



Arizon RFID Technology (Cayman) Co., Ltd.

2022 Annual Report

For more information regarding this annual report, please visit
The Market Observation Post System: <https://mops.twse.com.tw>
Company Website: www.arizontw.com/webbs-zh-tw
Printed on: 2023.04.30

- I. **Name, title, contact number, and email of the Company's spokesperson and deputy spokesperson:**
Spokesperson: CFO Kuan-Yu Lin TEL: (02)2391-6863 E-mail: investor@arizonrfid.com
Deputy spokesperson: GM Bing-Yi Lin TEL: (02)2391-6863 E-mail: investor@arizonrfid.com

II. **Addresses and phone numbers of the headquarters, branch offices, and factories:**

(I) **Arizon RFID Technology (Cayman) Co., Ltd.**

Website: www.arizontw.com/webbs-zh-tw

Address: The Grand Pavilion Commercial Centre, Oleander Way, 802 West Bay Road, P.O. Box 32052, Grand Cayman KY1-1208, Cayman Islands.

Telephone: +886-2-2391-6863

(II) **First- and second-tier subsidiaries:**

1. **YFY RFID CO. LIMITED**

Address: 13/F Amber Commercial Building, 70 Morrison Hill Road, Wanchai, Hong Kong

Telephone: +886-2-2322-4824

2. **Arizon RFID Technology Co., Ltd.**

Address: No. 88 Wuzhou E. Rd., Economic Development Park, Yangzhou, Jiangsu

Telephone: +86-514-8097-2024

3. **Arizon RFID Technology (Hong Kong) Co., Ltd.**

Address: Rm 2702-03, C. C. Wu Building, 302-8 Hennessy Road, Wan Chai, HK

Telephone: +886-2-2322-4824

4. **Arizon Japan Co., Ltd.**

Address: 3-2-11 Nishishinjuku, Shinjuku, Tokyo, Japan

Telephone: +81-3-6258-1736

5. **YEON Technologies (Yangzhou) Co., Ltd.**

Address: No. 88 Wuzhou E. Rd., Economic Development Park, Yangzhou, Jiangsu

Telephone: +86-514-8097-2024

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

Address: 17F, No. 51, Chongqing S. Road Sec. 2, Zhongzheng Dist., Taipei City, Taiwan

Telephone: +886-2-2322-4824

(III) **Factories:**

1. **Yangzhou Site**

Address: No. 88 Wuzhou E. Rd., Economic Development Park, Yangzhou, Jiangsu

Telephone: +86-514-8097-2024

2. **Taipei Site**

Address: No. 10-1, Lane 89, Section 3, Zhongyang Road, Tucheng District, New Taipei City, Taiwan

Telephone: +886-2- 2269-0700

III. **Name, address, website, and telephone number of stock transfer agent:**

SinoPac Securities Corporation – Share Registration Service Department

3F, No. 17, Boai Road, Zhongzheng District, Taipei City, Taiwan

<https://www.sinotrade.com.tw> TEL: (02)2381-6288

IV. **Name, firm name, address, website, and telephone number of the CPA who attested the most recent year's financial statements:**

CPA: Shu-Wan Lin and Chih-Ming Shao, Deloitte & Touche

20F, No. 100, Songren Road, Xinyi Dist., Taipei City, Taiwan

<https://www2.deloitte.com> TEL: (02)2725-9988

V. **Stock exchange(s) on which the stock is traded overseas and ways to obtain relevant information:**

N/A

VI. **Board of Directors name list:**

VII. Board of Directors (Name list):			
Title	Name	Nationality or place of registration	Education and work experience
Chairman	YFY GLOBAL Investment B.V.	Republic of China	Please refer to page 11 of the Annual Report for information on directors and independent directors
	Felix Ho		
Director	YFY Paradigm Investment Co., Ltd.	Republic of China	
	David Lo		
Director	YFY Development Co., Ltd. Representative	Republic of China	
	Hong-Shi Wen		
Director	Bing-Yi Lin	Republic of China	
Independent Director	Brade Lei	Republic of China	
Independent Director	Brian Lee	United Kingdom	
Independent Director	JD Chiou	Republic of China	

VII. **Name, title, contact phone number, and e-mail address of the designated agent within the ROC**

Chairman

Felix Ho

TEL: (02) 2322-4824

E-mail: investor@arizonrfid.com

VIII. **Company Website:** www.arizontw.com/webbs-zh-tw

Table of Contents

2	Chapter 1. Letter to Shareholders
6	Chapter 2. Company Profile
6	I. Establishment Date and Group Profile
6	II. Company History
7	III. Organizational Structure
7	IV. Risk Matters
8	Chapter 3. Corporate Governance Report
9	I. Organizational Chart
11	II. Profiles of Directors, President, VP, APV, and Managers
20	III. Remuneration to Directors, Independent Directors, President, and VP in the Past Year
26	IV. Corporate Governance Practice
66	V. Information on Fees to CPA
66	VI. Information on Change/Replacement of CPA
66	VII. The Chairman, President and Financial or Accounting Managerial Officer of the Company who Has Worked for the CPA Firm or Its Affiliate in the Past Year
66	VIII. Changes in Equity and Share Pledges by Directors, Independent Directors, Managers and Shareholders who Hold More than 10% of Equity in the Past Year
68	IX. Information about Spouses, Kinship within Second Degree, and Relationships between Any of the Top Ten Shareholders
69	X. Numbers of Shares Held in Invested Enterprises by the Company, the Company's Directors, Independent Directors, and Managers, and Enterprises Directly or Indirectly Controlled by the Company and the Consolidated Shareholding Ratio
70	Chapter 4. Fundraising
71	I. The Company's Capital and Shares, Corporate Bonds, Preferred Shares, Global Depositary Receipts, Employee Stock Options, Restricted Shares and Mergers
80	II. Implementation of Capital Allocation Plans
81	Chapter 5. Business Overview
82	I. Business Scope
90	II. Market Outlook
99	III. Employee Information in the Last Two Years and Up to the Print Date of the Annual Report
100	IV. Environmental Protection Expenditure Information
102	V. Employer-Employee Relationship
106	VI. Information Security Management
109	VII. Material Contracts
110	Chapter 6. Financial Overview
111	I. Condensed Balance Sheet and Statements of Comprehensive Income for the Last Five Years
113	II. Financial Analysis for the Last Five Years
116	III. Audit Committee's Review Report
121	IV. Consolidated Financial Statements
127	V. Any Financial Difficulty and the Impact on the Company's Finance in Last Year and Up to the Print Date for the Annual Report
128	Chapter 7. Financial Position, Financial Performance and Risk Analysis
129	I. Financial Comparison Analysis
130	II. Financial Performance Review and Analysis
131	III. Cash Flow Analysis
131	IV. Impact of Significant Capital Expenditures on Financial Operations in the Past Year
132	V. Investment Policy in the Past Year, Profit/Loss Analysis, Improvement Plan, and Investment Plan for the Coming Year
133	VI. Risk Analysis and Assessment in Last Year and Up to the Print Date of this Annual Report
140	VII. Other Important Matters
141	Chapter 8. Special Disclosures
142	I. Information of Affiliates
147	II. Progress of Private Placement of Securities During the Last Year and Up to the Print Date of the Annual Report
147	III. Holding or Disposal of the Company's Shares by Subsidiaries in the Past Year and Up to the Print Date of the Annual Report
147	IV. Other Supplemental Information
147	V. The matters of special note shall include an explanation of any material differences from the rules of the ROC in relation to the protection of shareholder equity
154	VI. Any Incidents with Material Impact on Shareholder Equity or Security Price as Described Under Subparagraph 2, Paragraph 3, Article 36 of the Securities and Exchange Act in the Last Year and Up to the Print Date for the Annual Report
155	Appendix: Notes to Consolidated Financial Statements

Chapter 1 Letter to Shareholders

Dear Shareholders,

As the world entered the post-COVID-19 era in 2022, there was a strong desire for a quick return to normalcy in everyday life and economic activity. However, differing rates of recovery across regions and varying levels of resilience in the global supply chains have led to increased inflationary pressures. The war between Russia and Ukraine, along with other regional tensions, further exacerbated shortages in raw materials, oil, and gas, pushing global prices even higher. Led by the U.S. Federal Reserve, central banks around the world raised interest rates to combat inflation, with a cumulative increase of 4.75% since the beginning of 2022. Fear of global stagflation jumped sharply as these factors led to slow down in the Industrial and financial sectors, as well as tightened consumer spending.

During 2022, our primary manufacturing facilities in Taipei and Yangzhou experienced delays due to large-scale transmission of COVID-19 in Mainland China and Taiwan. Thanks to nearly three years of pandemic preparedness planning and training, our employees quickly returned to work after a brief period of home rest, minimizing the impact on our operations.

Our main challenge in 2022 was the shortage of supply in raw materials and chips, rooted in limited wafer production capacity at foundries that also led to price increases. Thanks to trust built through our long-standing customer relationships and our capable and dedicated team members, we were able to mitigate risks and enhance operational performance. Working with customers to ensure their continued operations, we matched chip availability and designed new products quickly to meet customer needs.

Key 2022 Achievements:

1. ARC Certification

ARC is one of the most important standards in the RFID community. Certified suppliers must meet retailers' design requirements and ensure the reliability of tag date reading and writing. Only 7 companies worldwide have passed this rigorous certification process. Of these 7, Arizon is the only ARC certified company from Asia. This certification is key to developing new business, especially for customers in the U.S. retail and industrial sectors.

2. Continued R&D Investment

Arizon's core competencies lie in technology innovation and product development, notably in tag and antenna design. Our product and customer knowledge enable us to proactively develop future products in anticipation of customer use cases, helping us to stay ahead of the competition. Our growing patent portfolio is also key to our industry leading position.

3. Building a Sustainable Business

Arizon strives for greater transparency in corporate governance and reduction of our environmental impact. Our associates share our vision and work diligently to establish Arizona as a sustainable enterprise in harmony with our environment and community. In preparation for our 2023 IPO, we underwent a series of reviews, augmenting existing processes and implemented additional control in accordance with recommendations of auditors, strengthening the soundness of our internal control and governance.

Financial Performance

Consolidated revenue reached NT\$ 2.10 billion in 2022, an increase of 3.6% from the previous year's 2.03 billion. Net profit of NT\$ 339 million, a 25.2% increase from the previous year's 271 million. The earnings per share of NT\$ 5.18, an increase of 1.11 from 4.07 in the previous year. The board approved a cash dividend of NT\$ 1.98 per share in 2023.

In financial ratios, the gross profit margin was 32.1% and the operating profit margin was 15.3%, net profit rate was 16.1%, compared with 29.3%, 15.0% and 13.3% in the previous year.

Technological Developments

In 2022, we developed special tags for densely stacked items, allowing customers to use RFID tags in various high-density scenarios. We also developed industry leading high-temperature resistant embedded tire tags, flexible and washable skin-friendly clothing tags that can be integrated into apparels, and other specialized products. In turn-key solutions, we continued to expand the functionality of RFID readers, employing next-generation wireless network architectures and partnering with cloud service platforms to enable faster customer deployment and support increasing demand for edge computing.

Outline of the 2023 business plan

1. Policy

(1) Expand production capacity

As global business activities return to normal in the post-epidemic era and labor costs continue rising, it is an irreversible trend to use RFID tags for data collection and management.

Under this growing demand, having sufficient production capacity, stable output, and fast service will be the keys for global brand to become their service providers. We will closely monitor the market and potential customer to maintain the company's core competitiveness.

(2) R&D Investment

R&D capability is our core competitiveness. The R&D achievements not only apply for patent protection based on the antenna design, but also invest in new application scenarios, material choose, and production improvement.

Insisting on the investment of R&D enables the company's products for different customers, reduces production costs and increases profit margins, to benefit the next stage. More importantly, in the highly-growing IoT industry, some advancing products and field through the R&D team will always be ahead of customers' expectations.

(3) ESG Focus

1. Actively conserve energy, water, and resources in our operations, reducing waste and the use of fossil fuels.
2. Adopt and invest in the use of eco-friendly materials, setting targets for plastic reduction.
3. Collaborate with suppliers to improve labor rights, safety and hygiene, and environmental protection, reducing operational risks and taking care of our employees' and the larger community's well-being.

2. Expected sales and production, and policies

The expected sales in 2023 is based on the global RFID growth over the years and the future growth. The RFID tags will grow due to the major markets and customers expect sales growth in 2023. In addition, benefit from ARC certification, other customers are expected accelerated adoption.

Corporate Developments

Key Strategic Focus

1. Continue investing in research and development to provide products and services that cater to different usage scenarios, becoming the best partner for our customers' digital transformation journey.
2. The global labor shortage will have a significant impact on our operations. Arizon will increase our investment in automation to reduce the intensity of manual operations, improve product quality, and increase production efficiency.
3. The global labor shortage affects all businesses around the world. Addressing labor shortage will require companies to invest in automation and digitalization. Arizon sees this as a significant opportunity for our future growth.
4. Arizon's vision is to help clients achieve smart manufacturing, intelligent quality inspection, and

smart sales analysis. We are investing in software and system development to enable customers to collect information from various endpoints and convert these data streams into useful analytical understanding.

Outlook

For 2023, International Monetary Fund (IMF) forecasts global economic growth of 2.8%, 0.6% less than the previous year. This is primarily attributed to the effects of inflation and interest rate hikes. However, IMF expects emerging Asian markets to grow 5.3%, an increase of 0.9% from the previous year. Arizon's management team will continue to focus on our core competencies to ensure continued growth.

With demonstrated record of innovations, our team has built Arizon as a industry leader over 15 years. On March 21, 2023, Arizon shares started trading on the Taiwan Stock Exchange. Being a publicly listed company provides us with a more comprehensive platform for our sustainable operation and development, talent acquisition, and business expansion.

The global environment in 2023 presents both opportunities and challenges. We will work hard to realize continue our belief of a future where everything become interconnected. Addressing our customers' information access needs at all nodes, we aspire to give end users a more convenient and user-friendly experiences in this connected future. As we accelerate our continued growth, we will strive to fulfill our social responsibilities, improve ESG, be sustainable, and generate reasonable long-term investment value for all shareholders.

We wish all our shareholders good health, safety, and prosperity in your businesses and endeavors.

Sincerely yours,



Felix Ho

Chairman

Arizon RFID Technology (Cayman) Co., Ltd.



Chapter 2 Company Profile

I. Establishment Date and Group Profile

Arizon RFID Technology (Cayman) Co., Ltd. (hereinafter referred to as the Group or Arizon-KY) was established in the British Cayman Islands on October 21, 2021, and the direct or indirect investment business includes YFY RFID Co., LIMITED, Arizon RFID Technology Co., Ltd., Arizon JAPAN Co., Ltd., Yeon Technologies (Yangzhou) Co., Ltd. and Arizon RFID Technology (Hong Kong) Co., Ltd. are mainly engaged in various hardware products, software system development and label design of RFID intelligent identification system, and provides peripheral system integration services.

II. Company History:

2007

1. Changxin Technology (Yangzhou) Co., Ltd. was renamed to Arizon RFID Technology (Yangzhou) Co., Ltd., and is the largest RFID Inlay manufacturer in China and Taiwan. It engages in the design, development, manufacture, sales and post-sales, services of soft and hardware for RFID.
2. YEON Technologies (Yangzhou) Co., Ltd. was established and mainly engages in the design, distribution, development of materials and components, RFID system integration, installment, training, consulting service, and sales of RFID and reception antennas.

2010



The Company established YFY RFID Co., Ltd. through investment by YFY Global Investment BVI Corp., a subsidiary of YFY Inc., and invested in Arizon RFID Technology (Yangzhou) Co., Ltd. Through YFY FRID Co., Ltd.

2012



Accumulated sales have exceeded 1 billion Inlays.

2015



Arizon RFID (Yangzhou) Technology Co., Ltd. Completed the construction of the first factory

Arizon RFID (Yangzhou) Technology Co., Ltd. obtained the High-Tech Enterprise Certificate

2016

Accumulated sales have exceeded 5 billion Inlays.

2017

1. The Company established Arizon RFID Technology (Hong Kong) Co., Ltd., which engages in the R&D, design, manufacture, and sales of RFID tags.
2. Arizon RFID Technology (Yangzhou) Co., Ltd. obtained the High-New Technology Enterprise Certification.

2019

1. The Company established the Arizon Japan Co., Ltd., which engages in the sales and post-sales services of RFID tags.
2. Arizon RFID Technology (Yangzhou) Co., Ltd. was renamed to Arizon RFID Technology Co., Ltd.
3. Accumulated sales have exceeded 10 billion Inlays.

2020

1. Arizon RFID Technology Co., Ltd. Obtained the IATF 16949:2016 for automotive quality management system, and its products officially entered the automotive market.
2. Arizon RFID Technology (Hong Kong) Co., Ltd. Taiwan Branch completed its first factory (in Tucheng, Taipei, Taiwan), aiming at a production volume of 1 billion units per year.



2021

1. Arizon RFID Technology Co., Ltd. Completed the construction of the second factory, and increased its production volume to ten billion units per year after the expansion.
2. YFY RFID Co., Ltd. increased its capital through issuance of 3,985 thousand new shares, and acquired 13.47% of shareholding in Arizon RFID Technology Co., Ltd. through stock swap.

2022

1. The Company obtained 100% shareholding in YFY RFID Co., Ltd. by issuing 64,999,999 new shares to the original shareholders of YFY RFID Co., Ltd.

2. Arizon RFID Technology Co., Ltd. obtained the ARC Quality Certification, and was the first in Asia to receive such an honor.

2023



Arizon RFID Technology (Cayman) Co., Ltd. was listed on Taiwan Stock Exchange Corporation (TWSE) on March 21, 2023.

III. Organizational Structure

Please refer to Chapter 8 "Special Matters" of this annual report for details.

IV. Risk Matters

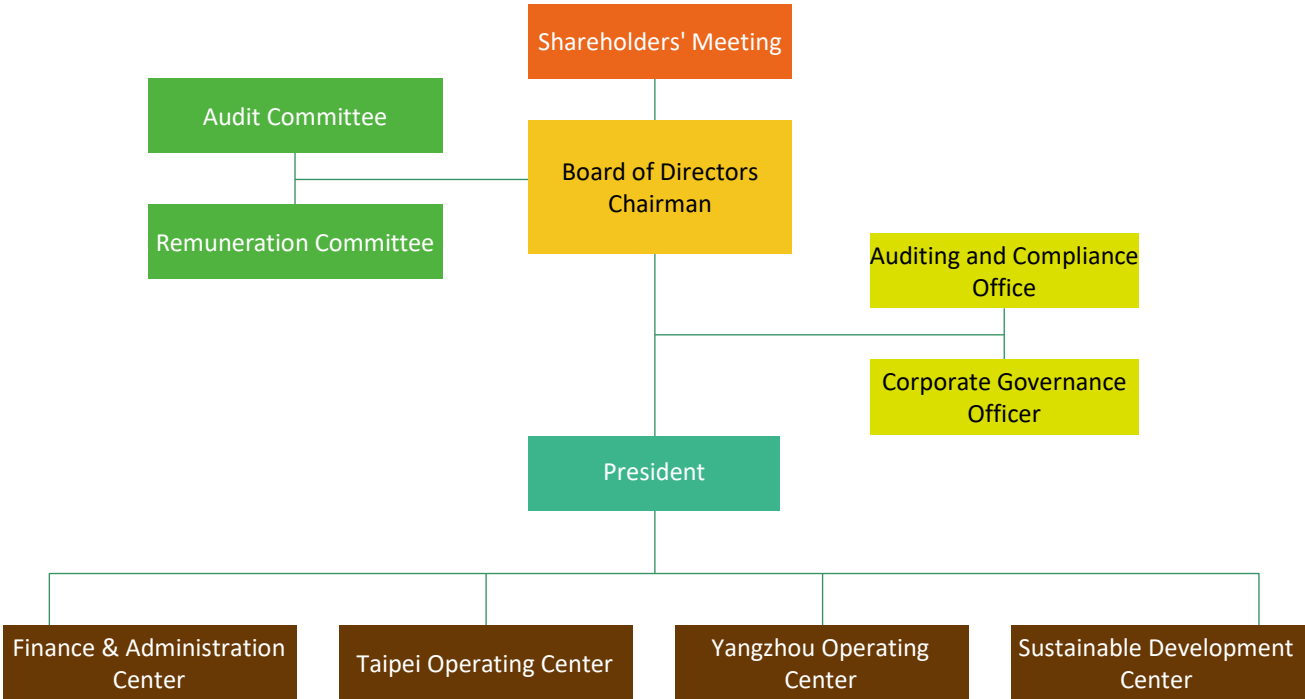
Please refer to Chapter 7, "Financial Position, Financial Performance and Risk Analysis," of the annual report for details on the macro economy, political and economic changes, foreign exchange control, taxes, applicable laws and whether the validity of a final civil judgment issued by the R.O.C. court may be recognized in the jurisdiction where the foreign issuer was incorporated and the countries where the issuer has its main operation activities, and other risks matters.

