

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

**Consolidated Financial Statements for the
Six Months Ended June 30, 2025 and 2024 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 Arizona RFID Technology (Cayman) Co., Ltd. and its subsidiaries (collectively referred to as “the Group”), which comprise the consolidated balance sheets as of June 30, 2025 and 2024, the consolidated statements of comprehensive income for the three months ended June 30, 2025 and 2024, and for the six months ended June 30, 2025 and 2024, the consolidated statements of changes in equity and cash flows for the six months ended June 30, 2025 and 2024, 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, 2025 and 2024, its consolidated financial performance for the three months ended June 30, 2025 and 2024, 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, 2025. 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, 2025 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, 2025, the consolidated sales revenue was \$2,067,998 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, 2025, 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 13, 2025

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)

| | June 30, 2025 | | December 31, 2024 | | June 30, 2024 | |
|--|---------------------|------------|---------------------|------------|---------------------|------------|
| ASSETS | Amount | % | Amount | % | Amount | % |
| CURRENT ASSETS | | | | | | |
| Cash and cash equivalents (Note 6) | \$ 2,070,081 | 25 | \$ 2,384,419 | 26 | \$ 1,881,685 | 25 |
| Financial assets at amortized cost - current (Note 7) | 1,493,937 | 18 | 1,619,091 | 18 | 289,817 | 4 |
| Notes and accounts receivable (Notes 9 and 18) | 1,023,428 | 13 | 1,455,977 | 16 | 958,956 | 13 |
| Accounts receivable from related parties (Notes 18 and 25) | 1,055 | - | 24 | - | 592 | - |
| Inventories (Note 10) | 919,413 | 11 | 1,057,094 | 12 | 985,741 | 13 |
| Other current assets | <u>167,961</u> | <u>2</u> | <u>208,131</u> | <u>2</u> | <u>156,118</u> | <u>2</u> |
| Total current assets | <u>5,675,875</u> | <u>69</u> | <u>6,724,736</u> | <u>74</u> | <u>4,272,909</u> | <u>57</u> |
| NON-CURRENT ASSETS | | | | | | |
| Financial assets at fair value through profit or loss - non-current (Notes 8 and 24) | 200 | - | 1,300 | - | - | - |
| Financial assets at amortized cost - non-current (Note 7) | 204,649 | 3 | 228,041 | 3 | 1,365,971 | 19 |
| Property, plant and equipment (Note 12) | 1,760,169 | 21 | 1,771,584 | 19 | 1,428,055 | 19 |
| Right-of-use assets (Note 13) | 214,441 | 3 | 249,090 | 3 | 63,746 | 1 |
| Deferred tax assets | 11,386 | - | 21,152 | - | 24,200 | - |
| Other non-current assets | <u>331,439</u> | <u>4</u> | <u>131,662</u> | <u>1</u> | <u>288,004</u> | <u>4</u> |
| Total non-current assets | <u>2,522,284</u> | <u>31</u> | <u>2,402,829</u> | <u>26</u> | <u>3,169,976</u> | <u>43</u> |
| TOTAL | <u>\$ 8,198,159</u> | <u>100</u> | <u>\$ 9,127,565</u> | <u>100</u> | <u>\$ 7,442,885</u> | <u>100</u> |
| LIABILITIES AND EQUITY | | | | | | |
| CURRENT LIABILITIES | | | | | | |
| Short-term borrowings (Note 14) | \$ 700,000 | 9 | \$ 800,000 | 9 | \$ 500,000 | 7 |
| Contract liabilities - current (Note 18) | 22,868 | - | 26,467 | - | 28,095 | - |
| Notes and accounts payable | 361,996 | 4 | 581,553 | 6 | 639,042 | 9 |
| Accounts payable to related parties (Note 25) | 2,523 | - | 767 | - | 1,012 | - |
| Other payables | 610,095 | 8 | 322,892 | 4 | 462,592 | 6 |
| Other payables to related parties (Note 25) | 73 | - | 396 | - | 299 | - |
| Current tax liabilities | 15,671 | - | 30,176 | - | 33,641 | 1 |
| Lease liabilities - current (Note 13) | 12,384 | - | 12,361 | - | 11,278 | - |
| Other current liabilities | <u>32,344</u> | <u>-</u> | <u>7,462</u> | <u>-</u> | <u>7,055</u> | <u>-</u> |
| Total current liabilities | <u>1,757,954</u> | <u>21</u> | <u>1,782,074</u> | <u>19</u> | <u>1,683,014</u> | <u>23</u> |
| NON-CURRENT LIABILITIES | | | | | | |
| Bonds payable (Note 16) | 948,397 | 12 | 937,491 | 10 | - | - |
| Deferred tax liabilities | 14,377 | - | 41,599 | 1 | 23,111 | - |
| Lease liabilities - non-current (Note 13) | 22,469 | - | 28,796 | - | 33,084 | - |
| Other non-current liabilities | <u>41,474</u> | <u>1</u> | <u>46,191</u> | <u>1</u> | <u>46,294</u> | <u>1</u> |
| Total non-current liabilities | <u>1,026,717</u> | <u>13</u> | <u>1,054,077</u> | <u>12</u> | <u>102,489</u> | <u>1</u> |
| Total liabilities | <u>2,784,671</u> | <u>34</u> | <u>2,836,151</u> | <u>31</u> | <u>1,785,503</u> | <u>24</u> |
| EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 17) | | | | | | |
| Share capital | | | | | | |
| Ordinary shares | 748,880 | 9 | 748,880 | 8 | 743,180 | 10 |
| Capital surplus | 4,272,805 | 52 | 4,272,805 | 47 | 4,071,602 | 55 |
| Retained earnings | | | | | | |
| Legal reserve | 159,682 | 2 | 75,001 | 1 | 75,001 | 1 |
| Special reserve | - | - | 202,897 | 2 | 202,897 | 3 |
| Unappropriated earnings | 811,639 | 10 | 948,828 | 10 | 516,702 | 7 |
| Other equity | <u>(580,477)</u> | <u>(7)</u> | <u>41,927</u> | <u>1</u> | <u>47,001</u> | <u>-</u> |
| Total equity attributable to owners of the Company | 5,412,529 | 66 | 6,290,338 | 69 | 5,656,383 | 76 |
| NON-CONTROLLING INTERESTS | <u>959</u> | <u>-</u> | <u>1,076</u> | <u>-</u> | <u>999</u> | <u>-</u> |
| Total equity | <u>5,413,488</u> | <u>66</u> | <u>6,291,414</u> | <u>69</u> | <u>5,657,382</u> | <u>76</u> |
| TOTAL | <u>\$ 8,198,159</u> | <u>100</u> | <u>\$ 9,127,565</u> | <u>100</u> | <u>\$ 7,442,885</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 (Loss) Per Share)

