 1,312 thousand)	(RMB 5,804 thousand) (RMB 1,312 thousand)	Subsidiary
	ARIZON TECHNOLOGY (VIETNAM)	Plot CN 01.9 and 01.10, Industrial Park No.05, An Thi District, Hung Yen Province	Product distribution and R&D services	-	-	-	100.00	-	-	-	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	(US\$ 713,900 thousand) (US\$ 22,000 thousand)	(US\$ 713,900 thousand) (US\$ 22,000 thousand)	22,000,000	100.00	(RMB 464,854 thousand) (RMB 102,093 thousand)	(RMB 45,760 thousand) (RMB 10,192 thousand)	(RMB 33,745 thousand) (RMB 7,516 thousand)	Subsidiary
	Arizon JAPAN Co., Ltd.	11-2-3-chome, Nishishinjuku, Shinjuku-ku, Tokyo, Japan	Product distribution and technical consulting services	(JPY 10,085 thousand) (JPY 50,000 thousand)	(JPY 10,085 thousand) (JPY 50,000 thousand)	1,000	100.00	(RMB 6,165 thousand) (RMB 1,354 thousand)	(RMB 359 thousand) (RMB 80 thousand)	(RMB (489) thousand) (RMB -109 thousand)	Subsidiary

Note 1: Except for investment gain or loss which were translated at exchange rates of RMB1=NT\$4.489802, the rest were translated at exchange rates of US\$1=NT\$32.45, RMB1=NT\$4.553236 or JPY1=NT\$0.2017 as of June 30, 2024.

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 SIX MONTHS ENDED JUNE 30, 2024
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital (In Thousands of Foreign Currencies) (Note 1)	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2024 (In Thousands of Foreign Currencies) (Note 1)	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of June 30, 2024 (In Thousands of Foreign Currencies) (Note 1)	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of June 30, 2024	Accumulated Repatriation of Investment Income as of June 30, 2024	Note
					Outward	Inward							
Arizon RFID Technology Co., Ltd.	Design, development, manufacture, sale and packaging of RFID (radio frequency identification) products	\$ 884,648 (RMB 194,290 thousand)	(b)	\$ 823,970 (US\$ 25,392 thousand)	\$ -	\$ -	\$ 823,970 (US\$ 25,392 thousand)	\$ 455,789 (RMB 101,516 thousand)	99.98	\$ 455,698 (RMB 101,496 thousand) (Note 4, b)	\$ 4,994,258 (RMB 1,096,859 thousand) (Note 4, b)	\$ -	3
Yeon Technologies (Yangzhou) Co., Ltd.	Design and agent of RFID module, system and antenna.	36,426 (RMB 8,000 thousand)	(c)	-	-	-	-	(3,600) (RMB -810 thousand)	99.98	(3,457) (RMB -770 thousand) (Note 4, b)	35,473 (RMB 7,791 thousand) (Note 4, b)	-	3

Accumulated Investment in Mainland China as of June 30, 2024	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
\$823,970	\$823,970	N/A

Note 1: Except for investment gain or loss which were translated at exchange rates of RMB1=NT\$4.489802, the rest were translated at exchange rates of US\$1=NT\$32.45 or RMB1=NT\$4.553236 as of June 30, 2024.

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****JUNE 30, 2024**

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.