Chapter 3. Corporate Governance Report

I.	Organizational Chart	09
II.	Profiles of Directors, President, VP, APV, and Managers	11
III.	Remuneration to Directors, Independent Directors, President, and VP in the Past Year	20
IV.	Corporate Governance Practice	26
V.	Information on Fees to CPA	66
VI.	Information on Change/Replacement of CPA	66
VII.	The Chairman, President and Financial or Accounting Managerial Officer of the Company who Has Worked for the CPA Firm or Its Affiliate in the Past Year	66
VIII.	Changes in Equity and Share Pledges by Directors, Independent Directors, Managers and Shareholders who Hold More than 10% of Equity in the Past Year	66
IX.	Information about Spouses, Kinship within Second Degree, and Relationships between Any of the Top Ten Shareholders	68
X.	Numbers of Shares Held in Invested Enterprises by the Company, the Company's Directors, Independent Directors, and Managers, and Enterprises Directly or Indirectly Controlled by the Company and the Consolidated Shareholding Ratio	69

Chapter 3 Corporate Governance Report

I. **Organizational Chart**
Date: Up to the print date of this annual report



Operating segments	Duties and Responsibilities
Board of Directors	Resolve proposals at shareholders' meetings, and determine the Company's business and investment plans within the scope authorized by the shareholders.
Audit Committee	Supervise the operation, finance, and fair presentation of financial statements, effectiveness of internal control, the Company's compliance with relevant laws and regulations, and the control of existing or potential risks.
Remuneration Committee	Devise and regularly review the policies, rules, standards, and structures of performance evaluation and remuneration for the directors and managerial officers. Regularly assess and establish remuneration for the directors and managerial officers.
Auditing and Compliance Office	Evaluate the internal control and management and evaluate all plans or policies of the Company. Prepare audit reports and self-evaluation reports and conduct follow-ups on internal control deficits and improvements for anomalies
Corporate Governance Officer	Assist the board meetings' and shareholders' meetings' compliance with rules governing meeting procedures, resolve matters regarding legal compliance, and amend rules and regulations in accordance with the requirements of the competent authorities. Assist Directors, Independent Directors with the execution of their duties, and furnish information required for continuing training for Directors. Safeguard shareholders' equity in accordance with the Company's Articles of Incorporation and other matters, and enhance the Board's functionality.
President	Carry out strategic planning, business execution, and project promotion. Plan the Company's operation goals by coordinating the Company's resources, monitor the execution of operation goals, and carry out performance evaluation of all units.
Sustainable Development Center	Evaluate and carry out matters related to the commitment to environmental protection, fulfillment of social responsibility, and optimization of corporate governance so as to implement corporate sustainable operations and be in line with international development trends.
Yangzhou Operating Center	Organize matters related to the operation, production, sales, administration, human resources, and development of information system of the Yangzhou Factory. Responsible for sales plans, price policy, orders, and customer maintenance. Responsible for human resources planning, policy establishment, business execution, and factory administrative affairs.
Taipei Operating Center	Organize matters related to the operation, production, sales, administration, human resources, and development of information system of the Taipei Factory. Responsible for sales plans, price policy, orders, and customer maintenance. Responsible for human resources planning, policy establishment, business execution, and factory administrative affairs.
Finance & Administration Center	Coordinate matters related to capital utilization, accounting, taxes to ensure the timeliness and correctness of accounts and financial statements, and analyze, avoid and mitigate tax risks. Responsible for investment evaluation, capital planning, share affairs, and the management and supervision of investor information.

II. Profiles of Directors, Independent Directors, President, VP, AVP, and Managers

(I) Profiles of Directors and Independent Directors

April 30, 2023

Title	Nationality or place of registration	Name	Gender/ Age			Date elected	Term (Year)	First elected	Shares held when elected		Shares currently held		Current shares held by spouse and underage children		Shares held in names of third parties		Education and work experience	Positions concurrently held at the Company or other companies	Spouse or relatives within second degree of kinship who also act as directors, supervisors, or other department heads			Notes
			40-50	51-60	>60				Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage			Title	Name	Relation	
Chairman	Republic of China	YFY GLOBAL Investment B.V. Representative: Felix Ho	Male			2022/07/11	3	2022/07/11	56,244,935	86.53	45,694,935	61.48	0	0	0	0	MBA, MIT Sloan School of Management	(Note 2)	None	None	None	
			✓						0	0.00	*432,000	0.58										
Director	Republic of China	YFY Paradigm Investment Co., Ltd. Representative: David Lo	Male			2022/07/11	3	2022/07/11	0	0.00	100,000	0.14	0	0	0	0	MBA, Johnson School of Management, Cornell University	(Note 3)	None	None	None	
				✓					0	0.00	0	0.00										

Title	Nationality or place of registration	Name	Gender/ Age			Date elected	Term (Year)	First elected	Shares held when elected		Shares currently held		Current shares held by spouse and underage children		Shares held in names of third parties		Education and work experience	Positions concurrently held at the Company or other companies	Spouse or relatives within second degree of kinship who also act as directors, supervisors, or other department heads			Notes
			40-50	51-60	>60				Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage			Title	Name	Relation	
Director	Republic of China	YFY Development Co., Ltd. Representative: Hong-Shi Wen	Male			2022/07/11	3	2022/07/11	0	0.00	100,000	0.14	0	0	0	0	Master's Degree, Department of Mechanical Engineering, National Central University AUX Corporation, Deputy Chief of Plant Innolux Corporation, Chief of Department	Arizon RFID Technology Co., Ltd. Director and CEO YEON Technologies (Yangzhou) Co., Ltd. Director and President Arizon RFID Technology (Hong Kong) Co., Ltd., Director	None	None	None	
				✓					0	0.00	*270,000	0.36										
Director	Republic of China	Bing-Yi Lin	Male			2022/07/11	3	2022/07/11	650,130	1.00	1,070,130	1.44	0	0	2,910,676 (Note 1)	3.92	Master's Degree, Information Management, University of Washington China Development Industrial Bank, Manager of Direct Investment Department	(Note 4)	None	None	None	
Independent Director	Republic of China	Brade Lei	Male			2022/07/11	3	2022/07/11	0	0.00	0	0.00	0	0	0	0	Deloitte and Touche Taiwan, Vice President	C&S Certified Public Accountant Firm, Certified Public Accountant Hung Ting Lighting Co., Ltd., Chairman Xiaojin Innovation Capital Co., Ltd., Chairman	None	None	None	
			✓																			

Title	Nationality or place of registration	Name	Gender/ Age			Date elected	Term (Year)	First elected	Shares held when elected		Shares currently held		Current shares held by spouse and underage children		Shares held in names of third parties		Education and work experience	Positions concurrently held at the Company or other companies	Spouse or relatives within second degree of kinship who also act as directors, supervisors, or other department heads			Notes
			40-50	51-60	>60				Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage			Title	Name	Relation	
Independent Director	United Kingdom	Brian Lee	Male			2022/07/11	3	2022/07/11	0	0.00	0	0.00	0	0	0	0	HITOTSUBASHI UNIVERSITY MBA Global Brands Group, Chief Restructuring Officer	(Note 5)	None	None	None	
			✓																			
Independent Director	Republic of China	JD Chiou	Male			2022/9/14	3	2022/9/14	0	0.00	0	0.00	0	0	0	0	Ph.D. Massachusetts Institute of Technology Ministry of Economic Affairs, Expert of Artificial Intelligence Development Strategy Smart Customer Service Industry Ministry of Economic Affairs, Open Data Consultation Team Committee FinTech Research Center, College of Commerce, National Chengchi University, Industrial Advisor Microsoft AI Developer Advisory Board, USA	Intumit, Inc., Vice Chairman Idrasys Co., Ltd., Director Miraxia Edge Technology Co., Ltd., Director	None	None	None	

* personal holdings

Note 1.

Number of shares in the Company held through Yunsheng Co., Ltd.

Note 2.

Felix Ho holds concurrently positions as Director of Jupiter Prestige Group Holding Limited, Chairman of YFY Jupiter (BVI) Inc., Director of YFY Biopulp Technology Ltd., Director of YFY RFID Co. Limited, Chairman of Yuen Foong Yu Consumer Products Co., Ltd., Chairman of YFY Investment Co., Ltd., Chairman of YFY Consumer Products (Yangzhou) Co., Ltd., Chairman of YFY Family Care (Kunshan) Co., Ltd., Chairman of Ever Growing Agriculture Bio-tech Co., Ltd., Chairman of Yuen Foong Shop Co., Ltd., Director of YFY Consumer Products, Co., Director of LiVEBRiCKs Inc., Director of Yuen Foong Yu Consumer Products Investment Ltd., Director of E Ink Holdings Inc., Director of eCrowd Media, Inc., Chairman of Arizon RFID Technology Co., Ltd., Director of Arizon Japan Co., Ltd., Director of YFY Japan Co., Ltd., Director of Shin-Yi Enterprise Co., Ltd., Director of Yuen Foong Paper Co., Ltd., Chairman of Yuen Foong Co., Director of Fu Hwa Enterprise Co., Ltd., Director of Cheng Yu Co., Ltd., Director of Aidatek Electronics, Inc., Independent Director of Universal Cement Corporation, Supervisor of The Eisenhower Fellows Associations in the Republic of China, Chairman of Epoch Foundation, Director of Monte Jade Taiwan Science & Tech Association, and Executive of Association of Corporate Patent.

Note 3.

David Lo holds concurrently positions as Chairman of YFY Inc., Director of YFY Packaging Inc., Director of Yuen Foong Yu Consumer Products Co., Ltd., Director of Yuen Foong Yu Consumer Products Investment Co., Ltd., Chairman of YFY Holding Management Co., Ltd., Chairman of YFY Paradigm Investment Co., Ltd., Chairman of YFY Development Co., Ltd., Director of Fidelis IT Solutions Co., Ltd., Director of Taiwan Stock Exchange Corporation, Director of YFY International B.V., Director of YFY Global Investment B.V., Director of YFY Mauritius Corporation, and Supervisor of Ensilience Co., Ltd.

Note 4.

Bing-Yi Lin holds concurrently positions as Director of RAIN RFID Alliance, Director of YFY Jupiter (BVI) Inc., Chairman of YEON Technologies Co., Ltd., Director and President of Arizon RFID Technology Co., Ltd., Director of YEON Technologies (Yangzhou) Co., Ltd., Director of Arizon RFID Technology (Hong Kong) Co., Ltd., Director, Director of Arizon Japan Co., Ltd., Director of Opal BPM Limited, Director of Opal BPM Consulting Limited, Director of Yunsheng Co., Ltd., Director and President of Yangzhou Dicheng Trading Co., Ltd., and Director of Dicheng Co., Ltd.

Note 5.

Brian Lee holds concurrently positions as Director of Pacific Licensing Studio Pte. Ltd., President of Charactopia Licensing Limited, Director of Branded Lifestyle Holdings Limited, President of KT Licensing Limited, and Independent Director of Dr. Wu Skincare Co., Ltd.

1. Major Direct and Indirect Institutional Shareholders

(1) Major Direct Institutional Shareholders

December 31, 2022

Name of Institutional Shareholder	Major Direct Institutional Shareholders
YFY GLOBAL Investment B.V.	YFY Inc. (100%)
YFY Paradigm Investment Co., Ltd.	YFY Inc. (100%)
YFY Development Co., Ltd.	YFY Inc. (100%)

(2) Major Shareholders is an is an Institutional Shareholder

December 31, 2022

Name of Institutional Shareholder	Major Institutional Shareholders
YFY Inc.	Shou-Chuan Ho (9.77%), Hsin-Yi Foundation (5.66%), Shinn-Yii Industries Co., Ltd. (4.69%), Hsinex International Co., Ltd. (3.62%), Cheng-Ting Ho (2.80%), YFY Inc. Labor Welfare and Retirement Committee (2.79%), Ruyi Industrial Co., Ltd. (2.68%), Mei-Yu Ho (2.65%), NEW TALENT LIMITED (2.16%), Felix Ho

2. Board of Directors Information

(1) Directors' Professional Qualifications and Independent Directors' Information Disclosure

Name	Education and work experience	Independence situation	Number of independent directors concurrently serving as other public offering companies
Chairman YFY GLOBAL Investment B.V. Representative: Felix Ho	YFY Inc., CEO, President, YFY Consumer Products Co. Ltd.; Executive Deputy, YFY MFG Co., Ltd.; General Manager, Strategy Integration Center; Assistant Manager, YFY MFG Co., Ltd.	Not applicable	1
Institutional Director YFY Paradigm Investment Co., Ltd.	President, UBS Bank Taipei Branch; Executive Deputy, Taiwan Shin Kong Commercial Bank Co., Ltd.;	Not applicable	0

Representative: David Lo	Director of Capital Operation Division, Chang Hwa Bank		
Institutional Director YFY Development Co., Ltd. Representative: Hong-Shi Wen	Factory Sub-Chief, AUO Corporation; Director, Innolux Corporation	Not applicable	0
Director Bing-Yi Lin	Manager, CDIB Capital Group Direct Investment Department	Not applicable	0
Independent Director Brade Lei	Associate Director, Deloitte Taiwan; Certified Public Accountant, C&S Certified Public Accountant Firm; Chairman, Hung Ting Lighting Co., Ltd., Chairman, Xiaojin Innovation Capital Co., Ltd.	1. The two years before the election and the term of office meet the independence requirements of Article 3 of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies". 2. The independent directors have signed the declaration of independence when they are elected.	0
Independent Director Brian Lee	Director, Pacific Licensing Studio PTE LTD; President, Charactopia Licensing Limited; Director, Branded Lifestyle Holdings Ltd.; President, KT Licensing Limited; Independent Director, Dr. Wu Skincare Co., Ltd.	1. The two years before the election and the term of office meet the independence requirements of Article 3 of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies". 2. The independent directors have signed the declaration of independence when they are elected.	1
Independent Director JD Chiou	Vice Chairman, Intumit, Inc.; Director, Idrasys Co., Ltd.; Director, Miraxia Edge Technology Co., Ltd.	1. The two years before the election and the term of office meet the independence requirements of Article 3 of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies". 2. The independent directors have signed the declaration of independence when they are elected.	0

Note 1: For the educational experiences of the directors of the company, please refer to Item 2 (1) of the "Corporate Governance Report" of this annual report - information on directors and independent director's affair.

Note 2: The independent directors of the company have met the independence requirements of Article 3 of the " Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" during the two years before the election and during their tenure, and all independent directors have signed their Declaration of Independence.

(2) Board of Directors diversity and independence

A. Board of Directors diversity:

In order to strengthen corporate governance and promote the composition and structure of the Board of

Directors, the company respects and advocates the goal of directors' diversification, and hopes that the diversity policy will help improve the company's overall operating performance. The selection and appointment of members of the Board is based on the principle of meritocracy, and pays attention to gender equality and the knowledge, skills and accomplishments required to perform their duties.

The company currently has seven directors on the Board of Directors, three of which are independent directors. The diversity policy and implementation are as follows:

Diversification items Name		Gender	Operational Judgment	Accounting and Financial Analysis	Operation Management	Crisis Management	Industry Knowledge	International Market View	Leadership	Decision-making capacity
Chairman	Felix Ho	Male	V	V	V	V	V	V	V	V
Director	David Lo	Male	V	V	V	V	V	V	V	V
Director	Hong-Shi Wen	Male	V	V	V	V	V	V	V	V
Director	Bing-Yi Lin	Male	V	V	V	V	V	V	V	V
Independent Director	Brade Lei	Male	V	V	V	V	V	V	V	V
Independent Director	Brian Lee	Male	V	V	V	V	V	V	V	V
Independent Director	JD Chiou	Male	V	V	V	V	V	V	V	V

The company's current directors have management or operating experience in various fields and industries. In the future, the diversification policy will be revised in a timely manner according to the operation form and development needs of the Board to ensure that the members of the Board generally have the knowledge and skills required to perform their duties and literacy.

B. Board of Directors independence:

The nomination and selection of members of the Board follows the provisions of the company's articles of association and adopts a candidate nomination system. In addition to evaluating the qualifications of each candidate's academic experience, the company also refers to the Stakeholder theory and complies with the "Procedures for Election of Directors" and "Corporate Governance Best Practice Principles" to ensure the diversity and independence of directors.

The second Board of Directors of the company consists of 7 directors, including 3 independent directors, accounting for 43% of all directors. None of the directors of the company has a spouse or relative within the second degree of kinship as stipulated in Item 3, Article 26-3 of the Securities and Exchange Act. None of the independent directors of the company, their spouses, or relatives within the second degree of kinship serve as directors, supervisors or employees of the company, affiliated companies, or companies that have a specific relationship with the company, and do not hold company shares; in the past two years, none of them have provided business, legal, financial, accounting and other services to the company or related companies.

(II) Profiles of President, Executive VP, VPs, and Management

April 30, 2023; Unit: shares; %

Title	Name	Gender	Nationality	Date taking office	Shares held		Shares held by spouse and underage children		Shares held in names of third parties		Education and work experience	Positions held at other companies	Manager who is a spouse or relative within second degree of kinship			Exercise of employee stock option plan by managerial officers	Remarks (Note 4)
					Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage			Title	Name	Relation		
President	Bing-Yi Lin	Male	Republic of China	2022/7/12	1,070,130	1.44	-	-	2,910,676 (Note 1)	3.92	Master, Information Management, University of Washington China Development Industrial Bank, Manager of Direct Investment Department	(Note 2)	-	-	-	-	-
Chief of Sustainability Officer	Felix Ho	Male	Republic of China	2022/7/12	432,000	0.58	-	-	-	-	MBA, MIT Sloan School of Management YFY Inc., CEO, YFY Consumer Products Co., Ltd., President Consumer Products Division, YFY MFG Co., Ltd., Executive Deputy General Manager Strategy Integration Center, YFY MFG Co., Ltd., Assistant Manager	(Note 3)	-	-	-	-	-
CEO of Subsidiaries	Hong-Shi Wen	Male	Republic of China	2022/7/12	270,000	0.36	-	-	-	-	Master, Department of Mechanical Engineering, National Central University	YEON Technologies (Yangzhou) Co., Ltd. Director and President Arizon RFID Technology (Hong	-	-	-	-	-

Title	Name	Gender	Nationality	Date taking office	Shares held		Shares held by spouse and underage children		Shares held in names of third parties		Education and work experience	Positions held at other companies	Manager who is a spouse or relative within second degree of kinship			Exercise of employee stock option plan by managerial officers	Remarks (Note 4)
					Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage			Title	Name	Relation		
											AUO Corporation, Deputy Chief of Plant Innolux Corporation, Chief of Department	Kong) Co., Ltd., Director					
GM of Taiwan Branch	Kuo-Feng Kao	Male	Republic of China	2022/7/12	114,000	0.15			-	-	Master, Information Management, Shu-Te University	-	-	-	-	-	-
CFO	Kuan-Yu Lin	Male	Republic of China	2022/7/12	110,000	0.15	-	-	-	-	Master, Department of Finance, National Taiwan University China Asset Management (Hong Kong) Limited, Sales Manager Welltend Group, Senior Vice President	SunFun Info Co., Ltd., Independent Director	-	-	-	-	-

Note 1: Number of shares in the Company held through Yunsheng Co., Ltd.

Note 2: Bing-Yi Lin holds concurrently positions as Director of RAIN RFID Alliance, Director of YFY Jupiter (BVI) Inc., Chairman of YEON Technologies Co., Ltd., Director and President of Arizon RFID Technology Co., Ltd., Director of YEON Technologies (Yangzhou) Co., Ltd., Director of Arizon RFID Technology (Hong Kong) Co., Ltd., Director, Director of Arizon Japan Co., Ltd., Director of Opal BPM Limited, Director of Opal BPM Consulting Limited, Director of Yunsheng Co., Ltd., Director and President of Yangzhou Dicheng Trading Co., Ltd., and Director of Dicheng Co., Ltd.

Note 3: Felix Ho holds concurrently positions as Director of Jupiter Prestige Group Holding Limited 、Chairman of YFY Jupiter (BVI) Inc., Director of YFY Biopulp Technology Ltd., Director of YFY RFID Co. Limited, Chairman of Yuen Foong Yu Consumer Products Co., Ltd., Chairman of YFY Investment Co., Ltd., Chairman of YFY Consumer Products (Yangzhou) Co., Ltd., Chairman of YFY Family Care (Kunshan) Co., Ltd., Chairman of Ever Growing Agriculture Bio-tech Co., Ltd., Chairman of Yuen Foong Shop Co., Ltd., Director of YFY Consumer Products, Co., Director of LIVEBRICKS Inc., Director of Yuen Foong Yu Consumer Products Investment Ltd., Director of E Ink Holdings Inc., Director of eCrowd Media, Inc., Chairman of Arizon RFID Technology Co., Ltd. 、Director of Arizon Japan Co., Ltd., Director of YFY Japan Co., Ltd., Director of Shin-Yi Enterprise Co., Ltd., Director of Yuen Foong Paper Co., Ltd., Chairman of Yuen Foong Co., Director of Fu Hwa Enterprise Co., Ltd., Director of Cheng Yu Co., Ltd., Director of Aidatek Electronics, Inc., Independent Director of Universal Cement Corporation, Supervisor of The Eisenhower Fellows Associations in the Republic of China, Chairman of Epoch Foundation, Director of Monte Jade Taiwan Science & Tech Association, and Executive of Association of Corporate Patent..