| | For the Three Months Ended June 30 | | | | For the Six Months Ended June 30 | | | |
|--|------------------------------------|-------------|------------------|-------------|----------------------------------|-------------|--------------------|-------------|
| | 2025 | | 2024 | | 2025 | | 2024 | |
| | Amount | % | Amount | % | Amount | % | Amount | % |
| NET SALES (Notes 18 and 25) | \$ 922,887 | 100 | \$ 1,170,015 | 100 | \$ 2,067,998 | 100 | \$ 2,071,133 | 100 |
| COST OF GOODS SOLD (Notes 10, 19 and 25) | <u>(660,288)</u> | <u>(71)</u> | <u>(765,624)</u> | <u>(66)</u> | <u>(1,467,616)</u> | <u>(71)</u> | <u>(1,344,729)</u> | <u>(65)</u> |
| GROSS PROFIT | <u>262,599</u> | <u>29</u> | <u>404,391</u> | <u>34</u> | <u>600,382</u> | <u>29</u> | <u>726,404</u> | <u>35</u> |
| OPERATING EXPENSES (Notes 19 and 25) | | | | | | | | |
| Selling and marketing | (30,707) | (3) | (20,065) | (2) | (60,152) | (3) | (35,474) | (2) |
| General and administrative | (61,440) | (7) | (86,514) | (7) | (134,982) | (7) | (168,333) | (8) |
| Research and development | <u>(37,174)</u> | <u>(4)</u> | <u>(49,119)</u> | <u>(4)</u> | <u>(84,347)</u> | <u>(4)</u> | <u>(78,666)</u> | <u>(4)</u> |
| Total operating expenses | <u>(129,321)</u> | <u>(14)</u> | <u>(155,698)</u> | <u>(13)</u> | <u>(279,481)</u> | <u>(14)</u> | <u>(282,473)</u> | <u>(14)</u> |
| PROFIT FROM OPERATIONS | <u>133,278</u> | <u>15</u> | <u>248,693</u> | <u>21</u> | <u>320,901</u> | <u>15</u> | <u>443,931</u> | <u>21</u> |
| NON-OPERATING INCOME AND EXPENSES | | | | | | | | |
| Finance costs | (9,779) | (1) | (2,592) | - | (19,964) | (1) | (3,325) | - |
| Interest income | 25,150 | 3 | 25,573 | 2 | 61,465 | 3 | 53,698 | 3 |
| Other income | 17,045 | 2 | 5,561 | - | 23,445 | 1 | 8,417 | - |
| (Loss) gain on disposal of property, plant and equipment | 99 | - | (3,962) | - | (35) | - | (3,781) | - |
| Foreign exchange (loss) gain (Note 26) | (162,154) | (18) | 621 | - | (148,627) | (7) | (888) | - |
| Loss on financial assets at FVTPL | (400) | - | - | - | (1,100) | - | - | - |
| Other expenses | <u>(503)</u> | <u>-</u> | <u>(295)</u> | <u>-</u> | <u>(2,550)</u> | <u>-</u> | <u>(523)</u> | <u>-</u> |
| Total non-operating income and expenses | <u>(130,542)</u> | <u>(14)</u> | <u>24,906</u> | <u>2</u> | <u>(87,366)</u> | <u>(4)</u> | <u>53,598</u> | <u>3</u> |
| PROFIT BEFORE INCOME TAX | 2,736 | 1 | 273,599 | 23 | 233,535 | 11 | 497,529 | 24 |
| INCOME TAX EXPENSE (Notes 4 and 20) | <u>(35,116)</u> | <u>(4)</u> | <u>(47,943)</u> | <u>(4)</u> | <u>(76,994)</u> | <u>(4)</u> | <u>(82,751)</u> | <u>(4)</u> |
| NET (LOSS) PROFIT FOR THE PERIOD | <u>(32,380)</u> | <u>(3)</u> | <u>225,656</u> | <u>19</u> | <u>156,541</u> | <u>7</u> | <u>414,778</u> | <u>20</u> |
| OTHER COMPREHENSIVE INCOME (LOSS) | | | | | | | | |
| Items that will not be reclassified subsequently to profit or loss: | | | | | | | | |
| Exchange differences arising on translation to the presentation currency | - | - | 54,623 | 5 | - | - | 268,332 | 13 |

(Continued)

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

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

| | For the Three Months Ended June 30 | | | | For the Six Months Ended June 30 | | | |
|---|------------------------------------|-------------|-------------------|-----------|----------------------------------|-------------|-------------------|-----------|
| | 2025 | | 2024 | | 2025 | | 2024 | |
| | Amount | % | Amount | % | Amount | % | Amount | % |
| Items that may be reclassified subsequently to profit or loss: | | | | | | | | |
| Exchange differences on translation of the financial statements of foreign operations | \$ (699,234) | (76) | \$ (3,355) | - | \$ (622,508) | (30) | \$ (18,393) | (1) |
| Other comprehensive (loss) income for the period, net of income tax | (699,234) | (76) | 51,268 | 5 | (622,508) | (30) | 249,939 | 12 |
| TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD | <u>\$ (731,614)</u> | <u>(79)</u> | <u>\$ 276,924</u> | <u>24</u> | <u>\$ (465,967)</u> | <u>(23)</u> | <u>\$ 664,717</u> | <u>32</u> |
| NET (LOSS) PROFIT ATTRIBUTABLE TO: | | | | | | | | |
| Owners of the Company | \$ (32,405) | (4) | \$ 225,611 | 19 | \$ 156,479 | 8 | \$ 414,687 | 20 |
| Non-controlling interests | 25 | - | 45 | - | 62 | - | 91 | - |
| | <u>\$ (32,380)</u> | <u>(4)</u> | <u>\$ 225,656</u> | <u>19</u> | <u>\$ 156,541</u> | <u>8</u> | <u>\$ 414,778</u> | <u>20</u> |
| TOTAL COMPREHENSIVE (LOSS) INCOME ATTRIBUTABLE TO: | | | | | | | | |
| Owners of the Company | \$ (731,520) | (79) | \$ 276,871 | 24 | \$ (465,925) | (23) | \$ 664,585 | 32 |
| Non-controlling interests | (94) | - | 53 | - | (42) | - | 132 | - |
| | <u>\$ (731,614)</u> | <u>(79)</u> | <u>\$ 276,924</u> | <u>24</u> | <u>\$ (465,967)</u> | <u>(23)</u> | <u>\$ 664,717</u> | <u>32</u> |
| EARNINGS (LOSS) PER SHARE (Note 21) | | | | | | | | |
| Basic | <u>\$ (0.43)</u> | | <u>\$ 3.04</u> | | <u>\$ 2.09</u> | | <u>\$ 5.58</u> | |
| Diluted | | | <u>\$ 3.02</u> | | <u>\$ 2.09</u> | | <u>\$ 5.55</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 17) | | | | | | | Other Equity | Total | Non-controlling Interest | Total Equity |
|--|---|------------|-----------------|-------------------|-----------------|-------------------------|--------------|--|--------------|--------------------------|--------------|
| | Share Capital | | Capital Surplus | Retained Earnings | | | Total | Exchange Differences on Translating the Financial Statements of Foreign Operations | | | |
| | Shares (In Thousands) | Amount | | Legal Reserve | Special Reserve | Unappropriated Earnings | | | | | |
| BALANCE ON 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 22) | - | - | 3,091 | - | - | - | - | - | 3,091 | 1 | 3,092 |
| BALANCE ON 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 |
| BALANCE ON JANUARY 1, 2025 | 74,888 | \$ 748,880 | \$ 4,272,805 | \$ 75,001 | \$ 202,897 | \$ 948,828 | \$ 1,226,726 | \$ 41,927 | \$ 6,290,338 | \$ 1,076 | \$ 6,291,414 |
| Appropriation of 2024 earnings | | | | | | | | | | | |
| Legal reserve | - | - | - | 84,681 | - | (84,681) | - | - | - | - | - |
| Special reserve | - | - | - | - | (202,897) | 202,897 | - | - | - | - | - |
| Cash dividends distributed by the Company | - | - | - | - | - | (411,884) | (411,884) | - | (411,884) | - | (411,884) |
| Net profit for the six months ended June 30, 2025 | - | - | - | - | - | 156,479 | 156,479 | - | 156,479 | 62 | 156,541 |
| Other comprehensive loss for the six months ended June 30, 2025 | - | - | - | - | - | - | - | (622,404) | (622,404) | (104) | (622,508) |
| Total comprehensive (loss) income for the six months ended June 30, 2025 | - | - | - | - | - | 156,479 | 156,479 | (622,404) | (465,925) | (42) | (465,967) |
| Cash dividends distributed by subsidiaries | - | - | - | - | - | - | - | - | - | (75) | (75) |
| BALANCE ON JUNE 30, 2025 | 74,888 | \$ 748,880 | \$ 4,272,805 | \$ 159,682 | \$ - | \$ 811,639 | \$ 971,321 | \$ (580,477) | \$ 5,412,529 | \$ 959 | \$ 5,413,488 |

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 | |
|---|-------------------------------------|------------|
| | 2025 | 2024 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit before income tax | \$ 233,535 | \$ 497,529 |
| Adjustments for: | | |
| Depreciation expenses | 144,432 | 101,954 |
| Amortization expenses | 945 | 892 |
| Net loss on fair value changes of financial assets at FVTPL | 1,100 | - |
| Finance costs | 19,964 | 3,325 |
| Interest income | (61,465) | (53,698) |
| Share-based compensation expenses | - | 3,092 |
| Loss on disposal of property, plant and equipment | 35 | 3,781 |
| Reversal of write-downs of inventories recognized | (1,137) | (12,181) |
| Unrealized gain on foreign currency exchange | (2,797) | (1,849) |
| Changes in operating assets and liabilities | | |
| Notes and accounts receivable | 303,761 | (226,002) |
| Accounts receivable from related parties | (1,031) | (584) |
| Inventories | 31,799 | (346,426) |
| Other current assets | 7,158 | (11,769) |
| Contract liabilities | (958) | (1,983) |
| Notes and accounts payable | (169,826) | 235,102 |
| Accounts payable to related parties | 1,756 | 229 |
| Other payables | (92,338) | 26,391 |
| Other payables to related parties | (303) | 60 |
| Other current liabilities | 26,438 | 2,000 |
| Cash generated from operations | 441,068 | 219,863 |
| Interest received | 75,183 | 51,849 |
| Interest paid | (9,036) | (3,195) |
| Income tax paid | (105,993) | (49,687) |
| Net cash generated from operating activities | 401,222 | 218,830 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Increase in financial assets at amortized cost | (68,468) | (38,979) |
| Decrease in financial assets at amortized cost | 24,120 | 475,159 |
| Payments for property, plant and equipment | (298,752) | (406,912) |
| Proceeds from disposal of property, plant and equipment | 6,333 | - |
| Increase in other non-current assets | (237,522) | (48,326) |
| Net cash used in investing activities | (574,289) | (19,058) |

(Continued)

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 | |
|---|-------------------------------------|---------------------|
| | 2025 | 2024 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| (Decrease) increase in short-term borrowings | \$ (100,000) | \$ 200,000 |
| Repayment of the principal portion of lease liabilities | (6,175) | (5,804) |
| Increase (decrease) in other non-current liabilities | 23 | (1,947) |
| Dividends paid to non-controlling interests | <u>(75)</u> | <u>-</u> |
| Net cash (used in) generated from financing activities | <u>(106,227)</u> | <u>192,249</u> |
| EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES | <u>(35,044)</u> | <u>57,593</u> |
| NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS | (314,338) | 449,614 |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD | <u>2,384,419</u> | <u>1,432,071</u> |
| CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD | <u>\$ 2,070,081</u> | <u>\$ 1,881,685</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, 2025 AND 2024 (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 held 61.02% and 61.48% of the Company’s shares as of June 30, 2025 and 2024.