Note 4: Where the chairperson and president or equivalent position (highest level managerial officer) is the same person, the spouse, or a first-degree relative, the reason, reasonableness, necessity, and response measures (such as increasing the number of director seats and more than half of all directors not concurrent serving as employees or the president) must be disclosed: None.

III. Remuneration to Directors, Independent Directors, President, and Executive VP in the Past Year

(I) Remuneration to Directors and Independent Directors

December 31, 2022 Unit: NT\$ thousand

December 31, 2022																							Unit: NT\$ thousand	
Title	Name	Director remuneration								Ratio of total compensation (A+B+C+D) to after-tax income (%)	Concurrent employee remuneration								Ratio of total compensation (A+B+C+D+E+ F+G) to after-tax income (%)		Compensation from investee companies other than subsidiaries or the parent company			
		Remuneration (A)		Severance pay and pension (B)		Director's remuneration (C)		Performance compensation (D)			Salaries, incentives and allowances (E) (Note 1)		Severance pay and pension (F)		Employee's remuneration (G)									
		Arizon	All companies in the financial statements	Arizon	All companies in the financial statements	Arizon	All companies in the financial statements	Arizon	All companies in the financial statements		Arizon	All companies in the financial statements	Arizon	All companies in the financial statements	Arizon	All companies in the financial statements	Arizon		All companies in the financial statements			Arizon	All companies in the financial statements	
										Amount in cash							Amount in stocks	Amount in cash	Amount in stocks					
Chairman	YFY Global Investment BV Representative: Felix Ho	0	0	0	0	1,742	1,742	0	0	1,742 0.51%	1,742 0.51%	5,562	28,067	0	18	0	0	0	0	2,304 2.16%	29,827 8.81%	None		
Director	Bing-Yi Lin																							
Director	YFY Paradigm Investment Co., Ltd. Representative: David Lo																							
Director	YFY Development Co., Ltd. Representative: Hong-Shi Wen																							
Independent Director	Brade Lei	0	0	0	0	1,333	1,333	90	90	1,423 0.42%	1,423 0.42%	0	0	0	0	0	0	0	0	1,423 0.42%	1,423 0.42%	None		
Independent Director	Brian Lee																							
Independent Director	Scott Sung (Note 2)																							
Independent Director	JD Chiou																							

1. The remuneration for the Company's Independent Directors is determined based on the education, experience, and social status of the Independent Director, salary market surveys, and prevailing standards in the industry. As a principle, the Company provides remuneration that meets general standards in the industry and decides the remuneration based on the Company's business results and the contributions of Independent Directors in their duties. The remuneration is reviewed by the Remuneration Committee and reported to the Board of Directors for approval. The Company shall continue to review the remuneration policy for Independent Directors based on the business status and regulations to ensure the reasonableness of remuneration and the Company's sustainability.
2. The tenure of Mr. Sung is 2023/7/11~2023/9/13
3. Except as disclosed above, remuneration received by directors in the last year for on-balance sheet services (e.g., acting as non-employee consultant) rendered to the Company: N/A

Note 1: It includes the subscription of shares in the capital cash increase based on salary expenses listed under IFRS 2 "Share-Based Payment".

Range of remuneration to all directors	Name			
	Total amount for the 4 preceding remunerations (A+B+C+D)		Total amount for the 7 preceding remunerations (A+B+C+D+E+F+G)	
	Arizon	All companies in the financial statements	Arizon	All companies in the financial statements
Less than NT\$1,000,000	Felix Ho, Bing-Yi Lin, David Lo, Hong-Shi Wen, Brade Lei, Brian Lee, Scott Sung, JD Chiou	Felix Ho, Bing-Yi Lin, David Lo, Hong-Shi Wen, Brade Lei, Brian Lee, Scott Sung, JD Chiou	David Lo, Hong-Shi Wen, Brade Lei, Brian Lee, Scott Sung, JD Chiou	David Lo, Brade Lei, Brian Lee, Scott Sung, JD Chiou
NT\$1,000,000 (incl.) ~ NT\$2,000,000				
NT\$2,000,000 (incl.) ~ NT\$3,500,000			Bing-Yi Lin	
NT\$3,500,000 (incl.) ~ NT\$5,000,000			Felix Ho	Felix Ho
NT\$5,000,000 (incl.) ~ NT\$10,000,000				
NT\$10,000,000 (incl.) ~ NT\$15,000,000				Bing-Yi Lin, Hong-Shi Wen
NT\$15,000,000 (incl.) ~ NT\$30,000,000				
NT\$30,000,000 (incl.) ~ NT\$50,000,000				
NT\$50,000,000 (incl.) ~ NT\$100,000,000				
More than NT\$100,000,000				
Total	8	8	8	8

(II) Remuneration to supervisors

The Company has set up an Audit Committee which replaced the functions of the supervisors. Thus, not applicable.

(III) Remuneration to the President and VP

Unit: NT\$ thousand

Title	Name	Salary (A)		Severance pay and pension (B)		Bonuses and allowances (C) (Note 1)		Employee's remuneration (D) (Note 2)				Ratio of total compensation (A+B+C+D) to after-tax income (%)		Compensation from reinvestment business outside the subsidiary or parent company
		Arizon	All companies in the financial statements	Arizon	All companies in the financial statements	Arizon	All companies in the financial statements	Arizon		All companies in the financial statements		Arizon	All companies in the financial statements	
								Amount in cash	Amount in stocks	Amount in cash	Amount in stocks			
President	Bing-Yi Lin	6,767	18,967	0	149	436	14,631	0	0	0	0	7,203 2.13%	33,747 9.96%	None
CEO of Subsidiaries	Hong-Shi Wen													
GM of Subsidiaries	Kuo-Feng Kao													
Chief of Sustainability Officer	Felix Ho													
CFO	Kuan-Yu Lin													

Note 1: It includes the subscription of shares in the capital cash increase based on salary expenses listed under IFRS 2 "Share-Based Payment".

Range of Remuneration

Range of remuneration to president and executive VP	Name of president and executive VP	
	Arizon	All companies in the financial statements
Less than NT\$1,000,000	Kuo-Feng Kao, Hong-Shi Wen	
NT\$1,000,000 (incl.) ~ NT\$2,000,000	Kuan-Yu Lin	
NT\$2,000,000 (incl.) ~ NT\$3,500,000	Bing-Yi Lin, Felix Ho	Kuo-Feng Kao, Felix Ho, Kuan-Yu Lin
NT\$3,500,000 (incl.) ~ NT\$5,000,000		
NT\$5,000,000 (incl.) ~ NT\$10,000,000		
NT\$10,000,000 (incl.) ~ NT\$15,000,000		Bing-Yi Lin, Hong-Shi Wen
NT\$15,000,000 (incl.) ~ NT\$30,000,000		
NT\$30,000,000 (incl.) ~ NT\$50,000,000		
NT\$50,000,000 (incl.) ~ NT\$100,000,000		
More than NT\$100,000,000		
Total	5	5

(IV) Names of managers who distribute employee salaries and distribution status:

Title		Name	Amount in stocks	Amount in cash	Total (Note)	Ratio of remuneration to net profit after tax (%)
Manager	President	Bing-Yi Lin	0	3,075	3,075	0.91%
	Chief of Sustainability Officer	Felix Ho				
	CFO	Kuan-Yu Lin				
	CEO of Subsidiaries	Hong-Shi Wen				
	GM of Taiwan Branch	Kuo-Feng Kao				

Note: The Board of Directors approved the plan to distribute NT\$3,075 thousand (all in cash) as employee remuneration for 2022. Since the distribution list has not been finalized, this table is an estimation of the proposed amount.

(V) Detailed ratios of total remuneration of the Company's directors, president, and executive vice presidents to after-tax profit with respect to the individual and consolidated financial statements in the past two years, and description of the remuneration policy, standards and combinations, determination of remuneration, and connection to business performance and future risks

1. Detailed ratios of total remuneration of the directors, president, and executive vice presidents of the Company and all companies in the consolidated financial statements to after-tax profit with respect to the personal financial statements:

Unit: NT\$ thousand

Recipient	Ratio of total remuneration to after-tax profit					
	2022		2021		Difference	
	Arizon	All companies in the financial statements	Arizon	All companies in the financial statements	Arizon	All companies in the financial statements
Director	2.16%	8.81%	0%	7.90%	2.16%	0.91%
Independent Director	0.42%	0.42%	0%	0%	0.42%	0.42%
President and VPs	2.13%	9.96%	0%	7.90%	2.13%	2.06%

2. The remuneration policies, standards, and packages, the procedure for determining remuneration, and its linkage to operating performance and future risk exposure:

The Company has established the Remuneration Committee, comprised of all Independent Directors. The Remuneration Committee is responsible for the establishment and evaluation of Directors' and managerial officers' performance and remuneration policies, system, standards, and structure, and also carries out regular evaluation and determining the remuneration of Directors and Managers. The Directors' remuneration is determined and distributed based on the individual Directors' duty and their level of participation in and contribution to the Company. The President's and VP's remuneration is handled based on their positions in the Company, their contribution to the Company, and their remuneration level in the industry and in accordance with the regulations governing human resources matters.

IV. Corporate Governance Practice

(I) Board of Directors operating status

A total of 8 meetings(A) of the 2nd Board of Directors were held in 2022. Directors' attendance information is described below:

Title	Name	Attendance in person(B)	Attendance by proxy Time(s)	Attendance in person rate (%) [B/A]	Notes
Chairman	YFY Global Investment B.V. Representative: Felix Ho	8	0	100%	2nd term
Director	YFY Paradigm Investment Co., Ltd. Representative: David Lo	8	0	100%	2nd term
Director	Bing-Yi Lin	8	0	100%	2nd term
Director	YFY Development Co., Ltd. Representative: Hong-Shi Wen	8	0	100%	2nd term
Independent Director	Brade Lei	8	0	100%	2nd term
Independent Director	Scott Sung	3	0	100%	2nd term
Independent Director	Brian Lee	8	0	100%	2nd term
Independent Director	JD Chiou	4	0	100%	2nd term

Other statutory information:

- I. If any of the following circumstances have occurred amid operations of the Board of Directors, the date, period, agenda content, the opinions of all independent directors, and the handling of the opinions of the independent directors by the Company shall be specified:

(I) Matters prescribed under Article 14-3 of the Securities and Exchange Act:

The Company has set up an Audit Committee. Matters prescribed under Article 14-5 of the Securities and Exchange Act include matters prescribed under Article 14-3 of the Securities and Exchange Act. Please refer to the "Operating status of the Audit Committee" for details.

(II) Aside from the above matters, other resolutions adopted by the Board of Directors with regard to which an independent director had a dissenting or qualified opinion that is on record or stated in a written statement.

Operations of the Board of Directors which did not receive dissenting or qualified opinions from independent directors that are on record or stated in a written statement.

- II. Any directors who had to recuse from a proposal to prevent conflicts of interest:
- (I) In the Board meeting held on July 12, 2022, the Board discussed the appointment of managerial officers. Felix Ho, Bing-Yi Lin, and Hong-Shi Wen recused themselves from discussing and voting on this proposal due to conflict of interest.
 - (II) In the Board meeting held on August 16, 2022, the Board discussed the Managers' share subscription percentage for capital increase by cash through issuance of new shares and remuneration of managerial officers. Felix Ho, Bing-Yi Lin, and Hong-Shi Wen recused themselves from discussing and voting on this proposal due to conflict of interest.
 - (III) In the Board meeting held on August 16, 2022, the Board discussed the remuneration of Independent Directors. Brade Lei, Scott Sung, and Brian Lee recused themselves from discussing and voting on this proposal due to conflict of interest.
 - (IV) In the Board meeting held on September 14, 2022, the Board discussed the new Independent Directors acting as Remuneration Committee members, appointment of Independent Director as Audit Committee member. JD Chiou recused himself from discussing and voting on this proposal due to conflict of interest.
 - (V) In the Board meeting held on December 14, 2022, the Board discussed the remuneration of Independent Directors. JD Chiou recused himself from discussing and voting on this proposal due to conflict of interest.
- III. Board of Directors evaluation status:
- The Company shall complete the performance evaluation of the board as a whole, individual directors, and functional committees in 2022 before March 31, 2024.
- IV. Evaluation of targets and performance of the Board's functions for current year and past year:
- (I) Three independent directors form the Company's Audit Committee in substitution of supervisors. Matters prescribed under Article 14-5 of the Securities and Exchange Act are submitted to the Audit Committee for discussion and resolution. The convener of the Audit Committee is responsible for reporting the resolutions passed by the Audit Committee to the Board of Directors.
 - (II) The Company discloses information regarding attendance to board/shareholders' meetings, director continuing education, and important resolutions passed during board meetings and shareholders' meetings.
 - (III) In addition to disclosing relevant information on the Market Observation Post System, the Company has also set up an investor section on its website to disclose information on corporate governance, financial information, and corporate social responsibility to enhance information transparency and ensure that all stakeholders can access information they care about in a timely manner.
 - (IV) The Company has established corporate governance regulations. In addition to specifying the duties and powers of the Board of Directors in the Articles of Incorporation, the Company also established the "Corporate Governance Best Practice Principles", "Ethical Corporate Management Best Practice Principles", "Code of Ethical Conduct", "Sustainability and Social

Responsibility Guidelines", and "Rules and Procedures for Board of Directors Meetings" to strengthen the operations of the Board of Directors and improve corporate governance.

- (V) In consideration of legal risks faced by Directors, the Company and its subsidiaries have purchased USD8 million director liability insurance policies for all Directors.

(II) Operating status of the Audit Committee

The Company's Audit Committee is composed of three independent directors. The Committee's purpose is to verify the fair presentation of the Company's financial statements; hiring or dismissal of CPAs, their independence and suitability; effectiveness regarding implementation of the Company's internal control system; compliance with relevant regulations and rules; the Company's control of existing or latent risks; and the duties stipulated in Article 14-5 of the Securities and Exchange Act.

5 meetings(A) of the 1st Audit Committee were held in 2022 as of the publication date of the Report. Key focuses for the year are described below:

I. Review financial reports

The Company's 2022 business report, financial statements, and earnings distribution proposal prepared by the Board of Directors have been reviewed and determined to be correct and accurate by the Audit Committee. Among them, the financial statements were audited by Deloitte & Touche, and an audit report was submitted.

II. Assess internal control system effectiveness

The Company's Audit Committee assessed the effectiveness of policies and procedures of the Company's internal control system (including finance, operations, risk management, information security, legal compliance, and other control measures) and audited the Company's Auditing Department and CPA, as well as regular reports by managers, including risk management and compliance.

III. Retain CPAs and evaluate their independence and suitability

The Company's CPAs were changed to Shu-Wan Lin and Chih-Ming Shao of Deloitte & Touche Taiwan by resolution at audit committee meeting. The Company's Audit Committee evaluated and found that the Company's CPAs Shu-Wan Lin and Chih-Ming Shao have not been the Company's CPAs for more than 7 years, and do not have direct or indirect interest in the Company that would compromise their independence. The CPAs have established a suitable method to communicate with the Company and its Audit Committee; and fulfilled the independence and competence requirements of the "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies".

Independent directors' attendance to the Audit Committee meetings in 2022 as of the publication date of the Report is described below:

Title	Name	Attendance in person(B)	Attendance by proxy	Attendance in person rate (%) [B/A]	Notes
Independent Director	Brade Lei	5	0	100%	1st Committee
Independent Director	Scott Sung	2	0	100%	1st Committee
Independent Director	Brian Lee	5	0	100%	1st Committee
Independent Director	JD Chiou	3	0	100%	1st Committee

Other statutory information:

- I. The date of the meeting of the Audit Committee, the term, contents of the proposals, objections, qualified opinions, and important recommendations of independent directors, resolutions of the Audit Committee, and the Company's handling of the resolutions of the Audit Committee shall be specified under any of the following circumstances in the operations of the Audit Committee:

(I) Matters prescribed under Article 14-5 of the Securities and Exchange Act:

Date of audit committee meeting	Sessions	Agenda item	Objections, reservations or major suggestions raised by Independent Directors	Audit Committee Results of resolution	Actions taken by the Company in response to the opinion of the Audit Committee
2022.07.12	1st meeting of the 1st Audit Committee	Approval of the report of the Company's 2020 and 2021 consolidated financial statements.	None	Passed as proposed.	Approved in the Board meeting on July 12, 2022.
2022.07.12	1st meeting of the 1st Audit Committee	Appointment of CFO and Chief Auditor.	None	Passed as proposed.	Approved in the Board meeting on July 12, 2022.
2022.07.12	1st meeting of the 1st Audit Committee	Formulation of the Company's and subsidiaries' "Internal Control System" and "Rules for Internal Audit Implementation", "Regulations Governing the Procedures for the Formulation of Internal Control System and Self-Evaluation" and "Regulations Governing the Management of Internal Control (Including Accounting Policy)"	None	Passed as proposed.	Approved in the Board meeting on July 12, 2022.
2022.07.12	1st meeting of the 1st Audit Committee	Formulation of the Company's "Asset Acquisition or Disposal Procedures", "Procedures for Engaging in Derivatives Transactions", "Procedures for Transactions with Related Parties", "Procedures for Endorsements & Guarantees" and "Procedure for Lending Funds to Other Parties".	None	Passed as proposed.	Approved in the Board meeting on July 12, 2022.
2022.07.12	1st meeting of the 1st Audit Committee	The Company's 2022 audit plan	None	Passed as proposed.	Approved in the Board meeting on July 12, 2022.
2022.07.12	1st meeting of the 1st Audit Committee	Ratification of CPA appointment	None	Passed as proposed.	Approved in the Board meeting on July 12, 2022.
2022.07.12	1st meeting of the 1st Audit Committee	Issuance of 595 thousand shares for employee share options, and formulation of "Employee Stock	None	Passed as proposed.	Approved in the Board meeting on July 12, 2022.

		Option Issuance and Subscription Regulations".			
2022.07.12	1st meeting of the 1st Audit Committee	Issuance of common shares for cash capital increase.	None	Passed as proposed.	Approved in the Board meeting on July 12, 2022.
2022.07.12	1st meeting of the 1st Audit Committee	Approval of the 2021 earnings distribution proposal	None	Passed as proposed.	Approved in the Board meeting on July 12, 2022.
2022.08.16	2nd meeting of the 1st Audit Committee	Appointment of Chief Accounting Officer	None	Passed as proposed.	Approved in the Board meeting on August 16, 2022.
2022.10.11	3rd meeting of the 1st Audit Committee	Approval of the consolidated financial statements for the years 2019 to 2021 and up to 2022 Q2.	None	Passed as proposed.	Approved in the Board meeting on October 11, 2022.
2022.10.11	3rd meeting of the 1st Audit Committee	Statement on Internal Control	None	Passed as proposed.	Approved in the Board meeting on October 11, 2022.
2022.10.11	3rd meeting of the 1st Audit Committee	Amendment of the "Regulations Governing the Management of Internal Control".	None	Passed as proposed.	Approved in the Board meeting on October 11, 2022.
2022.10.11	3rd meeting of the 1st Audit Committee	Amendment of the Company's "Asset Acquisition or Disposal Procedures", "Procedures for Engaging in Derivatives Transactions", "Procedures for Transactions with Related Parties", "Procedures for Endorsements & Guarantees" and "Procedure for Lending Funds to Other Parties".	None	Passed as proposed.	Approved in the Board meeting on October 11, 2022.
2022.10.11	3rd meeting of the 1st Audit Committee	Capital increase by cash through issuance of new shares for IPO underwriting, and forfeit of subscription by shareholders	None	Passed as proposed.	Approved in the Board meeting on October 11, 2022.
2022.10.11	3rd meeting of the 1st Audit Committee	Over-allotment Agreement and Voluntary Brokerage Agreement	None	Passed as proposed.	Approved in the Board meeting on October 11, 2022.
2022.10.11	3rd meeting of the 1st Audit Committee	Proposal to approve the 2022 Q4 and 2023 Q1 financial forecasts.	None	Passed as proposed.	Approved in the Board meeting on October 11, 2022.
2022.11.14	4th meeting of the 1st Audit Committee	Approval of the 2022 Q3 consolidated financial statements.	None	Passed as proposed.	Approved in the Board meeting on November 14, 2022.
2022.12.14	5th meeting of the 1st Audit Committee	Approval of the 2023 audit plan.	None	Passed as proposed.	Approved in the Board meeting on December 14, 2022.
2022.12.14	5th meeting of the 1st Audit Committee	Approval of the 2023 annual business plan budget	None	Passed as proposed.	Approved in the Board meeting on December 14, 2022.
2022.12.14	5th meeting of	Approval of capital increase	None	Passed as	Approved in the Board

	the 1st Audit Committee	by cash through issuance of new shares for IPO underwriting		proposed.	meeting on December 14, 2022.
2023.03.10	6th meeting of the 1st Audit Committee	Approval of the 2022 financial statements	None	Passed as proposed.	Approved in the Board meeting on March 10, 2023.
2023.03.10	6th meeting of the 1st Audit Committee	Approval of the 2022 earnings distribution proposal	None	Passed as proposed.	Approved in the Board meeting on March 10, 2023.
2023.03.10	6th meeting of the 1st Audit Committee	Statement on Internal Control	None	Passed as proposed.	Approved in the Board meeting on March 10, 2023.
2023.03.10	6th meeting of the 1st Audit Committee	Proposal to formulate the policy for pre-approved non-assurance engagement services provided by accounting firms.	None	Passed as proposed.	Approved in the Board meeting on March 10, 2023.
2023.04.28	7th meeting of the 1st Audit Committee	Preparing of the 2023 Q1 consolidated financial statements	None	Passed as proposed.	Approved in the Board meeting on April 28, 2023.
2023.04.28	7th meeting of the 1st Audit Committee	Proposal to acquire production line in Taipei Factory of Arizon RFID Technology (Hong Kong) Co., Ltd. Taiwan Branch	None	Passed as proposed.	Approved in the Board meeting on April 28, 2023.
2023.04.28	7th meeting of the 1st Audit Committee	Evaluation of the independence and suitability of the CPAs.	None	Passed as proposed.	Approved in the Board meeting on April 28, 2023.

- (II) In addition to matters above, other resolutions which did not receive the approval of the Audit Committee but were approved by more than two thirds of the entire Board of Directors.
Audit Committee operations which did not receive the approval of the Audit Committee but were approved by more than two thirds of the entire Board of Directors.

II. Independent Directors' recusal to avoid conflicts of interest:

No independent directors had to recuse themselves to avoid conflicts of interest.

III. Communication between independent directors and Chief Auditor and CPAs:

1. On a regular basis

Each month, completed *audit reports* are sent via emails to each independent director. If there are questions or instructions, independent directors can contact the auditing officer via emails or the telephone.

Each quarter, the Audit Committee submits an "Audit Progress Report"; it contains audit procedures, findings, and abnormalities which might require improvement for the Company as well as its subsidiaries.

The CPA attends meetings of the Audit Committee to explain the review and audit status, CPA report type, key audit items, and financial report analysis for semi-annual and annual financial reports.

2. On a non-regular basis

Through telephone calls, emails, and meetings, discussions are held concerning how to increase the Company's audit value and enhance operational efficiency and effectiveness. If any serious violations are discovered, independent directors must be notified according to regulations. There are many open channels of communication for the Company's Chief Auditor to communicate with the independent directors.

In the event of a material or special incident or special requirements in related regulations, the CPA attends meetings of the Audit Committee on a non-regular basis to provide explanation and communicate.

Recent communication between independent directors, Chief Internal Auditor, and CPAs:

(1) Communication between Independent Directors and Chief Internal Auditor:

Date	Key Points of Communication	Communication summary and results
2022-08-16	Report of the 2022 H1 Audit Progress Report.	Approved and acknowledged.
2022-10-11	1. Report of the 2022 Q3 Audit Progress Report. 2. "Statement on Internal Control" for the period July 1, 2021 to June 30, 2022.	1. Approved and acknowledged. 2. Passed as proposed after review.
2022-12-14	Explanation of the 2023 audit plan formulated in accordance with results of risk assessments.	Passed as proposed after review.
2023-03-10	1. Report of the 2022 Q4 Audit Progress Report. 2. 2022 Statement on Internal Control.	1. Approved and acknowledged. 2. Passed as proposed after review.
2023-04-28	1. Report of the 2023 Q1 Audit Progress Report.	1. Approved and acknowledged.

(2) Communication between Independent Directors and CPAs:

Date	Communication Method	Key Points of Communication	Communication summary and results
2022-10-11	Private meetings with Independent Directors	1. Communication about cooperation on audit work. 2. Description of the reason for selection, judgment and explanation of content, and conclusion of key audit matters.	1. Approved and acknowledged. 2. Approved and acknowledged.
2023-03-10	Private meetings with Independent Directors	1. The CPA explained related audits in the 2022 financial statements, and discussed on the financial positions and business results. 2. Discussion with the CPAs regarding proposed key audit matters in the proposed annual audit plan. 3. The CPA explained major changes in laws and regulations.	1. Passed as proposed after reviewing related conditions and discussions. 2. Approved and acknowledged. 3. Approved and acknowledged.

(III) Corporate governance practice and compliance with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies

Evaluation item	Practice			Compliance with Best Practice Principles and reasons for any discrepancies
	Yes	No	Summary	
I. Does the Company abide by the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies in establishing and disclosing its corporate governance best practice principles?	V		The Company has established its “Corporate Governance Best Practice Principles”, “Code of Ethical Conduct”, “Ethical Corporate Management Best Practice Principles”, and “Sustainability and Social Responsibility Guidelines” and has disclosed them on the company website. In addition, the Company has also set up corporate governance mechanisms such as a spokesperson system, and an internal control and internal audit system to be in line with the Company’s corporate philosophy. As of now, the Company has an Audit Committee and a Remuneration Committee. These show that in practice, the Company carries out procedures based on the principles of corporate governance.	Compliant
II. The Company’s shareholding structure and shareholders’ rights and interests (I) Does the Company have in place an internal operating procedure for handling shareholders’ suggestions, questions, disputes, or litigation and abide by it?	V		(I) Regarding suggestions or questions from shareholders, the Company has set up a spokesperson and a deputy spokesperson and entrusted a professional share affair agency with handling share-related suggestions and disputes in Taiwan. The Company has a good relationship with its shareholders and there have been no disputes as of now.	Compliant
(II) Does the Company possess a list of major shareholders and a list of ultimate owners of those major shareholders?	V		(II) The Company closely monitors the shareholdings of major shareholders, directors, and managerial officers based on the shareholder register provided by the shareholder services agent as of the book closure date. Changes in the shareholding of insiders (directors, managerial officers, and shareholders holding more than 10% of the shares) are reported monthly to the Market Observation Post System designated by the competent authority.	Compliant
(III) Does the Company have in place a risk management mechanism and firewall against its affiliates or implement it?	V		(III) The Company has a clear separation of job authorities regarding the management of personnel, assets, and finances between itself and the related parties. In addition to the formulated “Regulations on Transactions with Related Parties, Specific Companies and Groups” the Company also audits and supervises the execution of the said matters on a regular basis.	Compliant

Evaluation item	Practice			Compliance with Best Practice Principles and reasons for any discrepancies
	Yes	No	Summary	
(IV) Does the Company have internal regulations in place to prevent its people from trading securities based on information yet to be public on the market?	V		(IV) The Company has established the "Management Regulations for Preventing Insider Trading" and "Ethical Corporate Management Operating Procedures and Code of Conduct" to prevent the Company's insiders from using information yet to be made public on the market to purchase and sell marketable securities.	Compliant
III. Composition and responsibilities of the Board of Directors (I) Has the Board of Directors developed and implemented a diversity policy for the composition of its members and specific management targets?	V		(I) The Board of Director approved the formulation of "Corporate Governance Best Practice Principles" at the 2nd meeting of the 2nd board on July 12, 2022. Chapter 3 "Strengthening the Functions of the Board of Directors" Section 1 "Structure of the Board of Directors" Article 20 stipulates the direction for the diversification of board members. The nomination and election of Board members are pursuant to the regulations prescribed in the Company's Articles of Incorporation. A candidate nomination system is adopted in accordance with the "Rules and Procedures for Board of Directors Meetings" and "Corporate Governance Best Practice Principles" to ensure the diversity and independence of board members. The professional backgrounds of the Company's Board members include expertise in industry, business management, and accounting. According to the list of members of the 2nd Board of Directors, those with the ability of leadership management administration, and crisis management, as well as industry knowledge, and an international market perspective include directors Felix Ho, David Lo, Bing-Yi Lin, and Hong-Shi Wen. The Company's Independent Directors include Brade Lei, a practicing CPA, Brian Lee, Director of Pacific Licensing Studio Pte. Ltd. and independent director of other listed companies, and JD Chiou, Vice Chairman of Intumit, Inc.	Compliant
(II) Besides the Remuneration Committee and the Audit Committee established according to law, has the Company actively established other types of functional committees?	V		(II) The Company has established the Remuneration Committee and the Audit Committee established in accordance with the laws, and will establish other functional committees based on future operation of the Company and the laws and regulations.	Compliant

Evaluation item	Practice			Compliance with Best Practice Principles and reasons for any discrepancies
	Yes	No	Summary	
(III) Has the Company established and implemented methods for assessing the performance of the Board of Directors and conducted performance evaluation annually? Does the Company submit results of assessments to the Board of directors and use results as the basis for the salary, remuneration, nomination and reappointment of individual Directors?	V		(III) The Company's "Regulations for Evaluating the Performance of the Board of Directors" has been approved at the board meeting on July 12, 2022. The Company has implemented the said Regulations in accordance with the "Rules and Procedures for Board of Directors Meetings", And will carry out evaluation every year.	Compliant
(IV) Does the Company periodically evaluate independence of the CPA?	V		(IV) The accounting firm has an internal job rotation system, which is in line with the principle of independence, and are retained by resolution at the board meeting. However, the Company does not carry out internal evaluation on the CPAs' independence, but only whether they hold concurrent positions as the Company's Directors, are the Company's shareholders, receive remuneration from the Company, or are non-interested parties.	Compliant
IV. Has the TWSE or TPEX listed company set up a full-time (part-time) unit or appointed designated personnel to handle governance related affairs (including but not limited to supplying information requested by the directors and supervisors, processing company registration and change of registration and preparing minutes of the board meetings and shareholders' meetings)?	V		Pursuant to Article 20 of the "Guidelines for the Appointment and Exercise of Powers by the Board of Directors of a Company Whose Stock is Listed on the Taiwan Stock Exchange Corporation", listed companies are advised to appoint suitable and appropriate number of corporate governance personnel based on the companies' scale, business operation, and management needs, and appoint one Corporate Governance Officer as the highest supervisor charged with the management of corporate governance-related matters. The Company appointed Kuan-Yu Lin as the Corporate Governance Officer, and the appointment has been approved at the board meeting on August 16, 2022 by resolution.	Compliant

Evaluation item	Practice			Compliance with Best Practice Principles and reasons for any discrepancies
	Yes	No	Summary	
V. Does the Company have in place a communication channel with stakeholders (including but not limited to shareholders, employees, customers, and suppliers) and set up a stakeholders' section on its website to properly address stakeholders' concerns regarding important corporate social responsibilities?	V		The Company has set up a spokesperson and a deputy spokesperson as communication channels for stakeholders. If needed, stakeholders may contact the Company by telephone, correspondence, emails, or other methods. In addition, the Company has also set up a Stakeholder Sector in the company website as one of the communication channels.	Compliant
VI. Does the Company hire professional stock agencies to take care of affairs related to shareholders' meetings?	V		The Company entrusted SinoPac Securities - Register & Transfer Agency Division with handling share affairs and shareholders' meeting-related matters.	Compliant
VII. Information disclosure (I) Has the Company established a corporate website to disclose information regarding the Company's financial, business and corporate governance status?	V		(I) The Company regularly discloses information on the company website regarding the Company's financial, business, and corporate governance status.	Compliant
(II) Has the Company adopted other means of information disclosure (such as establishing a website in English, appointing dedicated personnel to collect and disclose corporate information, implementing a spokesperson system, and disclosing the process of investor conferences on the Company website)?	V		(II) The Company has appointed dedicated personnel to take charge of the collection and disclosure of Company information, and implemented a spokesperson and deputy spokesperson system in accordance with regulations. The information for investor conferences in all periods is immediately disclosed on the company website as reference for investors.	Compliant

Evaluation item	Practice			Compliance with Best Practice Principles and reasons for any discrepancies
	Yes	No	Summary	
(III) Does the Company publish and report its annual financial report within two months after the end of a fiscal year, and publish and report its financial reports for the first, second and third quarters as well as its operating status for each month ahead of schedule before the specified deadline?		V	(III) The Company announces its financial statements in accordance with the deadline specified in regulations and has not published its financial statements ahead of schedule.	Changes are made gradually
VIII. Does the Company have other information that is helpful for understanding its status of corporate governance (including but not limited to employee rights and interests, employee well-being, investor relations, supplier relations, rights of stakeholders, further education sought by directors and supervisors, implementation of risk management policies and risk evaluation standards, implementation of customer policies, the purchase of liability insurance for directors and supervisors, etc.)?	V		<p>1. Employees' rights and interests: The Company treats employees with integrity and has established many employee benefit measures, education training guidelines, and performance development plans so as to protect the employees' rights and interests and train employees. In addition, the employees have smooth communication with their supervisors and the Company has positive labor-management relations.</p> <p>2. Investor relations: The Company has set up the spokesperson system, and entrusted share affair agency with handling share-related matters. In addition, in order to allow the public to understand the Company's business operation, the Company discloses relevant information on the Market Observation Post System (MOPS) in accordance with relevant regulations.</p> <p>3. Supplier relations, stakeholder interests: The Company maintains equitable and good relationships with suppliers and stakeholders.</p> <p>4. Continuing education and training received by directors and supervisors: The Company's Directors possesses required professional knowledge. In order to enhance the Board's functions, the Company arranges continuing education and training for Directors and Independent Directors.</p> <p>5. Implementation of risk management policies and risk assessment standards: The Company formulates and abides its internal regulations to control risks.</p> <p>6. Customer policy: The Company carry out matters according to internal control.</p> <p>7. The Company has purchased liability insurance for its Directors.</p>	Compliant

Evaluation item	Practice			Compliance with Best Practice Principles and reasons for any discrepancies
	Yes	No	Summary	
IX.	Please mention any priority matters and measures that require improvement and improvements that have been made according to the Corporate Governance Evaluation results released by TWSE’s Governance Center. The Company was listed on TWSE March 21, 2023, and is thus excluded from the 2022 Corporate Governance Evaluation. However, to protect the interests of shareholders and pursue sustainable development, the Company has made efforts to improve corporate governance in accordance with the 2022 evaluation indicators and will disclose the results of the evaluation in 2024 in accordance with regulations.			

Status of continuing education of Directors and Independent Directors

Title	Name	Duration		Organizer	Course	Hours
		Start date	End date			
Institutional Director representative	Felix Ho	2022/05/12	2022/05/12	Taiwan Corporate Governance Association	The Last Piece of the Sustainability Puzzle -- Opportunities and Tools for Impact Investing	3
		2022/08/11	2022/08/11	Taiwan Corporate Governance Association	How Enterprises Effectively Maintain Brand Values -- Case Study of a Famous Trademark	3
		2022/09/23	2022/09/23	Taiwan Corporate Governance Association	Corporate Governance and Securities Regulations	3
Institutional Director representative	David Lo	2022/02/17	2022/02/17	Taiwan Academy of Banking and Finance	Information Security Governance Lecture (Session 21) -- Thinking and Practice of Information Security Strategies	3
		2022/03/11	2022/03/11	Taiwan Corporate Governance Association	Shareholders' Meetings and Equity Management	3
		2022/05/12	2022/05/12	Taiwan Corporate Governance Association	The Last Piece of the Sustainability Puzzle -- Opportunities and Tools for Impact Investing	3
		2022/06/28	2022/06/28	Taiwan Academy of Banking and Finance	Corporate Governance Lecture -- Responsibilities of Directors and Supervisors: Trade Secrets	3
Institutional Director representative	Hong-Shi Wen	2022/09/23	2022/09/23	Taiwan Corporate Governance Association	Corporate Governance and Securities Regulations	3
Director	Bing-Yi Lin	2022/09/23	2022/09/23	Taiwan Corporate Governance Association	Corporate Governance and Securities Regulations	3
Independent Director	Brade Lei	2022/09/23	2022/09/23	Taiwan Corporate Governance Association	Corporate Governance and Securities Regulations	3

Independent Director	Brian Lee	2022/09/23	2022/09/23	Taiwan Corporate Governance Association	Corporate Governance and Securities Regulations	3
Independent Director	JD Chiou	2022/09/23	2022/09/23	Taiwan Corporate Governance Association	Corporate Governance and Securities Regulations	3

(IV) Companies that have established a Remuneration Committee shall disclose the names and responsibilities of its members and committee operations

(1) Information on members of the Compensation Committee

December 31, 2022

Requirements		Professional qualifications and experience	Fulfillment of independence criteria	Number of other public companies in which the committee member also serves as a remuneration committee member
Position	Name			
Independent Director (Convener)	Brade Lei	CPA of C&S CPA Firm, Chairman of Hung Ting Lighting Co., Ltd., and Chairman of Xiaojin Innovation Capital Co., Ltd..	No matters specified in Article 6 of "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange" in the first two years of office.	0
Independent Director	Brian Lee	Director of Pacific Licensing Studio Pte. Ltd., President of Charactopia Licensing Limited, Director of Branded Lifestyle Holdings Limited, President of KT Licensing Limited, and Independent Director of Dr. Wu Skincare Co., Ltd.	No matters specified in Article 6 of "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange" in the first two years of office.	1
Independent Director	JD Chiou	Vice Chairman of Intumit, Inc., Director, Idrasys Co., Ltd., and Director of Miraxia Edge Technology Co., Ltd.	No matters specified in Article 6 of "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange" in the first two years of office.	0

(2) Operation of Compensation Committee

I. The three remuneration committee members are Brade Lei, Scott Sung, and Brian Lee. On September 13, 2022, Brian Lee, resigned as Independent Director due to personal reasons. The newly elected Independent Director, JD Chiou assumed the position of remuneration Committee member on September 14, 2022.

II. Current term for the members: Brade Lei and Brian Lee: July 12, 2022 - July 10, 2025. JD Chiou: September 14, 2022 - July 10, 2025. The Remuneration Committee held 3 meetings(A) during the past year, and the qualifications and attendance information of each member are listed below:

Title	Name	Attendance in person(B)	Attendance by proxy	Attendance in person rate(%) [B/A]	Remarks
Convener	Brade Lei	5	0	100%	
Committee member	Scott Sung	2	0	100%	
Committee member	Brian Lee	5	0	100%	
Committee member	JD Chiou	2	1	67%	

Remuneration Committee	Agenda item and follow-up	Results of resolution	Actions taken by the Company in response to the opinion of the Remuneration Committee
1st meeting of the 1st Committee 2022/7/12	1. Review of the policies, system, and standards and structure of the remuneration to Directors (including independent directors) and managerial officers in office. 2. Review of the pre-review remuneration scope of applicable managerial officers which should be submitted to the Remuneration Committee. 3. Review of the remuneration to Directors (including independent directors) and managerial officers.	Approved as proposed by all committee members.	Approved by the Board of Directors.
2nd meeting of the 1st Committee 2022/8/16	1. Review of the managerial officers' subscription allotment of new shares issued for cash	Approved as proposed by all committee members.	Approved by the Board of Directors.

Remuneration Committee	Agenda item and follow-up	Results of resolution	Actions taken by the Company in response to the opinion of the Remuneration Committee
	capital increase. 2. Review of the remuneration to managerial officers. 3. Review of the remuneration to independent directors.		
3rd meeting of the 1st Committee 2022/12/14	Ratification of independent director's remuneration to JD Chiou.	Approved as proposed by all committee members.	Approved by the Board of Directors.
4th meeting of the 1st Committee 2023/01/12	Review of the proposal of 2022 year-end bonus for managerial officers.	Approved as proposed by all committee members.	Approved by the Board of Directors.
5th meeting of the 1st Committee 2023/03/10	1. Review of the 2022 distribution of remunerations to employees and independent directors. 2. Review of the managerial officers' subscription allotment of new shares issued for cash capital increase after initial listing.	Approved as proposed by all committee members.	1. The Board of Directors approved the Company's 2022 employee and director remuneration proposals and submitted them to the shareholders' meeting. 2. Approved by the Board of Directors.

Other statutory information:

I. If the Board of Directors did not adopt or revise the recommendations of the Compensation Committee, the date of the Board meeting, term of the Board, agenda item, resolutions adopted by the Board, and actions taken by the Company in response to the opinion of the Compensation Committee shall be specified: N/A.

II. If a member has an opposing or qualified opinion regarding a resolution the Remuneration Committee has adopted with a written record or statement, the date and session of the meeting, the resolution, opinions of all the members, and the handling of their opinions shall be specified: N/A.