The Company’s shares have been listed on the Taiwan Stock Exchange (TWSE) since March 21, 2023.

The Company has shifted its financing activities to primarily use New Taiwan dollars (NTD). In consideration of improving the efficiency of financing management and in response to changes in economic conditions, the board of directors resolved on November 8, 2024 to change the Company’s functional currency from Renminbi (RMB) to New Taiwan dollars (NTD). In accordance with International Accounting Standard (IAS) 21, this change has been applied prospectively starting from October 1, 2024.

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 12, 2025.

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 IFRS Accounting Standards endorsed and issued into effect by the FSC did not have material impact on the Group’s accounting policies.

- b. The IFRS Accounting Standards endorsed by the FSC for application starting from 2026

| New IFRS Accounting Standards | Effective Date Announced by IASB |
|---|---|
| Amendments to IFRS 9 and IFRS 7 “Amendments to the Classification and Measurement of Financial Instruments” | January 1, 2026 |
| Amendments to IFRS 9 and IFRS 7 “Contracts Referencing Nature-dependent Electricity” | January 1, 2026 |

(Continued)

| New IFRS Accounting Standards | Effective Date Announced by IASB |
|---|---|
| Annual Improvements to IFRS Accounting Standards - Volume 11 | January 1, 2026 |
| 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 |
| | (Concluded) |

- 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) |
|--|--|
| 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 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.

IFRS 18 “Presentation and Disclosure in Financial Statements”

IFRS 18 will supersede IAS 1 “Presentation of Financial Statements”. The main changes comprise:

- Items of income and expenses included in the statement of profit or loss shall be classified into the operating, investing, financing, income taxes and discontinued operations categories.
- The statement of profit or loss shall present totals and subtotals for operating profit or loss, profit or loss before financing and income taxes and profit or loss.
- Provides guidance to enhance the requirements of aggregation and disaggregation: The Group shall identify the assets, liabilities, equity, income, expenses and cash flows that arise from individual transactions or other events and shall classify and aggregate them into groups based on shared characteristics, so as to result in the presentation in the primary financial statements of line items that have at least one similar characteristic. The Group shall disaggregate items with dissimilar characteristics in the primary financial statements and in the notes. The Group labels items as “other” only if it cannot find a more informative label.
- Disclosures on Management-defined Performance Measures (MPMs): When in public communications outside financial statements and communicating to users of financial statements management’s view of an aspect of the financial performance of the Group as a whole, the Group shall disclose related information about its MPMs in a single note to the financial statements, including the description of such measures, calculations, reconciliations to the subtotal or total specified by IFRS Accounting Standards and the income tax and non-controlling interests effects of related reconciliation items.

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

4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

a. Statement of compliance

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

b. Basis of preparation

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 11, 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, 2024.

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

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

When developing material accounting estimates, the Group considers the possible impact of US reciprocal tariffs on the cash flow projection, growth rates, discount rates, profitability and other relevant material estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

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 judgments, estimates and assumptions uncertainty.

6. CASH AND CASH EQUIVALENTS

| | June 30, 2025 | December 31, 2024 | June 30, 2024 |
|---|---------------------|---------------------|---------------------|
| Cash on hand | \$ 92 | \$ 106 | \$ 100 |
| Checking accounts and demand deposits | 1,413,136 | 1,042,906 | 1,540,348 |
| Cash equivalents (time deposits with original maturities of three months or less) | <u>656,853</u> | <u>1,341,407</u> | <u>341,237</u> |
| | <u>\$ 2,070,081</u> | <u>\$ 2,384,419</u> | <u>\$ 1,881,685</u> |

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

| | June 30, 2025 | December 31, 2024 | June 30, 2024 |
|------------------|---------------|-------------------|---------------|
| Cash equivalents | 0.23%-4.1% | 3.9%-4.68% | 1.70%-5.45% |

7. FINANCIAL ASSETS AT AMORTIZED COST

| | June 30, 2025 | December 31, 2024 | June 30, 2024 |
|--|---------------------|----------------------|---------------------|
| <u>Current</u> | | | |
| Time deposits with original maturities between 3 months and a year | \$ 81,860 | \$ - | \$ 39,389 |
| Time deposits with original maturities of more than 1 year | <u>1,412,077</u> | <u>1,619,091</u> | <u>250,428</u> |
| | <u>\$ 1,493,937</u> | <u>\$ 1,619,091</u> | <u>\$ 289,817</u> |
| <u>Non-current</u> | | | |
| Time deposits with original maturities of more than 1 year | <u>\$ 204,649</u> | <u>\$ 228,041</u> | <u>\$ 1,365,971</u> |

As of June 30, 2025 and 2024, the interest rates for time deposits with original maturity between three months and a year were 1.55% and 2.55%-5.24%, respectively.

As of June 30, 2025, December 31, 2024 and June 30, 2024, the interest rates for time deposits with original maturity of more than a year were 2.15%-3.35%, 2.15%-3.55% and 3.10%-3.55%, respectively.

8. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | June 30, 2025 | December 31, 2024 | June 30, 2024 |
|--|---------------|----------------------|---------------|
| <u>Financial assets at FVTPL - non-current</u> | | | |
| Financial assets mandatorily classified as at FVTPL | | | |
| Derivative financial assets (not under hedge accounting) | | | |
| Redemption option on convertible bonds (Note 16) | <u>\$ 200</u> | <u>\$ 1,300</u> | <u>\$ -</u> |

9. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE

| | June 30, 2025 | December 31, 2024 | June 30, 2024 |
|-------------------------------------|---------------------|----------------------|-------------------|
| Notes receivable | \$ 3,624 | \$ 19,249 | \$ 11,883 |
| Accounts receivable | 1,019,815 | 1,436,740 | 947,084 |
| Less: Allowance for impairment loss | <u>(11)</u> | <u>(12)</u> | <u>(11)</u> |
| | <u>\$ 1,023,428</u> | <u>\$ 1,455,977</u> | <u>\$ 958,956</u> |

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

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

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

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

June 30, 2025

| | Not Past Due | Up to 90 Days | Up to 90-180 Days | Up to 181-270 Days | Total |
|--------------------------------|---------------------|----------------------|--------------------------|---------------------------|---------------------|
| Expected credit loss rate | 0.001% | - | - | - | |
| Gross carrying amount | \$ 871,259 | \$ 150,686 | \$ 1,197 | \$ 297 | \$ 1,023,439 |
| Loss allowance (Lifetime ECLs) | <u>(11)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(11)</u> |
| Amortized cost | <u>\$ 871,248</u> | <u>\$ 150,686</u> | <u>\$ 1,197</u> | <u>\$ 297</u> | <u>\$ 1,023,428</u> |

December 31, 2024

| | Not Past Due | Up to 90 Days | Total |
|--------------------------------|---------------------|----------------------|---------------------|
| Expected credit loss rate | 0.001% | - | |
| Gross carrying amount | \$ 1,402,899 | \$ 53,090 | \$ 1,455,989 |
| Loss allowance (Lifetime ECLs) | <u>(12)</u> | <u>-</u> | <u>(12)</u> |
| Amortized cost | <u>\$ 1,402,887</u> | <u>\$ 53,090</u> | <u>\$ 1,455,977</u> |

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> |

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

| | For the Six Months Ended June 30 | |
|-------------------------|-------------------------------------|--------------|
| | 2025 | 2024 |
| Balance on January 1 | \$ 12 | \$ 12 |
| Foreign exchange losses | <u>(1)</u> | <u>(1)</u> |
| Balance on June 30 | <u>\$ 11</u> | <u>\$ 11</u> |

10. INVENTORIES

| | June 30, 2025 | December 31, 2024 | June 30, 2024 |
|------------------------------|-------------------|----------------------|-------------------|
| Finished and purchased goods | \$ 631,705 | \$ 579,935 | \$ 460,161 |
| Work in process | 99,328 | 65,771 | 165,468 |
| Materials | <u>188,380</u> | <u>411,388</u> | <u>360,112</u> |
| | <u>\$ 919,413</u> | <u>\$ 1,057,094</u> | <u>\$ 985,741</u> |

The cost of goods sold for the three months ended June 30, 2025 and 2024 included reversal of inventory write-downs of \$3,711 thousand and \$11,703 thousand, respectively. The cost of goods sold for the six months ended June 30, 2025 and 2024 included reversal of inventory write-downs of \$1,137 thousand and \$12,181 thousand, respectively.

11. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements:

| Investor | Investee | Main Business | % of Ownership | | | Remark |
|----------------------------------|--|--|----------------|----------------------|---------------|--------|
| | | | June 30, 2025 | December 31, 2024 | June 30, 2024 | |
| 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 | 100.00 | |
| YFY RFID Co., Limited | ARIZON TECHNOLOGY (VIETNAM) | Product distribution and R&D services | 100.00 | 100.00 | 100.00 | a. |
| | 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 | b. |
| | 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:

- In order to expand the Vietnam market, the Company established ARIZON TECHNOLOGY (VIETNAM) in February 2024.
- In response to organizational business adjustments, Yeon Technologies (Yangzhou) Co., Ltd. was liquidated in August 2024.
- The financial statements of subsidiaries included in the consolidated financial statements are based on the audited amounts.

12. PROPERTY, PLANT AND EQUIPMENT

| | Buildings | Machinery | Transportation Equipment | Miscellaneous Equipment | Property in Construction | Total |
|--|-------------------|---------------------|-----------------------------|----------------------------|-----------------------------|---------------------|
| <u>Cost</u> | | | | | | |
| Balance on 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 on 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 on 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 on 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 on 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> |
| <u>Cost</u> | | | | | | |
| Balance on January 1, 2025 | \$ 654,090 | \$ 2,390,856 | \$ 7,136 | \$ 181,427 | \$ 206,333 | \$ 3,439,842 |
| Additions | - | 27,344 | - | 1,031 | 259,390 | 287,765 |
| Disposals | - | (13,901) | - | (70) | - | (13,971) |
| Effect of foreign currency exchange differences | (67,095) | (215,434) | (732) | (5,333) | (29,408) | (318,002) |
| Reclassifications | - | 213,893 | - | - | (213,893) | - |
| Balance on June 30, 2025 | <u>\$ 586,995</u> | <u>\$ 2,402,758</u> | <u>\$ 6,404</u> | <u>\$ 177,055</u> | <u>\$ 222,422</u> | <u>\$ 3,395,634</u> |
| <u>Accumulated depreciation</u> | | | | | | |
| Balance on January 1, 2025 | \$ 207,526 | \$ 1,407,491 | \$ 2,817 | \$ 50,424 | \$ - | \$ 1,668,258 |
| Depreciation expenses | 15,855 | 108,613 | 473 | 11,008 | - | 135,949 |
| Disposals | - | (7,543) | - | (60) | - | (7,603) |
| Effect of foreign currency exchange differences | (22,509) | (136,646) | (325) | (1,659) | - | (161,139) |
| Balance on June 30, 2025 | <u>\$ 200,872</u> | <u>\$ 1,371,915</u> | <u>\$ 2,965</u> | <u>\$ 59,713</u> | <u>\$ -</u> | <u>\$ 1,635,465</u> |
| Carrying amount on December 31, 2024 and January 1, 2025 | <u>\$ 446,564</u> | <u>\$ 983,365</u> | <u>\$ 4,319</u> | <u>\$ 131,003</u> | <u>\$ 206,333</u> | <u>\$ 1,771,584</u> |
| Carrying amount on June 30, 2025 | <u>\$ 386,123</u> | <u>\$ 1,030,843</u> | <u>\$ 3,439</u> | <u>\$ 117,342</u> | <u>\$ 222,422</u> | <u>\$ 1,760,169</u> |

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

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

13. LEASE AGREEMENTS

a. Right-of-use assets

| | June 30, 2025 | December 31, 2024 | June 30, 2024 |
|--|---|----------------------|---|
| <u>Carrying amounts</u> | | | |
| Land | \$ 181,411 | \$ 211,450 | \$ 20,732 |
| Buildings | 32,782 | 37,351 | 42,518 |
| Others | <u>248</u> | <u>289</u> | <u>496</u> |
| | <u>\$ 214,441</u> | <u>\$ 249,090</u> | <u>\$ 63,746</u> |
| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 |
| | 2025 | 2024 | 2025 |
| | | | 2024 |
| Additions to right-of-use assets | <u>\$ 80</u> | <u>\$ 96</u> | <u>\$ 80</u> |
| Depreciation charge for right-of-use assets | | | |
| Land | \$ 894 | \$ 131 | \$ 2,210 |
| Buildings | 3,234 | 2,910 | 6,154 |
| Others | <u>24</u> | <u>231</u> | <u>119</u> |
| | <u>\$ 4,152</u> | <u>\$ 3,272</u> | <u>\$ 8,483</u> |
| | | | <u>\$ 6,528</u> |

b. Lease liabilities

| | June 30, 2025 | December 31, 2024 | June 30, 2024 |
|-------------------------|------------------|----------------------|------------------|
| <u>Carrying amounts</u> | | | |
| Current | <u>\$ 12,384</u> | <u>\$ 12,361</u> | <u>\$ 11,278</u> |
| Non-current | <u>\$ 22,469</u> | <u>\$ 28,796</u> | <u>\$ 33,084</u> |

Range of discount rates for lease liabilities was as follows:

| | June 30, 2025 | December 31, 2024 | June 30, 2024 |
|-----------|---------------|----------------------|---------------|
| Buildings | 1.45%-2.28% | 1.45%-2.28% | 2.28% |
| Others | 1.52%-4.60% | 1.52%-4.60% | 1.52%-4.60% |

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 and Vietnam 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 and 47 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 June 30 | | For the Six Months Ended June 30 | |
|---|---------------------------------------|-----------------|-------------------------------------|-----------------|
| | 2025 | 2024 | 2025 | 2024 |
| Expenses relating to short-term leases and low-value asset leases | <u>\$ 4,397</u> | <u>\$ 1,908</u> | <u>\$ 8,046</u> | <u>\$ 3,169</u> |
| Total cash outflow for leases | <u>\$ 7,665</u> | <u>\$ 5,087</u> | <u>\$ 14,682</u> | <u>\$ 9,513</u> |

14. SHORT-TERM BORROWINGS

| | June 30, 2025 | December 31, 2024 | June 30, 2024 |
|-------------------|-------------------|----------------------|-------------------|
| Bank credit loans | <u>\$ 700,000</u> | <u>\$ 800,000</u> | <u>\$ 500,000</u> |

As of June 30, 2025, December 31, 2024 and June 30, 2024, the interest rate of short-term borrowings were 2.15%-2.275%, 2.08%-2.27% and 2.08%-2.13% per annum, respectively.

15. 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 Arizona RFID Technology Co., Ltd., Yeon Technologies (Yangzhou) Co., Ltd., Arizona JAPAN Co., Ltd. and ARIZON TECHNOLOGY (VIETNAM) 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.

16. BONDS PAYABLE

| | June 30, 2025 | December 31, 2024 | June 30, 2024 |
|--------------------------------------|-------------------|----------------------|---------------|
| Unsecured domestic convertible bonds | <u>\$ 948,397</u> | <u>\$ 937,491</u> | <u>\$ -</u> |

On August 7, 2024, the Company's board of directors resolved to issue domestic unsecured convertible bonds for the first time, which were subsequently issued on October 15, 2024, the issuance period is 3 years, with total issued amount \$1,000,000 thousand, with a 0% coupon rate, the total amount for subscription was \$1,114,566 thousand.

Each bond entitles the holder to convert it into ordinary shares of the Company at a conversion price of \$305.5. In case of ex-right or ex-dividend, the price should be adjusted according to the conversion price adjustment formula. The bonds will be held on the next day after the expiration of 3 months (January 16, 2025) until the maturity date (October 15, 2027), holders may convert their bonds into the Company's ordinary shares.