(V) Implementation status of sustainable development, deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies, and reasons thereof

Implementation items	Implementation status:			Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Summary	
I. Does the Company set up a governance structure for sustainable development, establish an exclusively (or concurrently) dedicated unit to implement sustainable development, and have management appointed by the Board of Directors to be in charge of corporate social responsibility and to report the implementation status to the Board of Directors?	V		In order to effectively fulfill the Company's corporate social responsibility, the Company appointed the Chief of Sustainability Officer to be the responsible unit and proposes to require it to report the implementation status to the board meeting at least once a year. 2022 Supervision Highlights: • Improvements and Action Plans of Sustainable Development Committee Working Team	Compliant
II. Does the Company perform assessments of risks in environmental, social, and corporate governance issues relevant to its business activities and devise risk management policies and strategies based on the principle of materiality?	V		The Company has, based on the principle of materiality, performed assessments of risks in environmental, social, and corporate governance issues relevant to its business activities and established sustainable development policies, which are implemented after approval at the board meeting.	Compliant
III. Environmental issues (I) Has the Company established a proper environmental management system based on the characteristics of the industry?	V		The Company engages in the RFID business, which has relatively lower environmental risks. The Company's environmental management is handled in accordance with the environmental safety and health-related ordinances in the location of the Company's production sites.	Compliant
(II) Is the Company committed to improving the efficiency of energy use and using recycled materials which have a low impact on the environment?	V		The Company is committed to improving the efficiency of energy use, such as promotion of green materials and waste recycling in order to lower the impacts on the environment.	Compliant
(III) Does the Company evaluate the potential risks and opportunities in climate change with regard to the present and future of its business, and take appropriate action to counter climate change issues?	V		The Company monitors the impact of climate change on the Company's operation at all times. It also actively improves the utilization rate of all resources and decreases waste to respond to climate change-induced global environmental issues.	Compliant
(IV) Does the Company take inventory of its greenhouse gas	V		The Company does not fall under the category that is required	Compliant

Implementation items	Implementation status:			Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies and reasons thereof
	Yes	No	Summary	
emissions, water consumption, and the total weight of waste in the last two years, and draw up policies on greenhouse gas reduction, water reduction, or waste management?			to report its GHG emission inventory results as announced by the Environmental Protection Administration. Thus, the Company has never carried out GHG emission inventory. Nonetheless, the Company raises awareness regarding environmental protection and energy-saving matters among employees through advocacies and is committed to environmental protection by encouraging all employees to switch off the lights when lights are not needed, save water and electricity, and reuse waste paper.	
IV. Social issues (I) Does the Company comply with relevant laws and regulations and internationally recognized covenants on human rights, and have related management policies and procedures in place?		V	The Company supports the principles of the United Nations Global Compact and the targets enshrined in the United Nations Universal Declaration of Human Rights and the Conventions of the International Labor Organization. We respect human rights and comply with all related regulations of the countries of operations. The Company has formulated relevant management procedures including the "Sustainability and Social Responsibility Guidelines" in accordance with labor-related laws and regulations and the "International Covenant on Civil and Political Rights" in order to protect the employees' legal rights.	Compliant
(II) Has the Company established and implemented reasonable employee benefits (including remuneration, leave, and other benefits), and ensured business performance or results are reflected adequately in employee remuneration?		V	<p>The Company has established handling procedures for remuneration, performance evaluation, and employee benefit, which clearly specify the remuneration, reward, and penalty systems. The Company evaluates the employees based on the procedures and reflects operating performance or results on employee remuneration.</p> <p>1. Salary is in line with market level. (1) The Company participates in compensation surveys in the industry or on the market and determine the salaries of employees based on their academic records, work experience, skills, and position.</p>	Compliant

Implementation items	Implementation status:			Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies and reasons thereof
	Yes	No	Summary	
			<p>(2) Salary is not determined by gender or age.</p> <p>2. Bonus and compensation</p> <p>(1) Year-end bonus and other incentives: The Company has established regulations on the year-end bonus to include at least 30 days of salary. The Company also established related standards for the issuance of additional bonuses based on the Company's operations and the employees' rank and performance. The bonuses are competitive and used as incentives to encourage employees to make more contributions and grow with the Company.</p> <p>(2) Employee's remuneration: The Company's Articles of Incorporation specify that if the Company operates at a profit every year, 1% or more of the income shall be set aside as remunerations to employees.</p> <p>3. Salary adjustment</p> <p>(1) When employees are promoted, their salaries are adjusted immediately to prepare, incentivize, and retain outstanding talents.</p>	
(III) Does the Company provide a safe and healthy work environment to its employees? Does the Company regularly provide safety and health education for the employees?	Y		The Company offers regular employee physical checkups, has established the Staff Welfare Committee, and arranges nurse visits for inquiries of employee health-related issues, in order to protect the employees' safety and mental health.	Compliant
(IV) Does the Company offer its employees effective occupational empowerment training programs?	Y		The Company carries out promotion evaluations every year to encourage employees to develop abilities, offers education training and organizes training for career development.	Compliant
(V) Does the Company comply with relevant laws and international standards in relation to customer health and safety, customer privacy, marketing, and labeling of products and services, and does it establish relevant consumer or customer protection policies and grievance procedures?	Y		The Company offers products and services in accordance with relevant laws and regulations and international standards. In addition, it maintains good communication with its suppliers and customers and establishes a transparent and effective customer complaint mechanism.	Compliant

Implementation items	Implementation status:			Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies and reasons thereof
	Yes	No	Summary	
(VI) Does the Company establish supplier management policies, which require suppliers to observe relevant regulations on environmental protection, occupational safety and hygiene, or labor and human rights? If so, describe the implementation results.	V		The Company complies with all regulations regarding environment, occupational health, and safety, or labor rights as required by its suppliers.	Compliant
V. Does the Company reference internationally accepted reporting standards or guidelines, and prepare reports that disclose non-financial information of the company, such as sustainability reports? Have the aforementioned reports obtained assurance from a third-party verification unit?		V	Pursuant to existing ordinances, it is not compulsory for the Company to prepare sustainable development reports. However, the Company discloses information related to the relevance and reliability of sustainable development on the company website. The Company will continue to implement sustainable development, and will determine based on future needs if to prepare such report.	Compliant
VI. If the Company has established its own sustainable development best-practice principles by following the "Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies", please describe the implementation and any discrepancies with regard to the Best Practice Principles: The Company's Board of Directors has approved and implemented the "Sustainable Development Guidelines" in 2022. No significant difference				
VII. Other key information useful for explaining status of the Company's sustainable development practices: The Company has set up a ESG section on the company website, and discloses information related to the actual implementation of sustainable development on the company website.				

(VI) Deviations of the implementation of ethical corporate management from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons for deviation

Evaluation item	Practice			Deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons for deviation
	Yes	No	Summary	
I. Establishment of ethical corporate management policy and approaches (I) Has the company established the ethical corporate management policies approved by the Board of Directors and specified in its rules and external documents the ethical corporate management policies and practices as well as the commitment of its Board of Directors and senior management to implementing the management policies?	V		The Company has formulated regulations including the “Ethical Corporate Management Best Practice Principles”, “Ethical Corporate Management Operating Procedures and Code of Conduct”, “Code of Ethical Conduct”, stipulating that the Company should conduct all business activities with integrity. The Board of Directors and senior managers are also committed to implementing ethical corporate management policies.	Compliant
(II) Does the Company have mechanisms in place to assess the risk of unethical conduct and perform regular analysis and assessment of business activities with a higher risk of unethical conduct within the scope of business? Does the Company implement programs to prevent unethical conduct based on the above and ensure the programs cover at least the matters described in Paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies?	V		The Company’s “Ethical Corporate Management Operating Procedures and Code of Conduct” stipulate that the Company shall analyze and evaluate risks of unethical conduct within its business scope. In addition, the Company formulate unethical conduct prevention plans based on the Procedures. These matters cover the matters described in Paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies.	Compliant
(III) Does the Company have any measures against dishonest conduct? Are these	V		The Company has formulated the “Ethical Corporate Management Operating Procedures and Code of Conduct”, “Code of Ethical	Compliant

Evaluation item	Practice			Deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons for deviation
	Yes	No	Summary	
measures supported by proper procedures, conduct guidelines, disciplinary actions and complaint systems? Does the Company review the policies on a regular basis?			Conduct”, and unethical conduct prevention plans, which clearly stipulate the operating procedures, conduct guidelines, penalty, and complaint systems, and the Company implements them thoroughly.	
II. Full Implementation of ethical management principles (I) Does the Company evaluate the integrity of all counterparties it has business relationships with? Are there any integrity clauses in the agreements it signs with business partners?	V		The Company has established a mechanism for supplier evaluation.	Compliant
(II) Does the Company have a unit responsible for business integrity on a full-time basis under the Board of Directors, which will report the business integrity policy and programs against unethical conduct regularly (at least once a year) to the Board of Directors while overseeing such operations?	V		In order to implement ethical corporate management, the Company has formulated the “Ethical Corporate Management Operating Procedures and Code of Conduct”, appoints the Human Resources Department as the responsible unit. The unit is responsible for handling the drafting, revision, interpretation, consulting services, notification, and record of the said Procedures, and it supervises the execution and reports the implementation status to the Board of Directors at least once a year starting this year.	Compliant
(III) Does the Company have policies that help prevent conflicts of interests, provide appropriate channels for filing related complaints, and precisely enforce them?	V		The Company specifies the policies and operating procedures regarding the prevention of conflicts of interest between all levels of personnel in its “Ethical Corporate Management Operating Procedures and Code of Conduct” and “Code of Ethical Conduct”. The Company also provides channels for filing related complaints, and precisely enforces them.	Compliant

Evaluation item	Practice			Deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons for deviation
	Yes	No	Summary	
(IV) Does the Company have effective accounting and internal control systems in place to implement business integrity? Does the internal audit unit follow the results of unethical conduct risk assessments and devise audit plans to audit the systems accordingly to prevent unethical conduct, or engage CPAs to perform the audits?	V		The Company has a good accounting system and internal control system. In addition to external audits by CPAs, the internal audit unit also carries out audit work regularly or when necessary.	Compliant
(V) Does the Company periodically provide internal and external training on ethical corporate management?	V		The Company advocates the concept and guidelines of ethical corporate management in orientation training, internal meetings, and education training.	Compliant
III. Implementation of the Company's whistleblowing system (I) Does the Company have in place a substantial whistleblowing and reward system as well as a convenient reporting channel and appropriate designated personnel with regard to the party being reported on?	V		Article 6 of the "Ethical Corporate Management Operating Procedures and Code of Conduct" specifies that the Company encourages internal and external reports for unethical or inappropriate conduct, and also states the whistleblowing handling procedure.	Compliant
(II) Has the Company established standard operating procedures for investigating reported issues, follow-up measures to be adopted after the investigation, as well as relevant confidential mechanisms?	V		The Company has formulated operating procedures for the investigation of reported issues. All reports and subsequent investigations are confidential and are handled with prudence.	Compliant

Evaluation item	Practice			Deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons for deviation
	Yes	No	Summary	
(III) Does the Company adopt measures to prevent whistleblowers from improper treatment for filing the report?	V		The Company keeps confidential the identity of the whistleblower and the report contents, and pledges to protect the whistleblowers from inappropriate treatment as a result of whistleblowing.	Compliant
IV. Reinforcing information disclosure (I) Has the Company disclosed its corporate ethical management principles and progress onto its website and the Market Observation Post System?	V		The Company has disclosed information regarding the “Ethical Corporate Management Best Practice Principles”, “Ethical Corporate Management Operating Procedures and Code of Conduct” on the company website, and “Code of Ethical Conduct”, and proposes to disclose the implementation thereof in the annual report after TWSE-listing.	Compliant
V. If the Company has implemented its own ethical corporate management principles by following the Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies, please describe the practice and any discrepancies with regard to the Best Practice Principles: No significant difference				
VI. Other important information to facilitate better understanding of the Company’s implementation of ethical corporate management: (e.g., review/revision of the Company’s ethical corporate management principles, etc.): None.				

(VII) The Company shall disclose the ways to make inquiries if it has implemented a set of corporate governance principles or related rules:

The Company has formulated the internal control system, internal audit system, and other management procedures, and requires internal auditors and external experts (CPAs) to carry out audit work regularly or when necessary. In addition, the has established the Corporate Governance Section on its company website for investors to download regulations related to corporate governance.

(VIII) Other material information that can facilitate the understanding of the Company's corporate governance practice may be disclosed:

1. Please refer to Corporate Governance Section on the company website.
2. Continuing education and training for key managers who participate in corporate governance:

Corporate governance training for key managers in 2022

Course	Organizer	Date of training	Hours	Names of key management
Legal Liabilities and Case Analysis of the Competition for Company Management Rights	Accounting Research and Development Foundation	2022.04.11	3	Kuan-Yu Lin
Net Zero to Achieve Sustainability in 2030	Taiwan Institute for Sustainable Energy	2022.04.22	3	Kuan-Yu Lin
The Last Piece of the Sustainability Puzzle -- Opportunities and Tools for Impact Investing	Taiwan Corporate Governance Association	2022.05.12	3	Felix Ho
How Enterprises Effectively Maintain Brand Values -- Case Study of a Famous Trademark	Taiwan Corporate Governance Association	2022.08.11	3	Felix Ho
Corporate Governance and Securities Regulations	Taiwan Corporate Governance Association	2022.09.23	3	Felix Ho, Bing-Yi Lin, Hong-Shi Wen, Kuan-Yu Lin, Ai-Juan Ding
Path and Development Direction of Carbon Capture, Utilization and Storage (CCUS) and Hydrogen Energy to Net-Zero	Taiwan Corporate Governance Association	2022.12.06	3	Bing-Yi Lin, Kuan-Yu Lin, Kuo-Feng Kao
Sustainable Energy Practice of Agricultural and Forestry Waste Gasification for Power Generation and Microgrid System	Taiwan Corporate Governance Association	2022.12.12	3	Bing-Yi Lin, Kuan-Yu Lin, Kuo-Feng Kao

(IX) Status of implementation of internal control system:

Arizon RFID Technology (Cayman) Co., Ltd.
Statement on the Internal Control System

Date: March 10, 2023

In 2022, the Company conducted a self-assessment on its internal control system, and based on its outcomes, hereby declares as follows:

- I. The Company is clearly aware that the establishment, implementation and maintenance of the internal control system are the responsibility of the Board of Directors and the managerial officers. The Company has established this system accordingly. The purpose is to provide reasonable assurance to the effectiveness and efficiency of business operations (including profitability, performance and security of assets), reliability, timeliness, and information transparency of reports and compliance with relevant regulatory requirements.
- II. There are inherent limitations to even the most well-designed internal control system. As such, an effective internal control system can only reasonably ensure the achievement of the aforementioned goals. In addition, due to changes in market environment and conditions, the effectiveness of the internal control system may change along with them. Nonetheless, the Company's internal control system has a built-in self-supervision mechanism and once a flaw is detected, the Company is able to make immediate corrections.
- III. In compliance with the Regulations Governing Establishment of Internal Control Systems by Public Companies (the "Regulations"), the Company has adopted a checklist of items for the internal control system in judging the effectiveness of system design and implementation. The checklist items covered in the Regulations are based upon five elements according to the management control process: 1. Control environment, 2. Risk assessment, 3. Control operation, 4. Information and communication, and 5. Monitoring. Each element comprises several items as detailed in the Regulations.
- IV. The Company has evaluated the design and operating effectiveness of its internal control system according to the aforesaid criteria.
- V. Based on the aforementioned evaluation results, the Company holds that it has reasonably assured the achievement of the aforementioned with the internal control system as of December 31, 2022 (including the monitoring over the subsidiaries), including understanding the effectiveness and efficiency in operation, reliability and transparency in timely reporting, and compliance with relevant regulatory requirements, and that the design and enforcement of internal control are effective.
- VI. This Statement shall become a main part of the annual report and prospectus and be disclosed to the public. If there are any deceptive or concealed statements herein, the Company shall be liable for violations of Articles 20, 32, 171 and 174 of the Securities and Exchange Act.
- VII. This Statement was approved by the Board of Directors on March 10, 2023; 0 of the 7 directors in attendance held dissenting opinions, and the remaining directors all approved this Statement.

Arizon RFID Technology (Cayman) Co., Ltd.



Chairman:



Felix Ho

Signature

President:



Bing-Yi Lin

Signature



勤業眾信

勤業眾信聯合會計師事務所
110016 台北市信義區松仁路100號20樓

Deloitte & Touche
20F, Taipei Nan Shan Plaza
No. 100, Songren Rd.,
Xinyi Dist., Taipei 110016, Taiwan

Tel :+886 (2) 2725-9988
Fax:+886 (2) 4051-6888
www.deloitte.com.tw

內部控制制度審查 會計師合理確信報告

Arizon RFID Technology (Cayman) Co.,Ltd. 公鑒：

Arizon RFID Technology (Cayman) Co.,Ltd.與外部財務報導和保障資產安全有關之內部控制制度民國 111 年 12 月 31 日之設計及執行情形及於民國 112 年 3 月 10 日所出具謂經評估其與外部財務報導及保障資產安全有關之內部控制制度，於民國 111 年 12 月 31 日係有效設計及執行之聲明書，業經本會計師執行必要程序竣事。

確信標的、確信標的資訊與適用基準

本確信案件之標的及標的資訊分別為 Arizon RFID Technology (Cayman) Co.,Ltd.與外部財務報導和保障資產安全有關之內部控制制度民國 111 年 12 月 31 日之設計及執行情形及 Arizon RFID Technology (Cayman) Co.,Ltd.於民國 112 年 3 月 10 日所出具謂經評估其與外部財務報導及保障資產安全有關之內部控制制度，於民國 111 年 12 月 31 日係有效設計及執行之聲明書，詳附件。

用以衡量或評估上開確信標的及標的資訊之適用基準係「公開發行公司建立內部控制制度處理準則」之內部控制制度有效性判斷項目。

先天限制

由於任何內部控制制度均有其先天上之限制，故 Arizon RFID Technology (Cayman) Co.,Ltd.上述內部控制制度仍可能未能預防或偵測出業已發生之錯誤或舞弊。此外，未來之環境可能變遷，遵循內部控制制度之程度亦可能降低，故在本期有效之內部控制制度，並不表示在未來亦必有效。

管理階層之責任

管理階層之責任係依據「公開發行公司建立內部控制制度處理準則」及相關法令規章建立內部控制制度，且隨時檢討，以維持內部控制制度之設計及執行持續有效，並於評估其有效性後，據以出具內部控制制度聲明書。

會計師之責任

本會計師之責任係依照「公開發行公司建立內部控制制度處理準則」及確信準則 3000 號「非屬歷史性財務資訊查核或核閱之確信案件」對確信標的及標的資訊執行必要程序以取得合理確信，並對確信標的及標的資訊在所有重大方面是否遵循適用基準及是否允當表達作成結論。

獨立性及品質管理規範

本會計師及所隸屬會計師事務所已遵循會計師職業道德規範中有關獨立性及其他道德規範之規定，該規範之基本原則為正直、公正客觀、專業能力及盡專業上應有之注意、保密及專業行為。此外，本會計師所隸屬會計師事務所遵循品質管理準則，維持完備之品質管理制度，包含與遵循職業道德規範、專業準則及所適用法令相關之書面政策及程序。

所執行程序之彙總說明

本會計師係基於專業判斷規劃及執行必要程序，以獲取相關標的及標的資訊之證據。所執行之程序包括瞭解公司內部控制制度、評估管理階層評估整體內部控制制度有效性之過程、測試及評估其與外部財務報導及保障資產安全有關之內部控制制度設計及執行之有效性，以及本會計師認為必要之其他確信程序。

確信結論

依本會計師意見，Arizon RFID Technology (Cayman) Co.,Ltd.與外部財務報導及保障資產安全有關之內部控制制度民國 111 年 12 月 31 日之設計及執行，在所有重大方面已遵循「公開發行公司建立內部控制制度處理準則」之內部控制制度有效性判斷項目可維持有效性；Arizon RFID Technology (Cayman) Co.,Ltd.於民國 112 年 3 月 10 日所出具謂經評估其與外部財務報導及保障資產安全有關之內部控制制度係有效設計及執行之聲明書，在所有重大方面係屬允當表達。

強調事項

如附件第五項聲明所述，Arizon RFID Technology (Cayman) Co.,Ltd. 對於其符合相關規範暨法令規章之遵循有關的內部控制制度等之設計與執行係屬有效之聲明係包含業已依照「公開發行公司取得或處分資產處理準則」、「公開發行公司資金貸與及背書保證處理準則」、「公開發行公司建立內部控制制度處理準則」及有關法令規定，針對取得或處分資產、從事衍生性商品交易、資金貸與他人之管理、為他人背書或提供保證之管理、關係人交易之管理、財務報表編製流程之管理及對子公司之監督與管理訂定相關作業程序。本會計師未因此而修正確信結論。

勤業眾信聯合會計師事務所
會計師 林淑婉

林淑婉



會計師 邵志明

邵志明



中 華 民 國 1 1 2 年 3 月 3 1 日

(X) Penalty on the Company and its personnel or punishment imposed by the Company on personnel in violation of internal control system regulations, major deficiencies, and improvement in the past year and up to the print date for this annual report:

This event did not occur at the Company.

(XI) Important resolutions adopted in shareholders' meetings, Board of Directors' meetings, and the Audit Committee meetings in the past year and up to the print date of this annual report:

1. Important resolutions of the 1st interim shareholders' meeting (July 11, 2022) in 2022 (summary)

- (1) Amendment of the memorandum of corporate organization and Articles of Incorporation.
- (2) Formulation of the "Rules and Procedures for Shareholders' Meetings"
- (3) Formulation of the "Procedures for Election of Directors"
- (4) Election of all directors (including independent directors).
- (5) Removal of the non-compete clause for new directors.