If the convertible bonds are not converted between January 16, 2025 and September 5, 2027, and the closing price of ordinary shares has exceeded 30% of the current conversion price for 30 consecutive trading days, the Company may send a copy of "Debt Rebate Notice" with expiration of one month by registered mail within the next 30 trading days. The aforementioned period is calculated from the delivery of mail, and the expiration date of the period is determined as the base date for recovery of bonds. The Company have to redeem the bonds at their par value in cash within 5 trading days following the base date.

The convertible bonds contain both liability and equity components. The equity component was presented in equity under the heading of capital surplus - share options. The effective interest rate of the liability component was 2.32% per annum on initial recognition.

| | |
|--|-------------------|
| Proceeds from issuance (less transaction costs of \$7,307 thousand) | \$ 1,107,259 |
| Equity component (less transaction costs allocated to the equity component of \$1,161 thousand) | <u>(176,205)</u> |
| Liability component at the date of issue (bonds payable of \$932,954 thousand and financial assets at fair value through profit or loss - non-current of \$1,900 thousand) | <u>\$ 931,054</u> |
| Liability component at January 1, 2025 (bonds payable of \$937,491 thousand and financial assets at fair value through profit or loss - non-current of \$1,300 thousand) | \$ 936,191 |
| Interest charged at an effective interest rate of 2.32% | 10,906 |
| Net loss of financial assets at fair value through profit or loss | <u>1,100</u> |
| Liability component at June 30, 2025 (bonds payable of \$948,397 thousand and financial assets at fair value through profit or loss - non-current of \$200 thousand) | <u>\$ 948,197</u> |

17. EQUITY

a. Ordinary shares

| | June 30, 2025 | December 31, 2024 | June 30, 2024 |
|--|---------------------|---------------------|---------------------|
| 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>74,888</u> | <u>74,888</u> | <u>74,318</u> |
| Shares issued | <u>\$ 748,880</u> | <u>\$ 748,880</u> | <u>\$ 743,180</u> |

In the third quarter of 2024, employees of the company exercised stock options to convert 570 thousand shares into ordinary shares. The conversion date was August 20, 2024, and the paid-in capital after the capital increase amounted to \$748,880 thousand.

The board of directors resolved to issue 750 units of employee share options to employees who met specific requirements on April 14, 2025. Each unit of the options entitles the holder to subscribe for 1,000 ordinary shares, not yet distributed as of June 30, 2025.

b. Capital surplus

The capital surplus for June 30, 2025, December 31, 2024 and June 30, 2024 were as follows:

| | June 30, 2025 | December 31, 2024 | June 30, 2024 |
|---|---------------------|----------------------|---------------------|
| Share premium | \$ 4,096,537 | \$ 4,096,537 | \$ 4,060,273 |
| Share options | 176,205 | 176,205 | - |
| Proceeds from claim for the disgorgement of profit | 63 | 63 | - |
| Employee share options | <u>-</u> | <u>-</u> | <u>11,329</u> |
| | <u>\$ 4,272,805</u> | <u>\$ 4,272,805</u> | <u>\$ 4,071,602</u> |

c. Retained earnings and dividends policy

Under the dividends policy as set forth in the Articles, where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, 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 19(c).

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

Items referred to under Rule No. 1010047490, Rule No. 1030006415, and Rule No. 1090150022 issued by the FSC and in the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", should be appropriated to or reversed from a special reserve by the Company. When the deduction balance of other shareholders' equity is reversed, the surplus may be distributed thereafter.

The appropriations of earnings for 2024 and 2023, were as follows:

| | For the Year Ended December 31 | |
|---------------------------------|---------------------------------------|-------------|
| | 2024 | 2023 |
| Legal reserve | \$ 84,681 | \$ 44,793 |
| Special reserve | \$ (202,897) | \$ 78,578 |
| Cash dividends | \$ 411,884 | \$ 222,954 |
| Cash dividends per share (NT\$) | \$ 5.50 | \$ 3.00 |

The appropriation of earnings for 2024 and 2023 was resolved in the shareholders' meeting on May 27, 2025 and June 27, 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 Six Months Ended June 30 | |
|---|---|---------------|
| | 2025 | 2024 |
| Balance on January 1 | \$ 1,076 | \$ 866 |
| Attributable to non-controlling interests: | | |
| Cash dividends distributed by subsidiaries | (75) | - |
| Share-based payment | - | 1 |
| Share of profit for the period | 62 | 91 |
| Other comprehensive (loss) income during the period | <u>(104)</u> | <u>41</u> |
| Balance on June 30 | <u>\$ 959</u> | <u>\$ 999</u> |

18. REVENUE

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|---|---|---------------------|---|---------------------|
| | 2025 | 2024 | 2025 | 2024 |
| Revenue from contracts with customers - sale of goods | \$ 917,351 | \$ 1,149,502 | \$ 2,058,400 | \$ 2,044,586 |
| Other income | <u>5,536</u> | <u>20,513</u> | <u>9,598</u> | <u>26,547</u> |
| | <u>\$ 922,887</u> | <u>\$ 1,170,015</u> | <u>\$ 2,067,998</u> | <u>\$ 2,071,133</u> |

Contract Balances

| | June 30, 2025 | December 31, 2024 | June 30, 2024 |
|--|----------------------|------------------------------|----------------------|
| Notes receivable and accounts receivable | \$ 1,023,428 | \$ 1,455,977 | \$ 958,956 |
| Receivables from related parties | <u>1,055</u> | <u>24</u> | <u>592</u> |
| | <u>\$ 1,024,483</u> | <u>\$ 1,456,001</u> | <u>\$ 959,548</u> |
| Contract liabilities - current | <u>\$ 22,868</u> | <u>\$ 26,467</u> | <u>\$ 28,095</u> |

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

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|--|---|---------------|---|------------------|
| | 2025 | 2024 | 2025 | 2024 |
| Revenue from contracts with customers - sale of goods | <u>\$ (152)</u> | <u>\$ 446</u> | <u>\$ 5,696</u> | <u>\$ 12,319</u> |

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

19. NET (LOSS) PROFIT

a. Depreciation and amortization

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|--|---|------------------|---|-------------------|
| | 2025 | 2024 | 2025 | 2024 |
| Property, plant and equipment | \$ 69,601 | \$ 53,439 | \$ 135,949 | \$ 95,426 |
| Right-of-use assets | 4,152 | 3,272 | 8,483 | 6,528 |
| Intangible asset (under other non-current assets) | <u>461</u> | <u>460</u> | <u>945</u> | <u>892</u> |
| | <u>\$ 74,214</u> | <u>\$ 57,171</u> | <u>\$ 145,377</u> | <u>\$ 102,846</u> |
| An analysis of depreciation by function | | | | |
| Operating costs | \$ 65,057 | \$ 37,473 | \$ 118,558 | \$ 68,353 |
| Operating expenses | <u>8,696</u> | <u>19,238</u> | <u>25,874</u> | <u>33,601</u> |
| | <u>\$ 73,753</u> | <u>\$ 56,711</u> | <u>\$ 144,432</u> | <u>\$ 101,954</u> |
| An analysis of amortization by function | | | | |
| Operating costs | \$ 102 | \$ - | \$ 212 | \$ - |
| Operating expenses | <u>359</u> | <u>460</u> | <u>733</u> | <u>892</u> |
| | <u>\$ 461</u> | <u>\$ 460</u> | <u>\$ 945</u> | <u>\$ 892</u> |

b. Employee benefits expense

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|--|---|-------------------|---|-------------------|
| | 2025 | 2024 | 2025 | 2024 |
| Short-term employee benefits | \$ 128,177 | \$ 190,247 | \$ 289,328 | \$ 320,394 |
| Post-employment benefits | | | | |
| Defined contribution plans | 9,577 | 8,201 | 20,236 | 13,470 |
| Share-based payment | <u>-</u> | <u>1,594</u> | <u>-</u> | <u>3,092</u> |
| Total employee benefit expense | <u>\$ 137,754</u> | <u>\$ 200,042</u> | <u>\$ 309,564</u> | <u>\$ 336,956</u> |
| An analysis of employee benefit expense by function | | | | |
| Operating costs | \$ 83,121 | \$ 106,377 | \$ 176,694 | \$ 167,766 |
| Operating expenses | <u>54,633</u> | <u>93,665</u> | <u>132,870</u> | <u>169,190</u> |
| | <u>\$ 137,754</u> | <u>\$ 200,042</u> | <u>\$ 309,564</u> | <u>\$ 336,956</u> |

As of June 30, 2025 and 2024, the Group had 750 and 762 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 | |
|---------------------------|---|-------------|---|-------------|
| | 2025 | 2024 | 2025 | 2024 |
| <u>Amount</u> | | | | |
| Compensation of employees | \$ (303) | \$ 2,288 | \$ 1,607 | \$ 4,252 |
| Remuneration of directors | 1,160 | 3,251 | 1,396 | 6,216 |

The compensation of employees and remuneration of directors for the years ended December 31, 2024 and 2023, which was approved by the Company's board of directors on March 11, 2025 and March 12, 2024, respectively were as follows:

| | For the Year Ended December 31 | |
|---------------------------|---------------------------------------|-------------|
| | 2024 | 2023 |
| | Cash | Cash |
| Compensation of employees | \$ 8,695 | \$ 4,630 |
| Remuneration of directors | 13,500 | 7,000 |

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.

Which was approved by the Company's board of directors on March 11, 2025 and March 12, 2024, 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 years ended 2024 and 2023.

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.

20. 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 | |
|--|---------------------------------------|------------------|-------------------------------------|------------------|
| | 2025 | 2024 | 2025 | 2024 |
| Current tax | \$ 11,844 | \$ 15,180 | \$ 53,722 | \$ 49,988 |
| Deferred tax | <u>23,272</u> | <u>32,763</u> | <u>23,272</u> | <u>32,763</u> |
| Income tax expense recognized in profit or loss | <u>\$ 35,116</u> | <u>\$ 47,943</u> | <u>\$ 76,994</u> | <u>\$ 82,751</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.

The government of Vietnam, where ARIZON TECHNOLOGY (VIETNAM) is incorporated, enacted the Pillar Two income tax legislation effective from January 1, 2024.

As of June 30, 2025, The above situation has no significant impact on the Group's current income tax. The Group is continuing to assess the impact of the Pillar Two income tax legislation on its future financial performance.

21. EARNINGS (LOSS) PER SHARE

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|-----------------------------------|---------------------------------------|----------------|-------------------------------------|----------------|
| | 2025 | 2024 | 2025 | 2024 |
| Basic earnings per share (NT\$) | <u>\$ (0.43)</u> | <u>\$ 3.04</u> | <u>\$ 2.09</u> | <u>\$ 5.58</u> |
| Diluted earnings per share (NT\$) | | <u>\$ 3.02</u> | <u>\$ 2.09</u> | <u>\$ 5.55</u> |

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

Net profit (loss) for the period:

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|--|---------------------------------------|-------------------|-------------------------------------|-------------------|
| | 2025 | 2024 | 2025 | 2024 |
| Profit (loss) for the period attributable to owners of the Company | <u>\$ (32,405)</u> | <u>\$ 225,611</u> | <u>\$ 156,479</u> | <u>\$ 414,687</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 | |
|--|---------------------------------------|---------------|-------------------------------------|---------------|
| | 2025 | 2024 | 2025 | 2024 |
| Weighted average number of ordinary shares used in the computation of basic earnings (loss) per share | <u>74,888</u> | 74,318 | 74,888 | 74,318 |
| Effect of potentially dilutive ordinary shares: | | | | |
| Employee share options | | 393 | - | 393 |
| Compensation of employees | | <u>18</u> | <u>23</u> | <u>29</u> |
| Weighted average number of ordinary shares used in the computation of diluted earnings per share | | <u>74,729</u> | <u>74,911</u> | <u>74,740</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.

If the outstanding convertible bonds issued by the Company are converted to ordinary shares, they are anti-dilutive and excluded from the computation of diluted earnings per share.

22. 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 | |
|---|---|---|
| | Number of Units (In Thousands) | Weighted Average Exercise Price (NT\$) |
| Balance on January 1 | 595 | \$ 57.4 |
| Options granted | <u>-</u> | - |
| Balance on December 31 | <u>595</u> | 57.4 |
| Options exercisable, end of period | <u>-</u> | |
| Weighted-average fair value of options granted in December 31 (NT\$) | <u>\$ 21.2</u> | |

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

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

The compensation of employees recognized on the consolidated statement of comprehensive income was \$3,092 thousand for the six months ended June 30, 2024.

23. 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.

24. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments not measured at fair value

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

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

1) Fair value hierarchy

June 30, 2025

| | Level 1 | Level 2 | Level 3 | Total |
|--|-------------|---------------|-------------|---------------|
| Financial assets at FVTPL - non-current | | | | |
| Redemption option on convertible bonds | \$ <u>-</u> | \$ <u>200</u> | \$ <u>-</u> | \$ <u>200</u> |

December 31, 2024

| | Level 1 | Level 2 | Level 3 | Total |
|--|-------------|-----------------|-------------|-----------------|
| Financial assets at FVTPL - non-current | | | | |
| Redemption option on convertible bonds | \$ <u>-</u> | \$ <u>1,300</u> | \$ <u>-</u> | \$ <u>1,300</u> |

There were no transfers between Levels 1 and 2 in the current year.

2) Valuation techniques and inputs applied for Level 2 fair value measurement

| Financial Instrument | Valuation Technique and Inputs |
|---|--|
| Redemption option on convertible bonds | Under the assumption that corporate bond will be redeemed on September 5, 2027, discount rate adopted is calculated via interpolation method using government bond yield rates from public offer 2-year and 5-year period. |

c. Categories of financial instruments

| | June 30, 2025 | December 31, 2024 | June 30, 2024 |
|---|---------------|----------------------|---------------|
| <u>Financial assets</u> | | | |
| Financial assets at amortized cost (1) | \$ 4,914,869 | \$ 5,825,711 | \$ 4,602,371 |
| Financial assets at FVTPL | 200 | 1,300 | - |
| <u>Financial liabilities</u> | | | |
| Financial liabilities at amortized cost (2) | 2,623,333 | 2,643,405 | 1,603,251 |

- 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, bonds payable and deposits received (accounted as other current liabilities and other non-current liabilities).

d. Financial risk management objectives and policies

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

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

1) Market risk

a) Foreign currency risk

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

Sensitivity analysis

The Group is mainly exposed to the USD, EUR and JPY.

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 New Taiwan dollars against the relevant currency, there would be an equal and opposite impact on pre-tax profit (loss).

| | For the Six Months Ended | |
|-------------------------------|---------------------------------|-------------|
| | June 30 | |
| | 2025 | 2024 |
| Profit or loss at 5% variance | | |
| USD | \$ 35,431 | \$ 26,401 |
| EUR | 9,479 | (43) |
| JPY | 14,599 | - |

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, 2025 | December 31, 2024 | June 30, 2024 |
|-------------------------------|---------------|----------------------|---------------|
| Fair value interest rate risk | | | |
| Financial assets | \$ 2,355,439 | \$ 3,188,539 | \$ 1,997,025 |
| Financial liabilities | \$ 1,383,250 | \$ 978,648 | \$ 44,362 |
| Cash flow interest rate risk | | | |
| Financial assets | \$ 1,413,136 | \$ 1,042,906 | \$ 1,540,348 |
| Financial liabilities | \$ 300,000 | \$ 800,000 | \$ 500,000 |

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 (loss) for the six months ended June 30, 2025 and 2024 would have increased/decreased as follows:

| | For the Six Months Ended June 30 | |
|-------------------|-------------------------------------|--------|
| | 2025 | 2024 |
| Increase/decrease | \$ 557 | \$ 520 |

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. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

June 30, 2025, December 31, 2024 and June 30, 2024, the Group had available unutilized bank loan facilities of \$230,000 thousand, \$230,000 thousand and \$200,000 thousand, respectively.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods by financial institutions. The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The tables included both interest and principal cash flows. Specifically, loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the financial institutes choosing to exercise their rights.

To the extent that interest cash flows paid at floating rate, the undiscounted amount was derived from the interest rate curve at the end of the reporting period.