2. Important resolutions of the annual shareholders' meeting (July 12, 2022) in 2022 (summary)

- (1) Approve the acknowledgment of the 2020 and 2021 consolidated financial statements.
- (2) Approve the acknowledgment of 2021 earnings distribution.
- (3) Approved the Company's "Asset Acquisition or Disposal Procedures", "Procedures for Engaging in Derivatives Transactions", "Procedures for Transactions with Related Parties", "Procedures for Endorsements & Guarantees" and "Procedure for Lending Funds to Other Parties".

Implementation of resolutions of the 2022 shareholders' meeting:

- (1) The Board of Directors followed Article 230 of the Company Act and prepared and submitted the financial statements to the shareholders' meeting for acknowledgment. Once acknowledged by the shareholders' meeting, the Board of Directors distributed the resolution of the financial statements and earnings distribution or loss off-setting proposals to the shareholders.
- (2) It is proposed not to distribute the 2021 distributable earning due to actual situation and business development needs.
- (3) For legal compliance and the Company's operating needs, the "Asset Acquisition or Disposal Procedures", "Procedures for Engaging in Derivatives Transactions", "Procedures for Transactions with Related Parties", "Procedures for Endorsements & Guarantees" and "Procedure for Lending Funds to Other Parties" are formulated. After review by the 2nd meeting of the 2nd Board of Directors on July 12, 2022, the matter is submitted to the shareholders' meeting for discussion.

3. Important resolutions of the 2nd interim shareholders' meeting (September 14, 2022) in 2022 (summary)

- (1) By-election of 1 Independent Director
- (2) Removal of the non-compete clause for new independent director.

4. Important resolutions of the 3rd interim shareholders' meeting (October 11, 2022) in 2022 (summary)

- (1) Approved report of the consolidated financial statements for the years 2019 to 2021 and up to 2022 Q2.
- (2) Amendment of the Company's "Asset Acquisition or Disposal Procedures", "Procedures for Engaging in Derivatives Transactions", "Procedures for Transactions with Related Parties", "Procedures for Endorsements & Guarantees" and "Procedure for Lending Funds to Other Parties".
- (3) Registration with Taiwan Stock Exchange Corporation for primary listing and supplemental registration for public offering.

- (4) Approval of capital increase by cash through issuance of new shares for public underwriting before initial listing, and forfeit of subscription of all shareholders
- (5) Proposal to issue shares in non-physical form and open account at brokerage agency, and authorize the Chairman to handle related matters.

5. Important resolutions of the 1st meeting of the 2nd Board of Directors (July 12, 2022) (summary)

- (1) Election of the Company's Chairman
- (2) Appointment of the members of the 1st "Audit Committee"
- (3) Appointment of the members of the 1st "Remuneration Committee"

6. Important resolutions of the 2nd meeting of the 2nd Board of Directors (July 12, 2022) (summary)

- (1) Approval of the report of the Company's 2020 and 2021 consolidated financial statements.
- (2) Appointment of managerial officers
- (3) Removal of the non-compete clause for the managerial officers.
- (4) Amendment of the Company's and subsidiaries' "Internal Control System" and "Rules for Internal Audit Implementation", "Regulations Governing the Procedures for the Formulation of Internal Control System and Self-Evaluation" and "Regulations Governing the Management of Internal Control (Including Accounting Policy)".
- (5) Formulation of the Company's "Asset Acquisition or Disposal Procedures", "Procedures for Engaging in Derivatives Transactions", "Procedures for Transactions with Related Parties", "Procedures for Endorsements & Guarantees" and "Procedure for Lending Funds to Other Parties".
- (6) Formulation of the "Rules and Procedures for Board of Directors Meetings", "Code of Ethical Conduct", "Ethical Corporate Management Operating Procedures and Code of Conduct", "Corporate Governance Best Practice Principles" and "Ethical Corporate Management Best Practice Principles".
- (7) Appointment of Ai-Jiuan Ding as the Chief Auditor
- (8) Policies, system, and standards and structure of the remuneration to Directors (including independent directors) and managerial officers in office.
- (9) Review of the remuneration to Directors (including independent directors) and managerial officers in office
- (10) The Company's 2022 audit plan.
- (11) Ratification of CPA appointment.
- (12) Issuance of 595 units for employee share options, and formulation of "Employee Stock Option Issuance and Subscription Regulations".
- (13) Approval of the 2021 earnings distribution proposal.
- (14) Issuance of common shares for cash capital increase.
- (15) Convening of 2022 annual shareholders' meeting.

7. Important resolutions of the 3rd meeting of the 2nd Board of Directors (August 16, 2022) (summary)

- (1) The managerial officers' subscription allotment of new shares issued for cash capital increase.
- (2) Appointment of Chief Accounting Officer
- (3) Appointment of Corporate Governance Officer
- (4) Formulation of the "Risk Management Policies and Procedures"

- (5) Review of the remuneration to managerial officers.
- (6) Review of the remuneration to independent directors.

**8. Important resolutions of the 4th meeting of the 2nd Board of Directors (September 14, 2022)
(summary)**

- (1) By-election of 1 Independent Director
- (2) Removal of the non-compete clause for new independent director.
- (3) Convening of 2022 2nd-interim shareholders' meeting

**9. Important resolutions of the 5th meeting of the 2nd Board of Directors (September 14, 2022)
(summary)**

- (1) Proposal to appoint the new independent director as a member of the Remuneration Committee
- (2) Proposal to appoint the new independent director as a member of the Audit Committee

**10. Important resolutions of the 6th meeting of the 2nd Board of Directors (October 11, 2022)
(summary)**

- (1) Proposal to approve the report of the consolidated financial statements for the years 2019 to 2021 and up to 2022 Q2.
- (2) Proposal to approve the 2022 Q4 and 2023 Q1 financial forecasts.
- (3) Statement on Internal Control
- (4) Proposal to amend the "Rules and Procedures for Board of Directors Meetings"
- (5) Proposal to amend the "Review Authority Management Regulations"
- (6) Proposal to amend the "Regulations Governing the Management of Internal Control".
- (7) Proposal to amend the Company's "Asset Acquisition or Disposal Procedures", "Procedures for Engaging in Derivatives Transactions", "Procedures for Transactions with Related Parties", "Procedures for Endorsements & Guarantees" and "Procedure for Lending Funds to Other Parties".
- (8) Registration with Taiwan Stock Exchange Corporation for primary listing and supplemental registration for public offering.
- (9) Approval of capital increase by cash through issuance of new shares for public underwriting before initial listing, and forfeit of subscription of all shareholders
- (10) Proposal to issue shares in non-physical form and open account at brokerage agency, and authorize the Chairman to handle related matters.
- (11) Appointment of litigation and non-litigation attorney
- (12) Appointment to entrust responsible agency with tax payment and information disclosure
- (13) Over-allotment Agreement and Voluntary Brokerage Agreement
- (14) Proposal to approve the "Securities Compliance Advisory Contract" with KGI Securities
- (15) Explanatory and evaluation table for the Company's ability to prepare the financial statements.
- (16) Ratification of the Company's 2022 employee share options allocation list
- (17) Proposal to convene the 2022 3rd-interim shareholders' meeting

**11. Important resolutions of the 7th meeting of the 2nd Board of Directors (November 14, 2022)
(summary)**

- (1) Proposal to approve the 2022 Q3 consolidated financial statements.

12. Important resolutions of the 8th meeting of the 2nd Board of Directors (December 14, 2022) (summary)

- (1) Proposal to approve the 2023 audit plan.
- (2) Proposal to approve the 2023 annual business plan budget.
- (3) Proposal to approve the ratification of independent director's remuneration to JD Chiou.
- (4) Proposal to approve capital increase by cash through issuance of new shares for IPO underwriting

13. Important resolutions of the 9th meeting of the 2nd Board of Directors (March 10, 2023) (summary)

- (1) Preparation of the 2022 final statements
- (2) Ratification of the proposal of 2022 year-end bonus and performance bonuses for managerial officers
- (3) Proposal to approve the 2022 distribution of remunerations to employees and independent directors
- (4) Proposal for the 2022 earnings distribution
- (5) Proposal for 2022 Statement on Internal Control
- (6) Proposal to formulate the "Procedures for Handling Material Inside Information"
- (7) Proposal to amend the Articles of Incorporation
- (8) Proposal to formulate the policy for pre-approved non-assurance engagement services provided by accounting firms
- (9) Review of the managerial officers' subscription allotment of new shares issued for cash capital increase after initial listing
- (10) Proposal to select custodian bank to entrust with Employee Motivation and Talent Retention Project
- (11) Proposal to convene the 2023 annual shareholders' meeting

14. Important resolutions approved at the 10th meeting (April 28, 2023) of the second Board of Directors (summary)

- (1) Preparation and production of the Company's consolidated financial report for Q1 of 2023
- (2) Plans to acquire production lines at the Taipei plant of Arizon RFID Technology (Hong Kong) Co., Ltd.'s Taiwan branch office
- (3) Formulation of the Company's "Standard Operating Procedures for Processing Demands from Directors"
- (4) Evaluation on the independence and competence of the Company's CPAs & their commissioning and remuneration

15. Important resolutions of the 1st meeting of the 1st Audit Committee (July 12, 2022) (summary)

- (1) Proposal to approve the report of the Company's 2020 and 2021 consolidated financial statements.
- (2) Appointment of CFO and Chief Auditor.
- (3) Proposal of the Company's and subsidiaries' "Internal Control System" and "Rules for Internal Audit Implementation", "Regulations Governing the Procedures for the Formulation of Internal Control System and Self-Evaluation" and "Regulations Governing the Management of Internal Control (Including Accounting Policy)"
- (4) Proposal of the Company's "Asset Acquisition or Disposal Procedures", "Procedures for Engaging in

Derivatives Transactions”, “Procedures for Transactions with Related Parties”, “Procedures for Endorsements & Guarantees” and “Procedure for Lending Funds to Other Parties”.

- (5) The Company’s 2022 audit plan
- (6) Ratification of CPA appointment
- (7) Proposal to issue 595 units for employee share options, and formulate "Employee Stock Option Issuance and Subscription Regulations".
- (8) Proposal to issue common shares for cash capital increase.
- (9) Proposal to approve the 2021 earnings distribution proposal.

**16. Important resolutions of the 2nd meeting of the 1st Audit Committee (August 16, 2022)
(summary)**

- (1) Appointment of Chief Accounting Officer

**17. Important resolutions of the 3rd meeting of the 1st Audit Committee (October 11, 2022)
(summary)**

- (1) Proposal to approve the report of the consolidated financial statements for the years 2019 to 2021 and up to 2022 Q2.
- (2) Statement on Internal Control
- (3) Proposal to amend the “Regulations Governing the Management of Internal Control”.
- (4) Proposal to amend the Company's “Asset Acquisition or Disposal Procedures”, “Procedures for Engaging in Derivatives Transactions”, “Procedures for Transactions with Related Parties”, “Procedures for Endorsements & Guarantees” and “Procedure for Lending Funds to Other Parties”.
- (5) Capital increase by cash through issuance of new shares for IPO underwriting, and forfeit of subscription by shareholders
- (6) Over-allotment Agreement and Voluntary Brokerage Agreement
- (7) Proposal to approve the 2022 Q4 and 2023 Q1 financial forecasts.

**18. Important resolutions of the 4th meeting of the 1st Audit Committee (November 14, 2022)
(summary)**

- (1) Proposal to approve the 2022 Q3 consolidated financial statements

**19. Important resolutions of the 5th meeting of the 1st Audit Committee (December 14, 2022)
(summary)**

- (1) Proposal to approve the 2023 audit plan.
- (2) Proposal to approve the 2023 annual business plan budget
- (3) Proposal to approve capital increase by cash through issuance of new shares for IPO underwriting

20. Important resolutions of the 6th meeting of the 1st Audit Committee (March 10, 2023) (summary)

- (1) Proposal to approve the 2022 financial statements
- (2) Proposal to approve the 2022 earnings distribution proposal.
- (3) Statement on Internal Control
- (4) Proposal to formulate the policy for pre-approved non-assurance engagement services provided by

accounting firms.

21. Important resolutions approved at the 7th meeting (April 28, 2023) of the first Audit Committee (summary)

- (1) Preparation and production of the Company's consolidated financial report for Q1 of 2023
- (2) Formulation of the Company's "Standard Operating Procedures for Processing Demands from Directors"
- (3) Evaluation on the independence and competence of the Company's CPAs & their commissioning and remuneration

22. Important resolutions of the 1st meeting of the 1st Remuneration Committee (July 12, 2022) (summary)

- (1) Policies, system, and standards and structure of the remuneration to Directors (including independent directors) and managerial officers.
- (2) Review of the pre-review remuneration scope of applicable managerial officers which should be submitted to the Remuneration Committee.
- (3) Review of the remuneration to Directors (including independent directors) and managerial officers.

23. Important resolutions of the 2nd meeting of the 1st Remuneration Committee (August 16, 2022) (summary)

- (1) Review of the managerial officers' subscription allotment of new shares issued for cash capital increase.
- (2) Review of the remuneration to managerial officers.
- (3) Review of the remuneration to independent directors.

24. Important resolutions of the 3rd meeting of the 1st Remuneration Committee (December 14, 2022) (summary)

- (1) Proposal to approve the ratification of independent director's remuneration to JD Chiou.

25. Important resolutions of the 4th meeting of the 1st Remuneration Committee (January 12, 2023) (summary)

- (1) Review of the proposal of 2022 year-end performance bonuses for managerial officers.

26. Important resolutions of the 5th meeting of the 1st Remuneration Committee (March 10, 2023) (summary)

- (1) Proposal to approve the 2022 distribution of remunerations to employees and independent directors
- (2) Review of the managerial officers' subscription allotment of new shares issued for cash capital increase after initial listing.

- (XII) The content of any resolution of the Board of Directors which received any dissenting opinions from a director or supervisor that are supported by appropriate records or written statements:**

This event did not occur at the Company.

- (XIII) Resignation and dismissal of professional managerial officers, including Chairman, General Manager, Chief Accounting Officer, Chief Financial Officer, Chief R&D Officer, Chief Internal Auditor, and Corporate Governance Officer in the past year and up to the print date of this annual report:**

This event did not occur at the Company.

V. Information on Fees to CPA

Unit: NT\$ thousand

Name of accounting firm	Name of CPAs:	Audit period	Audit fee	Non-audit fee	Total	Remarks
Deloitte & Touche Taiwan	Shu-Wan Lin	2022.01.01 ~	8,000	3,150	11,150	Non-audit services: 1. Review of internal control 2. Advisory support for public offering and TWSE-listing
	Chih-Ming Shao	2022.12.31				

(I) The securities firm shall disclose the amounts of the audit fees and non-audit fees paid to the attesting CPAs and to the accounting firm to which they belong and to any affiliated enterprises as well as the details of non-audit services: N/A

(II) When the audit fees paid for the current financial year are lower than those paid for the immediately preceding financial year by 10 percent or more, the amount and percentage of and reason for the reduction in audit fees shall be disclosed: N/A

VI. Information on change/replacement of CPA:

There is no change of CPAs in the recent 2 years.

VII. The Chairman, President and Financial or Accounting Managerial Officer of the Company who has worked for CPAs' firm or its affiliate in the past year:

This event did not occur at the Company.

VIII. Changes in Equity and Share Pledges by Directors, Independent Directors, Managers and Shareholders who hold more than 10% of Equity in the Past Year

(I) Equity transfers and changes of equity interests by directors, supervisors, managerial officers, and major shareholders holding more than 10% of the shares:

Unit: Shares

Title	Name	2022		2023 as of April 30	
		Increase (decrease) in shares held	Increase (decrease) in pledged shares	Increase (decrease) in shares held	Increase (decrease) in pledged shares
Chairman and major shareholder	YFY GLOBAL Investment B.V.	(10,300,000)	-	(250,000)	-
	Representative: Felix Ho	300,000	-	132,000	-
Director	YFY Paradigm Investment Co., Ltd.	100,000	-	-	-
	Representative: David Lo	-	-	-	-
Director and CEO of Subsidiaries	YFY Development Co., Ltd.	100,000	-	-	-
	Representative: Hong-Shi Wen	200,000	-	70,000	-
Director and President	Bing-Yi Lin	300,000	-	120,000	-

Title	Name	2022		2023 as of April 30	
		Increase (decrease) in shares held	Increase (decrease) in pledged shares	Increase (decrease) in shares held	Increase (decrease) in pledged shares
Independent Director	Brade Lei	-	-	-	-
Independent Director	Brian Lee	-	-	-	-
Independent Director	JD Chiou	-	-	-	-
GM of Branch	Kuo-Feng Kao	70,000	-	44,000	-
CFO	Kuan-Yu Lin	40,000	-	70,000	-

(II) Share transfer: Equity transfers and changes of equity interests by directors, supervisors, managerial officers, and major shareholders holding more than 10% of the shares to a counterparty who is a related party:

December 31, 2022; Unit: Shares

Name	Reason for transfer	Transaction date	Transaction counterparties	Relationship between the counterparties and the directors, supervisors, managerial officers, and major shareholders holding more than 10% of the shares	Number of shares	Transaction price
YFY GLOBAL Investment B.V.	Disposal	2022.8.12	YFY Paradigm Investment Co., Ltd.	Fellow subsidiary	100,000	70.00
YFY GLOBAL Investment B.V.	Disposal	2022.8.12	YFY Development Co., Ltd.	Fellow subsidiary	100,000	70.00

(III) Pledged shares: This event did not occur at the Company.

IX. Information about Spouses, Kinship within Second Degree, and Relationships between Any of the Top Ten Shareholders

April 30, 2023; Unit: Shares; %

Name	Shares held by the individual		Shares held by spouse and underage children		Total shares held in names of third parties			Titles, names and relationships between top 10 shareholders (related party, spouse, or kinship within the second degree)	Notes
	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Name	Relation	
YFY Global Investment B.V. Representative: Ning-Ning Su, David Lo	45,694,935	61.48	-	-	-	-	-	-	-
Granadilla Limited Representative: Fang-Jung Liu	2,983,000	4.01	-	-	-	-	-	-	-
Yunsheng Co., Ltd. Representative: Bing-Yi Lin	2,910,676	3.92	-	-	1,070,130	1.44	Bing-Yi Lin	Responsible person of Yunsheng Co., Ltd.	-
Union Holding Group Co., Ltd. Investment Account in custody by Capital Securities Corp.	2,596,000	3.49	-	-	-	-	-	-	-
Bing-Yi Lin	1,070,130	1.44	-	-	2,910,676	3.92	Yunsheng Co., Ltd.	Responsible person	
Yu-Wen Ko	730,000	0.98	-	-	-	-	-	-	-
Merrill Lynch International Investment Account in custody by HSBC Bank(Taiwan) Limited	606,000	0.82	-	-	-	-	-	-	-
Shih-Shih Kao	516,000	0.69	-	-	-	-	-	-	-
Ying Sun	510,000	0.69	-	-	-	-	-	-	-
Allianz Global Investors Taiwan Fund	434,000	0.58	-	-	-	-	-	-	-

X. Numbers of Shares Held in Invested Enterprises by the Company, the Company's Directors, Independent Directors, and Managers, and Enterprises Directly or Indirectly Controlled by the Company and the Consolidated Shareholding Ratio

December 31, 2022 Unit: Shares; %

Invest in business (Note)	Investment by the Company		Investments by directors, independent directors, the President and directly or indirectly controlled entities		Consolidated investment	
	Number of shares	Sharehold ing ratio	Number of shares	Shareholding ratio	Number of shares	Shareholdi ng ratio
YFY RFID CO. LIMITED	29,584,886	100.0	0	0	29,584,886	100.0
Arizon RFID Technology Co., Ltd.	194,251,142	99.98	0	0	194,251,142	99.98
Arizon RFID Technology (Hong Kong) Co., Ltd.	22,000,000	100.0	0	0	22,000,000	100.0
Arizon Japan Co., Ltd.	1,000	100.0	0	0	1,000	100.0
YEON Technologies (Yangzhou) Co., Ltd.	—	100.0	0	0	—	100.0

Note: Investment accounted for using the equity method by the company.



Chapter 4. Fundraising

- I. The Company's Capital and Shares, Corporate Bonds, Preferred Shares, Global Depositary Receipts, Employee Stock Options, Restricted Shares and Mergers 71
- II. Implementation of Capital Allocation Plans 80

Chapter 4 Fundraising

I. The Company's Capital and Shares, Corporate Bonds, Preferred Shares, Global Depositary Receipts, Employee Stock Options, Restricted Shares and Mergers (including Mergers, Acquisitions, and Demergers)

(I) Source of share capital

Unit: NT\$ thousand; thousand shares

Year/Month	Issue price	Authorized capital		Paid-in capital		Notes		
		Number of shares	Amount	Number of shares	Amount	Source of share capital	Shares acquired by non-cash assets	Others
2021.10	10	100,000	1,000,000	1	10	Founding capital	-	-
2022.02	10	100,000	1,000,000	65,000	650,000	Restructuring (issued 64,999,999 new shares)	-	-
2022.08	57.4	100,000	1,000,000	66,060	660,600	Cash capital increase NT\$ 10,600 thousand	-	-
2023.03	83.58	100,000	1,000,000	74,318	743,180	Cash capital increase NT\$ 82,580 thousand	-	Note 1

Note 1: Tai-Zheng-Shang-1 No. 1121700226 dated January 30, 2023.