June 30, 2025

| | On Demand or Less than 1 Month | 1-5 Years |
|------------------------------------|---|---------------------|
| Variable interest rate liabilities | \$ 300,141 | \$ - |
| Fixed interest rate liabilities | 401,316 | 1,000,000 |
| Lease liabilities | <u>13,045</u> | <u>22,904</u> |
| | <u>\$ 714,502</u> | <u>\$ 1,022,904</u> |

December 31, 2024

| | On Demand or Less than 1 Month | 1-5 Years |
|------------------------------------|---|---------------------|
| Variable interest rate liabilities | \$ 800,304 | \$ - |
| Fixed interest rate liabilities | - | 1,000,000 |
| Lease liabilities | <u>13,193</u> | <u>29,531</u> |
| | <u>\$ 813,497</u> | <u>\$ 1,029,531</u> |

June 30, 2024

| | On Demand or Less than 1 Month | 1-5 Years |
|------------------------------------|---|------------------|
| Variable interest rate liabilities | \$ 501,672 | \$ - |
| Lease liabilities | <u>12,147</u> | <u>34,109</u> |
| | <u>\$ 513,819</u> | <u>\$ 34,109</u> |

25. TRANSACTIONS WITH RELATED PARTIES

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

a. Related party name and category

| Related Party Name | Related Party Category |
|--|---------------------------|
| YFY Packaging Inc. | Fellow subsidiary |
| YFY Corporate Advisory & Services Co., Ltd. | Fellow subsidiary |
| YFY Paper Enterprise (Nanjing) Co., Ltd. | Fellow subsidiary |
| Fidelis IT Solutions Co., Ltd. | Fellow subsidiary |
| Chung Hwa Pulp Corporation | Fellow subsidiary |
| China Color Printing Co., Ltd. | Fellow subsidiary |
| Pek Crown Paper Co., Ltd. | Fellow subsidiary |
| Yuen Foong Yu Paper Enterprise (Vietnam) 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 |
| Bank SinoPac Co., Ltd. | Substantive related party |

b. Sales of goods

| Related Party Category | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|------------------------|---------------------------------------|--------|-------------------------------------|----------|
| | 2025 | 2024 | 2025 | 2024 |
| Fellow subsidiaries | \$ 626 | \$ 642 | \$ 1,792 | \$ 1,278 |

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 | |
|-----------------------------|---------------------------------------|----------|-------------------------------------|----------|
| | 2025 | 2024 | 2025 | 2024 |
| Fellow subsidiaries | \$ 626 | \$ 1,352 | \$ 1,349 | \$ 2,242 |
| Substantive related parties | 2,208 | - | 2,217 | - |
| | \$ 2,834 | \$ 1,352 | \$ 3,566 | \$ 2,242 |

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, 2025 | December 31, 2024 | June 30, 2024 |
|-------------------------------|----------------------|------------------------------|----------------------|
| Fellow subsidiaries | \$ 1,053 | \$ 24 | \$ 592 |
| Substantive related parties | <u>2</u> | <u>-</u> | <u>-</u> |
| | <u>\$ 1,055</u> | <u>\$ 24</u> | <u>\$ 592</u> |

The outstanding accounts receivable from related parties are unsecured.

e. Accounts payable to related parties

| Related Party Category | June 30, 2025 | December 31, 2024 | June 30, 2024 |
|-------------------------------|----------------------|------------------------------|----------------------|
| Fellow subsidiaries | \$ 492 | \$ 767 | \$ 1,012 |
| Substantive related parties | <u>2,031</u> | <u>-</u> | <u>-</u> |
| | <u>\$ 2,523</u> | <u>\$ 767</u> | <u>\$ 1,012</u> |

The outstanding accounts payable to related parties are unsecured.

f. Other payables to related parties

| Related Party Category | June 30, 2025 | December 31, 2024 | June 30, 2024 |
|-------------------------------|----------------------|------------------------------|----------------------|
| Substantive related parties | \$ 73 | \$ 227 | \$ 299 |
| Fellow subsidiaries | <u>-</u> | <u>169</u> | <u>-</u> |
| | <u>\$ 73</u> | <u>\$ 396</u> | <u>\$ 299</u> |

g. Lease arrangements

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|-----------------------------|---|---------------|---|-----------------|
| Lease Paid | 2025 | 2024 | 2025 | 2024 |
| Substantive related parties | <u>\$ 367</u> | <u>\$ 521</u> | <u>\$ 916</u> | <u>\$ 1,042</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 | |
| | 2025 | 2024 | 2025 | 2024 |
| Fellow subsidiaries | \$ 667 | \$ 398 | \$ 667 | \$ 805 |

| Related Party Category | Operating Expenses | | | |
|-----------------------------|----------------------------|--------|--------------------------|--------|
| | For the Three Months Ended | | For the Six Months Ended | |
| | June 30 | | June 30 | |
| | 2025 | 2024 | 2025 | 2024 |
| Substantive related parties | \$ 526 | \$ 370 | \$ 856 | \$ 650 |
| Fellow subsidiaries | 105 | 111 | 214 | 213 |
| | \$ 631 | \$ 481 | \$ 1,070 | \$ 863 |

| Related Party Category | Prepaid Expenses (Accounted for as Other Current Assets) | | |
|------------------------|---|------|---------------|
| | December 31, | | |
| | June 30, 2025 | 2024 | June 30, 2024 |
| Fellow subsidiaries | \$ 279 | \$ - | \$ 122 |

| Related Party Category | Advance Received (Accounted for as Other Current Liabilities) | | |
|------------------------|--|------|---------------|
| | December 31, | | |
| | June 30, 2025 | 2024 | June 30, 2024 |
| Fellow subsidiaries | \$ 496 | \$ - | \$ - |

i. Remuneration of key management personnel

| | For the Three Months Ended | | For the Six Months Ended | |
|------------------------------|----------------------------|-----------|--------------------------|-----------|
| | June 30 | | June 30 | |
| | 2025 | 2024 | 2025 | 2024 |
| Short-term employee benefits | \$ 13,741 | \$ 14,828 | \$ 34,393 | \$ 29,463 |
| Post-employment benefits | 237 | 244 | 484 | 485 |
| Share-based payments | - | 821 | - | 1,643 |
| | \$ 13,978 | \$ 15,893 | \$ 34,877 | \$ 31,591 |

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

26. 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, 2025 | | | |
|-------------------------|---------------------|------------------|-----------------------|
| | Foreign Currency | Exchange Rate | New Taiwan Dollars |
| <u>Financial assets</u> | | | |
| Monetary items | | | |
| USD | \$ 31,598 | 29.3 (USD:NTD) | \$ 925,821 |
| EUR | 5,519 | 34.35 (EUR:NTD) | 189,578 |
| JPY | 1,435,446 | 0.2034 (JPY:NTD) | 291,970 |

Financial liabilities

| | | | |
|----------------|-------|----------------|---------|
| Monetary items | | | |
| USD | 7,413 | 29.3 (USD:RMB) | 217,201 |

| December 31, 2024 | | | |
|-------------------|---------------------|---------------|-----------------------|
| | Foreign Currency | Exchange Rate | New Taiwan Dollars |

Financial assets

| | | | |
|----------------|-----------|------------------|--------------|
| Monetary items | | | |
| USD | \$ 58,653 | 32.785 (USD:NTD) | \$ 1,922,939 |

Financial liabilities

| | | | |
|----------------|--------|------------------|---------|
| Monetary items | | | |
| USD | 12,875 | 32.785 (USD:NTD) | 422,107 |
| EUR | 4 | 7.4855 (EUR:RMB) | 137 |

| June 30, 2024 | | | |
|---------------|---------------------|---------------|-----------------------|
| | Foreign Currency | Exchange Rate | New Taiwan Dollars |

Financial assets

| | | | |
|----------------|-----------|------------------|------------|
| Monetary items | | | |
| USD | \$ 30,229 | 7.1268 (USD:RMB) | \$ 980,931 |
| NTD | 3,669 | 0.22 (NTD:RMB) | 3,669 |
| EUR | 6 | 7.6232 (EUR:RMB) | 208 |

Financial liabilities

| | | | |
|----------------|--------|------------------|---------|
| Monetary items | | | |
| USD | 13,957 | 7.1268 (USD:RMB) | 452,905 |
| EUR | 31 | 7.6232 (EUR:RMB) | 1,076 |

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

| Foreign Currency | For the Six Months Ended June 30 | | | |
|---------------------|---|---|---|---|
| | 2025 | | 2024 | |
| | Exchange Rate (Foreign Currency: Functional Currency) | Net Foreign Exchange (Losses) Gains | Exchange Rate (Foreign Currency: Functional Currency) | Net Foreign Exchange Gains (Losses) |
| USD | 7.1586 (USD:RMB) | \$ (4,048) | 7.1268 (USD:RMB) | \$ 1,756 |
| USD | 29.3 (USD:NTD) | (82,144) | 32.45 (USD:NTD) | 6,638 |
| USD | 26,118 (USD:VND) | (11,178) | - | - |
| EUR | 34.35 (EUR:NTD) | (12,374) | - | - |
| JPY | 0.2034 (JPY:NTD) | (34,016) | - | - |
| NTD | 0.22 (NTD:RMB) | - | 0.22 (NTD:RMB) | (5,139) |
| | | <u>\$ (143,760)</u> | | <u>\$ 3,255</u> |

27. 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) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 4)
- 5) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 5)
- 6) Intercompany relationships and significant intercompany transactions (Table 6)
- 7) 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.

28. SEGMENT INFORMATION

- a. Segment revenue and results are as follows:

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

- b. Revenue from major products and services

Please refer to Note 18 for the analysis of the Group's revenue from continuing operations from its major products and services.

TABLE 1

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

FINANCING PROVIDED TO OTHERS
FOR THE SIX MONTHS ENDED JUNE 30, 2025
(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 Technolgy (Vietam) Co., Ltd. ARIZON CORPORATION | Other receivables - related parties | Yes | \$ 332,050 | \$ 293,000 | \$ 293,000 | 2.8 | Short-term financing | \$ - | Operating capital | \$ - | None | \$ - | \$ 2,622,373 | \$ 2,622,373 | |
| | | | Other receivables - related parties | Yes | 199,230 | - | - | - | Short-term financing | - | Operating capital | - | None | - | 655,593 | 2,622,373 | |

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.

TABLE 2

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

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE SIX MONTHS ENDED JUNE 30, 2025
(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. | \$ 9,833,899 | \$ 1,430,000 | \$ 1,430,000 | \$ 700,000 | \$ - | 21.81 | \$ 13,111,866 | 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.

TABLE 3

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

MARKETABLE SECURITIES HELD
JUNE 30, 2025
(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, 2025 | | | | Note |
|----------------------------------|--|--|--|---------------------|--|-----------------------------------|--|------|
| | | | | Number of Shares | Carrying Amount | Percentage of Ownership (%) | Fair Value | |
| Arizon RFID Technology Co., Ltd. | <u>Negotiable certificates of deposit</u> Merchants Bank Co., Ltd. RMB Large-denomination Certificate of Deposit for Corporate Clients No. 396 in 2024 | - | Financial assets at amortized cost - non-current | - | \$ 122,789 (RMB 30,000 thousand) | - | \$ 122,789 (RMB 30,000 thousand) | |
| | Merchants Bank Co., Ltd. RMB Large-denomination Certificate of Deposit for Corporate Clients No. 2579 in 2024 | - | " | - | 81,860 (RMB 20,000 thousand) | - | 81,860 (RMB 20,000 thousand) | |
| | Agricultural Bank of China RMB Large-denomination Certificate of Deposit for Corporate Clients No. 046 in 2022 | - | Financial assets at amortized cost - current | - | 245,579 (RMB 60,000 thousand) | - | 245,579 (RMB 60,000 thousand) | |
| | Bank of Communications RMB Large-denomination Certificate of Deposit for Corporate Clients No. 131 in 2022 | - | " | - | 122,789 (RMB 30,000 thousand) | - | 122,789 (RMB 30,000 thousand) | |
| | Merchants Bank Co., Ltd. RMB Large-denomination Certificate of Deposit for Corporate Clients No. 445 in 2025 | - | " | - | 102,324 (RMB 25,000 thousand) | - | 102,324 (RMB 25,000 thousand) | |
| | Merchants Bank Co., Ltd. RMB Large-denomination Certificate of Deposit for Corporate Clients No. 1147 in 2025 | - | " | - | 81,860 (RMB 20,000 thousand) | - | 81,860 (RMB 20,000 thousand) | |
| | Bank of Communications RMB Large-denomination Certificate of Deposit for Corporate Clients in 2024 | - | " | - | 81,860 (RMB 20,000 thousand) | - | 81,860 (RMB 20,000 thousand) | |
| | | | | | | | | |

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

TABLE 4

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, 2025
(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 | \$ (794,737) | 83.00 | As agreed in contract | \$ - | - | \$ 499,271 | 85.00 | Note 2 |
| ARIZON CORPORATION | Arizon RFID Technologies (Hong Kong) Co., Ltd. | b. | Purchase | 794,737 | 100.00 | As agreed in contract | - | - | (499,271) | (100.00) | Note 2 |
| Arizon RFID Technology Co., Ltd. | Arizon RFID Technologies (Hong Kong) Co., Ltd. | a. | Sale | (330,503) | 20.00 | As agreed in contract | - | - | 221,592 | 35.00 | Note 2 |
| Arizon RFID Technologies (Hong Kong) Co., Ltd. | Arizon RFID Technology Co., Ltd. | a. | Purchase | 330,503 | 51.00 | As agreed in contract | - | - | (221,592) | (65.00) | 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.

TABLE 5

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, 2025**

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

| Company Name | Related Party | Relationship | Ending Balance | 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 | \$ 499,271 | 3.09 | \$ - | - | \$ 37,615 | \$ - |
| Arizon RFID Technology Co., Ltd. | Arizon RFID Technologies (Hong Kong) Co., Ltd. | Intercompany | 221,592 | 2.15 | - | - | 54,671 | - |

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

TABLE 6

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

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE SIX MONTHS ENDED JUNE 30, 2025
(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 Technologies (Hong Kong) Co., Ltd. | ARIZON CORPORATION | Fellow subsidiary | Sales | \$ 794,737 | By market price | 38.00 |
| | | | | Accounts receivable | 499,271 | By market price | 6.00 |
| 2 | Arizon RFID Technology Co., Ltd. | Arizon RFID Technologies (Hong Kong) Co., Ltd. | Subsidiary | Sales | 330,503 | By market price | 16.00 |
| | | | | Accounts receivable | 221,592 | By market price | 3.00 |

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

TABLE 7

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

INFORMATION ON INVESTEEES
FOR THE SIX MONTHS ENDED JUNE 30, 2025
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| Investor Company | Investee Company | Location | Main Businesses and Products | Investment Amount | | As of June 30, 2025 | | | Net Income (Loss) of the Investee | Share of Profits (Loss) | Note (Note 2) |
|----------------------------------|--|---|--|--------------------------------------|--------------------------------------|---------------------|--------|-----------------|-----------------------------------|-------------------------|---------------|
| | | | | June 30, 2025 | December 31, 2024 | 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 | \$ 3,738,768 (US\$ 127,603 thousand) | \$ 3,738,768 (US\$ 127,603 thousand) | 29,584,886 | 100.00 | \$ 5,142,901 | \$ 295,376 | \$ 295,376 | Subsidiary |
| | ARIZON CORPORATION | 919 N. Market Street #950, Wilmington, Delaware 19801 | Product distribution and technical consulting services | 300,325 (US\$ 10,250 thousand) | 7,325 (US\$ 250 thousand) | 1,025 | 100.00 | 330,514 | 9,512 | 9,512 | 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 | 4,102,000 (US\$ 14,000 thousand) | 4,102,000 (US\$ 14,000 thousand) | - | 100.00 | 368,069 | (29,091) | (29,091) | 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 | 644,600 (US\$ 22,000 thousand) | 644,600 (US\$ 22,000 thousand) | 22,000,000 | 100.00 | 462,138 | 5,560 | 10,240 | Subsidiary |
| | Arizon JAPAN Co., Ltd. | 11-2-3-chome, Nishishinjuku, Shinjuku-ku, Tokyo, Japan | Product distribution and technical consulting services | 10,170 (JPY 50,000 thousand) | 10,170 (JPY 50,000 thousand) | 1,000 | 100.00 | 9,201 | 1,912 | 1,424 | Subsidiary |

Note 1: Except for investment gain or loss which were translated at exchange rates of RMB1=NT\$4.434855, the rest were translated at exchange rates of US\$1=NT\$29.3, RMB1=NT\$4.092979 or JPY1=NT\$0.2034 as of June 30, 2025.

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.

TABLE 8

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

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE SIX MONTHS ENDED JUNE 30, 2025
(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 (Note 2) | Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2025 (In Thousands of Foreign Currencies) (Note 1) | Remittance of Funds | | Accumulated Outward Remittance for Investment from Taiwan as of June 30, 2025 (In Thousands of Foreign Currencies) (Note 1) | Net Income of the Investee | % Ownership of Direct or Indirect Investment | Investment Gain | Carrying Amount as of June 30, 2025 | Accumulated Repatriation of Investment Income as of June 30, 2025 | Note |
|----------------------------------|--|--|-------------------------------------|---|---------------------|--------|---|-------------------------------|---|---------------------------|---|--|--------|
| | | | | | Outward | Inward | | | | | | | |
| Arizon RFID Technology Co., Ltd. | Design, development, manufacture, sale and packaging of RFID (radio frequency identification) products | \$ 775,225 (RMB 194,290 thousand) | (b) | \$ 743,986 (US\$ 25,392 thousand) | \$ - | \$ - | \$ 743,986 (US\$ 25,392 thousand) | \$ 300,813 | 99.98 | \$ 300,753 (Note 4, b) | \$ 4,788,120 (Note 4, b) | \$ 399,137 | Note 3 |

| Accumulated Investment in Mainland China as of June 30, 2025 | Investment Amounts Authorized by Investment Commission, MOEA | Upper Limit on Investment |
|---|---|---------------------------|
| \$743,986 | \$743,986 | N/A |

Note 1: Except for investment gain or loss which were translated at exchange rates of RMB1=NT\$4.434855, the rest were translated at exchange rates of US\$1=NT\$29.3 or RMB1=NT\$4.092979 as of June 30, 2025.

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

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

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

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

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