Unit: thousand shares

Shareholding type	Authorized capital			Notes
	Outstanding shares	Unissued shares	Total	
Ordinary shares	74,318	25,682	100,000	Publicly traded shares

(II) Information regarding shelf registration

Unit: thousand shares

Shareholding type	Scheduled issuance amount		Already issued amount		Issue purpose and expected benefits of issued amount	Scheduled release time for unissued shares	Notes
	Total number of shares	Approved amount	Number of shares	Price			
Ordinary shares	100,000	1,000,000	74,318	743,180	Replenishing operating capital	N/A	-

(III) Shareholder structure

April 30, 2023; Unit: Shares

Shareholder structure Quantity	Governmen t agencies	Financial institutions	Other institutions	Individuals	Foreign institutions & natural persons	Total
Head count	0	6	44	3,409	19	3,478
Number of shares	0	681,000	3,837,005	13,811,224	55,988,771	74,318,000
Shareholding ratio	0.00%	0.92%	5.16%	18.58%	75.34%	100.00%

Note: The shareholding ratio of mainland capital: 0%.

(IV) Shareholding distribution status

Par value of NT\$10 April 30, 2023

Shareholding range	Number of shareholders	Number of shares	Shareholding ratio
1 to 999	867	97,536	0.13%
1,000 to 5,000	2,275	3,742,723	5.04%
5,001 to 10,000	144	1,136,000	1.53%
10,001 to 15,000	44	559,000	0.75%
15,001 to 20,000	34	636,000	0.85%
20,001 to 30,000	22	555,000	0.75%
30,001 to 40,000	12	441,000	0.59%
40,001 to 50,000	14	653,000	0.88%
50,001 to 100,000	19	1,494,000	2.01%
100,001 to 200,000	27	4,137,000	5.57%
200,001 to 400,000	9	2,384,000	3.21%
400,001 to 600,000	4	1,892,000	2.54%
600,001 to 800,000	2	1,336,000	1.80%
800,001 to 1,000,000	-	-	-
1,000,001 and above	5	55,254,741	74.35%
Total	3,478	74,318,000	100.00%

Note: The company has not issued preferred stock, so there is no shareholding dispersion of special shares.

(V) List of major shareholders

April 30, 2023

Name	Shares	Number of shares	Shareholding ratio
YFY Global Investment B.V.		45,694,935	61.49%
Granadilla Limited		2,983,000	4.01%
Yunsheng Co., Ltd.		2,910,676	3.92%
Union Holding Group Co., Ltd. Investment Account in custody by Capital Securities Corp.		2,596,000	3.49%
Bing-Yi Lin		1,070,130	1.44%
Yu-Wen Ko		730,000	0.98%
Merrill Lynch International Investment Account in custody by HSBC Bank(Taiwan) Limited		606,000	0.82%
Shih-Shih Kao		516,000	0.69%
Ying Sun		510,000	0.69%
Allianz Global Investors Taiwan Fund		434,000	0.58%

(VI) Market price, net asset value, earnings, and dividends per share

Item \ Year		2021	2022	Current year up to the print date of this annual report
Market price per share	Highest	Unlisted	Unlisted	242
	Lowest	Unlisted	Unlisted	172
	Average	Unlisted	Unlisted	196.88
Net asset value per share	Before distribution	61.85	60.66	-
	After distribution	61.85	58.68 (Note 4)	-
Earnings per share	Weighted average number of shares (thousand shares)	57,108	65,395	69,512
	Earnings (Loss) per share:	4.07	5.18	-
Dividend per share	Cash dividends	-	1.98 (Note 4)	-
	Stock dividend	-	-	-
	Retained earnings	-	-	-
	Capital surplus	-	-	-
Return on investment analysis	Accumulated undistributed dividends	-	-	-
	PE ratio (Note 1)	Unlisted	Unlisted	-
	Price dividend ratio (Note 2)	Unlisted	Unlisted	-
	Cash dividend yield (%) (Note 3)	Unlisted	Unlisted	-

Note 1: PE ratio = Average market closing value per share over the year/earnings per share.

Note 2: Price dividend ratio = Average market closing value per share over the year/Cash dividends per share.

Note 3: Cash dividend yield = Cash dividends per share/Average market closing value per share over the year.

Note 4: Distribution of earnings is to be resolved and approved by at the shareholders' meeting.

(VII) Dividend policy and implementation:

1. Dividend policy:

- (1) The Company is now in the growing stage, and distributes dividends/bonuses in form of cash/shares to shareholders, and the dividends/bonuses should be distributed in consideration the Company's capital expenditures, future business expansion plans, financial planning, and other plans with an aim of sustainable development.
- (2) Unless as stipulated in the Cayman Island's laws or regulations governing listed companies, in the Company's Articles of Incorporation, or otherwise specified in the terms of shares, if the Company has a surplus at the end of a fiscal year, the surplus shall first be applied to pay income taxes according to the law and cover losses (loss from the previous years and adjustment to undistributed earnings, if any), then allocated to a statutory surplus reserve in accordance with regulations governing TWSE-/TPEx-listed companies (However, this shall not apply when the statutory surplus reserve has amounted to authorized capital), and a special surplus reserve, if any. Any remaining balance (including reversed special surplus reserve) shall be distributed as dividends or bonuses to shareholders in proportion to their percentage of shareholding by resolution at annual shareholders' meetings at a percentage of no less than 30% of the distributable earnings plus proportion or the entirety of accumulated undistributed earnings (including adjusted amounts of undistributed earnings) as approved at annual shareholders' meeting by regular resolution, provided the cash dividends or bonuses shall be no less than 20% of the total dividends or bonuses distributed.

2. Proposed (approved) dividend distribution:

With respect to the earnings distribution for 2022, the Company proposes to distribute NT\$147,149,640 in cash dividends, the equivalent of NT\$1.98 per share.

(VIII) Impact of stock dividends proposed at this shareholders' meeting on business performance and earnings per share: N/A

(IX) Remuneration of employees, directors, and independent directors:

1. Percentages or ranges of employee bonuses and directors and supervisors' remuneration under the Articles of Incorporation:

Unless as stipulated in the Cayman Island's laws or regulations governing listed companies, in the Company's Articles of Incorporation, or otherwise specified in the terms of shares, if the Company has a surplus in a year, the Company distributes no less than 1% of the surplus as remuneration to employees in the form of cash or shares by a resolution adopted by a simple majority vote at a meeting of the Board of Directors attended by over two-thirds of the directors; no more than 2% of the surplus as remuneration to Directors in the form of cash or shares by a resolution adopted by a simple majority vote at a meeting of the Board of Directors attended by over two-thirds of the directors. Unless specified otherwise in the regulations governing TWSE-/TPEx-listed Companies, the remuneration to Directors shall only be distributed in the form of cash. However, an amount shall be set aside first to compensate cumulative losses, then distribute remuneration to employees and Directors in accordance with the aforementioned percentages. The aforementioned board resolutions regarding remuneration to employees and Directors shall be reported at the shareholders' meeting after approval. The term "surplus" as mentioned in the paragraph refers to pre-tax profit before deduction of remunerations to employees and Directors.

2. Basis for estimating the amount of employee bonuses and directors and supervisors' remuneration; basis for calculating the number of shares to be distributed as employee bonuses; and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated amount, for the current period:

If there are any discrepancies between the actual distributed amount and the estimated amount, the expenses will be adjusted if before the publication date of consolidated financial statements for the year, and the amount will be handled according to accounting estimate treatments and recognized in the financial statements for the following year if after the publication date of consolidated financial statements for the year.

3. Remuneration proposals approved by the Board of Directors

(1) In 2022, the remuneration distributed to employees was NT\$3,075,322 in cash. Directors' remuneration shall be NT\$3,075,322. The amounts listed above are not different from the expense estimates for 2022.

(2) Any difference between actual distribution of remuneration to employees, director, and supervisors in the form of cash or shares and the amount of remunerations recognized, and the reasons as well as corresponding treatments: None.

(3) Amount in shares distributed as employee remuneration as a percentage with respect to the after-tax profit and total employee remuneration: None.

4. Any difference between actual distribution (including number, amount, and price of shares) of employee remuneration and director and supervisor remunerations from the previous year and recognized employee remuneration and director and supervisor remunerations, and the reasons as well as corresponding treatments:

There is no resolution nor distribution of remunerations for the year 2021.

(X) Buyback of treasury stock: This event did not occur at the Company.

(XI) Issuance of corporate bonds: The Company does not issue corporate bonds.

(XII) Issuance of preferred stocks: The Company does not issue preferred stocks.

(XIII) Issuance of global depositary receipts (GDR): The Company does not issue global depositary receipts.

(XIV) Exercise of employee stock option plan (ESOP):

(1) The handling of employee stock option plan issued by the Company but not yet mature as of the publishing date of the report:

April 30, 2023

Type of employee stock option plan	Session 1 Employee stock option
Date of effective registration and total amount	January 30, 2023, 595 units
Issue date	August 16, 2022
Number of units issued	595 units (1,000 common shares per unit)
Issuable unit	0 units
Ratio of subscribable shares to total issued shares	0.80%
Subscription period	3 years
Time frame for subscription	From the end of vesting period to the end of subscription period
Method of performance	Issuance of new ordinary shares
Restricted subscription time period and ratio (%)	Up till 2 years after the grant date, subscribers may exercise at most 100% of their share options.
Number of shares that have been obtained through exercise of subscription rights	0 shares
Monetary amount of the shares subscribed	NT\$ 0
Number of shares that have not been subscribed	575,000 shares
Subscription price per share of the unsubscribed shares	NT\$ 57.40 (Note)
Ratio of the number of unsubscribed shares to the number of issued	0.77%
Effect on shareholders' equity	This session of employee stock options is for the purpose of retaining needed talents of the Company, and to motivate employees and promote loyalty, with the aim of jointly creating benefits to the Company and shareholders. Thus, employee stock options are beneficial for shareholders' equity.

(2) Names, plans obtained and subscription statuses of managers who obtained employee stock option plans and the top ten employees who obtained the most subscribable shares for the stock option plans in the past year and up to the print date for this annual report:

April 30, 2023; Unit: 1,000 shares; NT\$ thousand

Position	Title	Name	Subscribable shares obtained	Ratio of subscribable shares obtained to total issued shares	Subscribed				Unsubscribed			
					Subscribed shares	Subscription price	Monetary amount of the shares subscribed	Ratio of subscribed shares to total issued shares	Subscribed shares	Subscription price	Monetary amount of the shares subscribed	Ratio of subscribed shares to total issued shares
Manager	-											
Employee	Vice President	Hsin Kuo	575	0.77%	-	-	-	-	575	57.4	33,005	0.77%
	Senior manager	Meng Chen										
	Chief of Factory	Hsi-Lien Chang										
	Director	Nai-Hsia Wu										
	Director	Qiu-Yue Xia										
	Manager	Shih-Yu Lu										
	Assistant Manager	Tsai-Ming Chang										
	Assistant Manager	Yun Wang										
	Manager	Chun Chang										
	Assistant Manager	Cheng-Wei Yuan										
	Assistant Manager	Shih-Yun Wu										
	Assistant Manager	Wei Chu										
	Assistant Manager	Peng Chu										
	Employee	Yueh-Wei Ma										

(XV) Restricted stock awards: The Company does not issue restricted stock awards.

(XVI) Mergers, acquisitions or issuance of new shares for acquisition of shares of other companies:
The Company did not engage in mergers and acquisitions, or issue new share for acquisition of shares of other companies.

II. Implementation of Capital Allocation Plans

(I) Plan content: Issuance of common shares for cash capital increase in 2022

- (1) Competent authority approval date and document number: Taiwan Stock Exchange Tai-Zheng-Shang-2 No. 1121700226 dated January 30, 2023.
- (2) Total capital required for the plan: NT\$985,323 thousand
- (3) Source of capital
Issuance of 8,258,000 common shares for cash capital increase with face a value of NT\$10 per share for raising a total NT\$985,323,020.
- (4) Schedule of capital usage:

Unit: NT\$ thousand

Project	Expected completion date	Capital required	Schedule of capital usage
			2023 Q1
Replenishment of operating capital	2023 Q1	985,323	985,323
Total		985,323	985,323

- (5) Anticipated benefits:
In the issuance of new shares through cash capital increase, NT\$985,323,020 will be used to replenish the operating capital for better flexibility in the use of capital, improve the long-term capital structure of the Company, and strengthen the Company's long-term competitiveness.
- (6) Project content change, reasons of change, and benefits before and after the change: N/A
- (7) Date of information entry on the information reporting website designated by the Securities and Futures Bureau: February 01, 2023

(II) Implementation status:

Project		Implementation status:		Reasons for the Progress to be Ahead or Behind Schedule and Improvement Plans
Replenishment of operating capital	Amount withdrawn	Estimate	985,323	The capital increase was completed on March 17, 2023, which is near the end of Q1, resulting in a relatively low withdrawn amount.
		Actual	87,508	
	Progress (%)	Estimate	100%	
		Actual	8.88%	



Chapter 5. Business Overview

I.	Business Scope	82
II.	Market Outlook	90
III.	Employee Information in the Last Two Years and Up to the Print Date of the Annual Report	99
IV.	Environmental Protection Expenditure Information	100
V.	Employer-Employee Relationship	102
VI.	Information Security Management	106
VII.	Material Contracts	109

Chapter 5 Business Overview

I. Business Scope

(I) Business scope

(1) Key areas of business

The Company is a holding company, and is mainly engaged in the manufacturing and sales of RFID tags.

(2) Revenue breakdown:

Unit: NT\$ thousand; %

Product category	Year	2022	
		Amount	%
RFID tags		2,043,295	97.13
Others		60,337	2.87
Total		2,103,632	100.00

(3) Current products (services) of the Company

Hardware products for radio-frequency identification (RFID) systems, software system development, and tag design.

(4) New products and services that the Company plans to develop:

1. Visualized LED tags
2. Molded-in RFID tags for medicine packaging
3. ARC-certified tag products
4. High precision die cutting machine and coating precision improvement

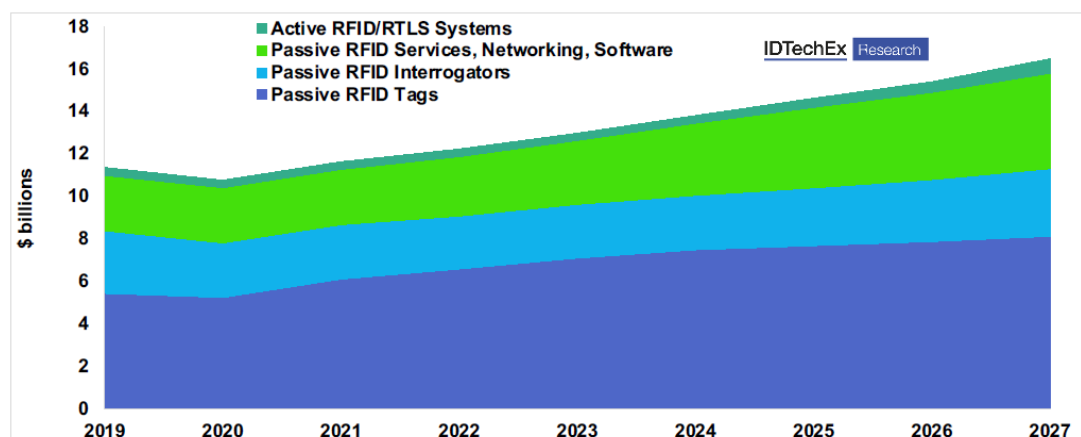
(II) Industry Overview

(1) RFID industry

Today, RFID, or radio frequency identification has been applied in multiple fields such as logistics, military, retail, medicine, food, transportation, gate access control, and others. RFID products are usually composed of the tag, reader, and computer system. The data in the chip inside the tag is transmitted through wireless communication, a non-contact method, to the reader. The reader then receives and identifies the data and sends it to the computer system for further processing, utilization, or other value-added usage. Compared to bar codes, RFID has several advantages, including speed, multi-tasking, data storage, easy modification of data, reuse, and oil and dust resistance.

In the recent years, with the advance of circuit integration and information and communications technology, RFID is commercialized and applied in the market. According to IDTechEx, the 2021 RFID market scale is estimated to be US\$11.4 billion, and expected to soar to US\$22.2 billion in 2032. The RFID industry value-chain encompasses chip design and manufacturing, antenna design and manufacturing, e-tag packaging, reader design and manufacturing, and application systems. On top of that, downstream industries include RFID applications in the fields of retail, public life, transportation and logistics, industrial manufacturing and others.

Scale of global RFID market



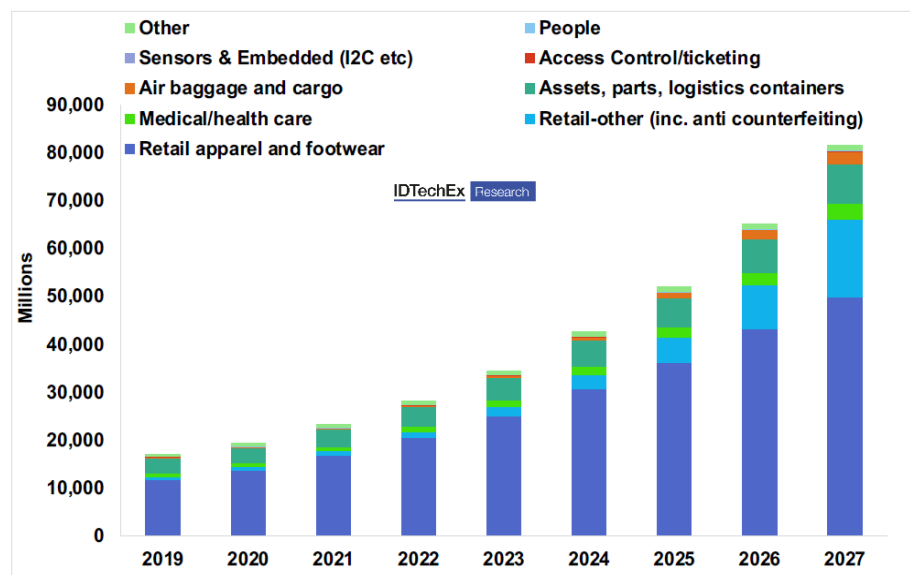
Data source: IDTechEx (November 2021)

(2) E-tag industry

RFID tags are the transmitters and receivers of an RFID system. The tags use radio frequency (such as electromagnetic induction and microwave) to identify targets to transmit and receive relevant data without mechanical or optical touch. An RFID system mainly consists of software and hardware application systems. In terms of hardware, RFID tags and readers are the two fundamental components, where tags consist of chips and antennas, while readers consist of antennas, receivers, and decoders. There are three types of RFID tags -- active, passive, and semi-passive, based on whether the tag contains a battery. Passive tags obtain power from readers and transform it into electricity required for circuits inside the tags. These tags require no battery, and they are compact, cheap, have long durability, and support portable data. Active tags contain batteries to provide power

for the tags' internal components. These tags support a longer read range and faster read rate. However, they are larger in size and higher in cost, and the batteries need to be replaced. As for semi-passive tags, they have batteries, but, similar to passive tags, they rely on readers to provide the power through microwave for data transmission. Semi-passive tags incorporate the advantages of both passive and active tags, and the cost and read range lie between that of the active and passive tags. In terms of frequency, RFID can operate in low frequency, high frequency, ultra-high frequency, or microwave frequency. The differences are in coupling, read range, data storage capacity, and fields of application.

High and ultra-high frequency tags are the mainstream products in current markets. They have higher commercial values and are the main products for development in most RFID manufacturers. As developed countries such as Japan and the US initiated digitalization and informatization transformation earlier than the rest of the world, they have greater demand for RFID tags. Currently, they are the two main RFID markets in the world. As the economy of emerging countries or regions develops, and enterprises begin with digitalization and informatization transformation, the demand for RFID tags is increasing, and the market scale is developing at a faster pace. According to the research of IDTechEx, RFID market scale will grow from US\$11.35 billion in 2019 to US\$16.46 billion in 2027; while the market scale for RFID tags will grow from US\$5.41 billion in 2019 to US\$ 8.11 billion in 2027, due to the decrease in RFID technology implementation cost and a broader field of application.



Global Delivery of Ultra-High Frequency Passive RFID Tags

Data source: IDTechEx (November 2021)

(3) Relationships with upstream, mid-stream, and downstream companies

Upstream	Midstream	Downstream
Raw material suppliers: Chips, antennas, and others	R&D companies, manufacturers of RFID products, reader manufacturers, and system application companies	RFID tag applications: Retail, public life, industrial manufacturing, medicine, and others

In the RFID industry, upstream companies are the suppliers of raw materials such as chips and antennas; midstream consists of companies engaging in the R&D and manufacturing of RFID products, readers, and system applications; and downstream are companies in the application fields, including retail, public life, industrial manufacturing, and medicine. Arizon has its core business in the R&D, manufacturing, and sales of RFID tags, and is thus in the midstream of the industry, selling self-researched and developed RFID tags directly to customers. After understanding the needs of customers, our Product R&D Department starts with product development and provides customers with samples for actual testing. After the samples have passed customer's tests, the products will enter the production, delivery, and post-sales service stages.

(4) Product developments

① Fields of RFID applications are increasing

The emerging of big data, cloud computing, IoT, and 5G will stimulate digitalization and informatization transformation in more industries. For example, the use of RFID technology in the apparel industry is blooming, and it has not only simplified inventory management but also synchronized data. As the RFID system solutions mature, RFID will become a necessary means for more enterprises to improve their business management efficiencies, and its fields of application will further increase.

② Higher degree of customization of e-tags

As RFID is applied in more and more fields in the downstream industries, customization is becoming the trend of RFID tag development. The manufacturers tailor and develop the products according to customers' needs, and thus RFID tags with specific features such as garment tags, fragile tags, anti-counterfeit tags, and metal tags, will be the main development trend for RFID manufacturers. Thus, these manufacturers need to enhance their ability to provide customized R&D and designs according to the actual applications and functions required.

③ Ultra-high frequency tags are the becoming mainstream

RFID can operate in four different frequencies: low frequency, high frequency, ultra-high frequency, or microwave frequency. The read range of low and high-frequency tags is around 0.2m to 1.2m. These tags are mainly used as key fobs, and IC cards, and applied in library management and other fields. On the other hand, ultra-high frequency tags have a read range of more than 10m and are mainly used in retail, warehouse management, logistics tracking, automatic control, and other fields. As ultra-high frequency tags have faster read rates, longer

read ranges, and larger data storage capacities, and can handle large amount of data simultaneously, these tags are expected to have a wider range of applications.

(5) Competitive landscape

As the technology of RFID technology advances, more and more manufacturers in Taiwan as well as in the world are entering the RFID market. With the increase in Arizon's shipment volume and market position, the competitive advantage in our production scale is gradually showing. As downstream customers often look for supplier partners with higher production capacity, we continue to develop our business and expand our production capacity, so as to attract more customers with our capabilities in the future. As for our upstream suppliers, we focus on establishing long-term stable cooperation relationships with them. All in all, if we have large raw material orders, we have stronger bargaining power, and we can thus decrease our production costs and increase our market competitiveness through large-scale production.

(III) Overview of Technology and R&D

(1) Technological level of businesses and research & development

At its establishment, the Company has built a professional R&D team and has been closely monitoring the development trends and applications of RFID technology in the market. We particularly focus on performance indicators of RFID tags such as activation frequency, read rate, read range, transmission speed, reliability, and consistency. In addition, we integrate multiple professional fields and technologies, such as integrated circuits, communication, and material science, to develop, based on our own R&D experience with RFID tag readers, an extensive product line including tags with silver ink on paper, fragile tags, metal tags, garment tags, and test tube tags. In order to stay in the lead, we continue to improve our product performance, and recommend customers new products that are suitable for future market needs, so as to accelerate the upgrade of products and maintain our leading position in the industry.

(2) R&D investments during the past year

Unit: NT\$ thousand

Item	Year	2022
R&D expenses		89,652
Operating revenue		2,103,632
As a percentage of operating revenue (%)		4.26

(3) Successfully developed technologies and products during the past year

Year	Main Products	Description
2022	Flexible anti-metal long read range thickness <1.0mm thin RFID tag	1. Development project in collaboration with Xidian University 2. Research and data analysis for aluminum matrix composites (AMC) and polymer matrix composites (PMC) using high-frequency structure simulator (HFSS) by Xidian University
	Research and design of anti-collision RFID tags in dense reader environments.	1. Project in collaboration with Xidian University 2. Completed model building and simulation tests for samples, and achieved success in dense reader environments with 200pcs of paper.
	Develop die cut eco-friendly paper substrates for RFID tags.	1. Achieved sensitivity of -16dBm in product design. 2. Completed process validation. 3. Assessing cost reduction and mass production equipment.
	Built-in heat resistant RFID tags in tires	1. Passed verification on user-end for tag design and anti-sulfuration test 2. Completed process validation in the factory, and passed process validation. Ready for order.
	Development and modification of laminating machines and smartization of	1. Modified smartization of voyantic reader testing system, and completed instruction manual. 2. The self-modification part is a trade secret

Year	Main Products	Description
	testing systems	
	Soft and skin-friendly garment tags	<ol style="list-style-type: none"> 1. Passed verification for antenna and tag structure design 2. Completed modification of existing equipment, completed evaluation for smart high-efficient glue dispensing machines. 3. Samples sent to customers for verification
	Research and design of RFID antenna spot beam coverage	<ol style="list-style-type: none"> 1. Project in collaboration with Xidian University 2. Design of model building and simulation analysis of antenna spot beam coverage in the application scenario of indoor positioning, and analysis of the magnetic field and magnetic coverage in a given space. Adjusting soft- and hardware of readers. Project completed and expected goals achieved. Ready to launch.

(IV) Long-term and Short-term Business Development Plans

(1) Short-term business development plans

1. Continue to improve our domestic and overseas RFID tag businesses, strengthen customer relations, and optimize our products.
2. Strengthen existing customer relations, and ensure timely delivery of competitive products and services to our customers.
3. Recruit R&D personnel and enhance their ability in product R&D and innovation, so as to allow the Company to stay ahead in the world.
4. Proactively implement automation in our production to increase efficiency.

(2) Long term Business Development Plans

1. The Group targets the following three directions as its goals in terms of business development:
 - a. Continue to strengthen logistics and operation capabilities of product delivery around the world, and provide comprehensive post-sales services.
 - b. Continue to develop potential customers so as to increase market share.
 - c. Maintain competitiveness by integrating the global supply chain through production and sales strategies.
2. The Group targets the following four directions as its goals in terms of product development:
 - a. Based on past experiences and solid technology foundation, continue to enhance product development capability, product quality, and capability to meet delivery deadlines.
 - b. Focus on customization and diversified service projects based on the customers' needs.
 - c. Continue to develop and innovate new technologies, and increase technological competitiveness in RFID tag products.
 - d. Fulfill corporate social responsibility, implement friendly work environment, and refrain from using hazardous substances jointly with suppliers.
3. The Group targets the following two directions as its goals in terms of operation and financial strategies:
 - a. According to the growth of the Company's operating scale, strengthen the financial structure through diverse financing channels in the capital market to develop into a large-scale enterprise.
 - b. Strengthen the education training, cultivate excellent talents to meet the Company's need for human resources.

II. Market Outlook

(I) Market analysis

(1) Sales (supply) of main products (services)

Unit: NT\$ thousand

Year		2021		2022	
		Amount	Percentage (%)	Amount	Percentage (%)
Region	Asia	1,826,209	89.92	1,952,693	92.82
	Europe	84,310	4.15	77,271	3.67
	America	103,517	5.10	69,951	3.33
	Others	16,959	0.83	3,717	0.18
Total		2,030,995	100.00	2,103,632	100

(2) Market share

The main product of the Company is RFID tags. According to Frost & Sullivan, the global total shipment volume of flip chip RFID tags amounted to 14.9 billion units, 14.61 billion units, and 17.37 billion units in the years 2019 to 2021, respectively. The sales volume of the Company's RFID tags in the markets listed above totaled 1.957 billion units, 2.01 billion units, and 2.57 billion units in the years 2019 to 2021, respectively, which translates to market shares of around 13~14%. From the above, the Company has a certain percentage of global market share in terms of RFID tags.

(3) Supply, demand and growth potential in the market in the future

① Supply and growth potential in the market in the future

Benefited from the prosperous growth in the downstream application market, the global RFID tag industry is now in a rapid-growing stage. Based on the difference in business models, companies can be divided into RFID solution suppliers and RFID tag manufacturers. The most iconic figure of RFID solution suppliers is Avery Dennison Corporation. It focuses on fulfilling the comprehensive needs of end customers in different industries and provides them with an overall solution. On the other hand, Arizon is the leading manufacturer in the production of RFID tags and has profound professional knowledge in product design, and mass production. As manufacturers require rich industrial knowledge for customers' demand and product specifications, it is relatively more difficult for new manufacturers to become qualified suppliers for renowned brand companies. Currently, there are thousands of suppliers involved in the design and manufacture of RFID tags, but most of them are smaller-scale companies with less production capacity. These suppliers only engage in low frequency and high frequency RFID tags which require lower technology levels. Thus, the RFID market in this area is relatively dispersed. On the other hand, as ultra-high frequency RFID tags need

higher technology content and has higher economies of scale, there is a higher market concentration. Currently, China is the main supplier of ultra-high frequency RFID tags, contributing around 80% of the global market share, and is the main supplier of world-renowned brand companies. Thus, we expect an even fiercer competition as industrial key technology advance.

② Demand and growth potential in the market in the future

Our products are mainly used as garment tags or in the management of retail inventories. Currently, our main garment tag markets are Europe, China, Vietnam, Japan, and others. In recent years, the increasing penetration of e-commerce retail platforms and fast fashion, has altered consumers' buying behavior. According to Statista, the world demand for garments and shoes rose again after the COVID-19 pandemic in 2020, and is expected to bring the garment market value from USD 1.5 trillion in 2021 to USD 2 trillion in 2026. China and Vietnam are the main garment manufacturers of the world and Asian garment markets. Fast-fashion brands, such as Zara, Uniqlo, and H&M are from Europe, Japan, and other countries. As garment tags have a close business relationship with garment trims and are essential to the supply chain and inventory management in the garment market, the development trend of garment tags depends on the development of the garment market, which is our downstream market. As the garment manufacturing and retail market is expected to grow, we anticipate a further increase in the demand for garment tags.

(4) Competitive niches

1. Outstanding R&D and design capability

Advanced software platforms offer us great possibilities for innovation R&D. Arizon is one of the few RFID manufacturers in the world that has an RFID EPC Global standard laboratory, which is an indispensable platform for the research of driver RFID tags and the development of new products. This platform can effectively reduce electromagnetic signal interference, and can be used for frequency tests covering the high and ultra-high frequency bands used in the US, Europe, China, Japan, and other major countries and regions in the world. In addition, RFID EPC Global standard laboratory operates with EPC Global class1 Gen2 and meets ISO/IEC 18000-63-2015 standards. It can be mounted with rotating carriers for multi-angle, multi-tag, and all-rounded testing to meet our customers' needs for a variety of intentional testing standards including ARC and TIPP. Furthermore, the Company has advanced electromagnetic simulation software for the development of products. This software facilitates our development of all types of high-performance products, and their applications. In this way, we are able to provide more comprehensive solutions that incorporate diversified IoT devices, sensors, and cloud platforms.

2. Advantages of our products

Arizon lays emphasis on product quality management. We have established a comprehensive quality management system that can predict risks, and timely identify defects in products through continued optimization and introduction of new technologies. Thus, we are able to prevent issues and implement improvement measures so as to achieve stable product quality. We deliver more than 2 billion high-quality and high-stability RFID tags every year on average. We have obtained IATF 16949 (Quality Management System Standard for the Automotive industry), and other quality control certifications including ISO9001, ISO14001, and ISO45001. We believe that we are among the top manufacturers in the industry in terms of quality management. In addition, through years of effort, we have successfully obtained the ARC Quality Certification at the end of May 2022, which is specifically established for RFID tags. This certification is of a very high standard and encompasses a wide range of items including design, verification, production, and quality control of RFID tags. Currently, only 7 companies in the world are qualified for this certification, and Arizon is the only one in Asia. Thus, we lay great emphasis on the products that are required by this certification, such as our product applications in Walmart Home and other world-renowned courier companies. For our technology solutions and excellent service quality, Arizon has entered new order contracts with many world-class companies.

3. Customer relations and brand advantages

After years of effort, our advantages in R&D capability, reliable quality, and excellent product performance have allowed our products to be used in a number of renowned brand enterprises such as Uniqlo, Walmart, Decathlon, Unilever, China Eastern Air, and other companies, forming a stable customer base, and giving us a greater brand advantage. Through cooperation with world-renowned end-customers, Arizon has not only the knowledge of the latest trend of industry-leading technology but also the design of the latest product development. We strive to fulfill our customers' needs while enhancing our R&D design capability. Furthermore, in order to fulfill the needs of our end-customers, we relentlessly improve our production technology, upgrade production equipment automation, and enhance quality control so as to strengthen our overall competitiveness.

4. Operation management advantages

Arizon is one of the first companies in the world that set foot in the RFID industry. Through years of effort, we have accumulated rich experience in advanced operating management and established scientific and systematic operation management standards and built an operation management model that facilitated systemization of operation, standardization of management, professional management teams, and centralization of resources. The Company has professional management, and can rapidly respond to customers' needs, providing them with needed pre-sales consultation, product guarantees, and

post-sales services. In addition, we have established branch offices in China, Hong Kong, and Japan to expedite our responses to customers and provide them with more efficient and higher-quality services.

(5) Favorable and unfavorable factors for future development, and countermeasures

① Favorable factors

1. Government support

Many countries have listed the IoT Industry as their strategic emerging industry and encouraged its development by creating a preferred policy environment, covering a wide range of aspects from investment and financing systems, taxation, industrial technology support, talent recruitment and training, intellectual property protection, and industry organization and management. Being an important component in the IoT industry, RFID tags also benefited from government policy support.

2. Broad downstream applications

RFID tags can be used in a wide range of industries, from retail, public life, transportation and logistics, industrial manufacturing and others. Also, with the proliferation of IoT and expansion of its applications, downstream customers are coming to the realization that RFID technology is significantly beneficial to them in terms of increasing operating efficiency and decreasing operating costs, and consequently, we are receiving a wide range of customization demands. Currently, RFID tags have been used in the garment industry, mega marts, and logistics industries, and there is still a huge room for growth as the popularity of electronic tags increases.

3. Continued decrease in costs

Although RFID tags have additional read/write functions and better performance compared to bar codes and QR Codes, they are higher in costs. With the advances in integrated circuit and information communication, production technology, and the benefits of scale production, the costs of RFID tags are decreasing in recent years. This is a favorable factor in the development of the tag industry, and the popularity of tags in the downstream markets.

② Unfavorable factors for future countermeasures

1. Divided specifications in the world

Unification of standards is the basis of RFID development, as every tag has its own unique ID number. If the data format is diverse and incompatible with one another, RFID products with different formats cannot be interconnected, and can severely impact global logistics operations. Thus, whether to unify standards is an important key to the global development of RFID products. However, data formats involve national interests and national security. Therefore, how to make these standards compatible with one another and

allow RFID products to circulate smoothly in the world is still a problem that awaits to be solved.

Response measures:

1. Based on the market development trend, develop new technologies and products that are in line with the local standards, and obtain a head start in the application end.
 2. Increase the added value of products and product differentiation, provide customized high-quality products, and build long-term business relationships with main customers and suppliers.
 3. Adjust sales strategies based on order forecasts from customers and changes in the regional markets, in order to respond to the market trends.
2. Minimum wage in China has increased, resulting in an increase in production cost.

The main production site of Arizon is located in China. As China's minimum wage increases and labor shortage intensifies, Arizon's operating costs will subsequently increase.

Response measures:

1. Proactively implement automation in our production to lower labor cost and increase production efficiency.
 2. Lay emphasis on employee welfare to increase loyalty and decrease employee turnover. Enhance employee professional education training to increase their production efficiency.
3. Scarcity of R&D personnel

As Taiwan's IC design and IC-related industries have better prospects compared to RFID, the RFID industry is oftentimes overlooked, causing a possible professional talent shortage in Arizon.

Response measures:

1. Through the passing down of R&D experiences, industry-academia cooperation, and internships, we can improve the ability of our R&D personnel, and attract more talents with engineering backgrounds into the RFID industry.
2. After entering the capital market, we can increase our visibility and attract more R&D talents to lay a foundation of sustainable growth.
3. Apart from attracting external talents, we also emphasize professional training so as to improve the skills of our existing talents.

(II) Application and production of key products

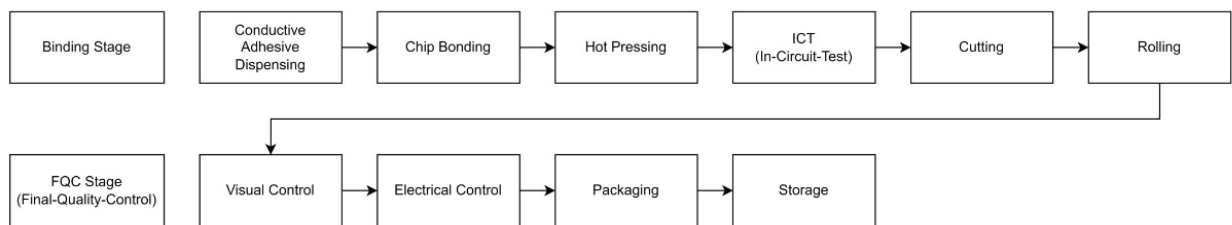
①Application of key products

The main products of Arizon is RFID tags, which are mainly applied in retail, logistics and transportation, industrial manufacturing, medicine, and other fields.

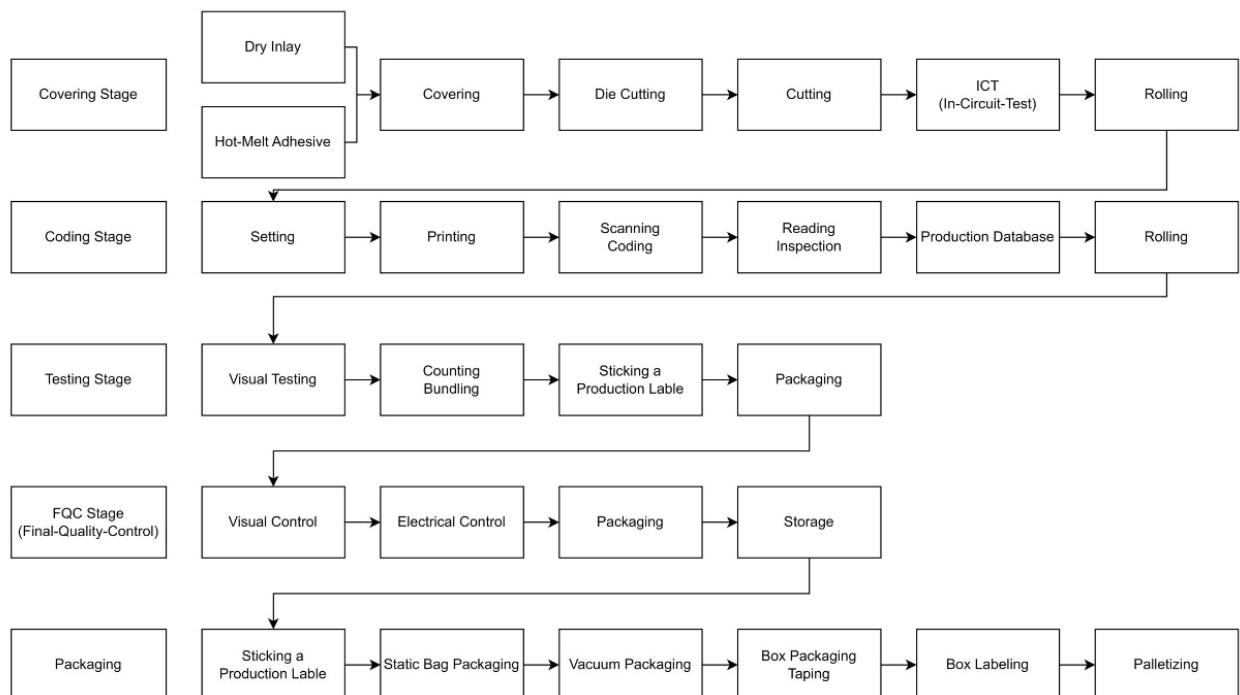
②Production of key products

The main product of Arizon is RFID tags and the tags can be categorized into “dry inlay” and “wet inlay” depending on whether adhesive is applied to the inlay. Arizon uses the flip chip technology, and the main production procedures are as follows:

A. Dry Inlay



B. Wet Inlay



(III) Supply status of primary raw materials

The primary raw materials for the production of our tags are chips, antennas, paper, and others, and each type of raw material is sourced from more than two suppliers. Arizon maintains long-term relationships with all suppliers of primary raw materials, so that we not only have control over raw material supply but also closely monitor the quality and delivery to ensure a sufficient supply of raw materials.

(IV) List of clients who accounted for at least 10% of total sales and procurement in any of the last two years and corresponding amounts and percentages

1. List of clients who accounted for at least 10% of total procurement in any of the last two years and corresponding amounts and percentages, and the reasons for changes

Unit: NT\$ thousand; %

Item	2021				2022				Fiscal 2023 to Q1			
	Name	Amount	As a percentage of net total annual purchase	Relationship with issuer	Name	Amount	As a percentage of net total annual purchase	Relationship with issuer	Name	Amount	As a percentage of net total annual purchase	Relationship with issuer
1	Company A	550,889	52.12	N/A	Company A	779,976	63.65	N/A	Company A	319,550	75.42	N/A
2	Company B	117,488	11.12	N/A	Company B	137,873	11.25	N/A	Company B	30,140	7.11	N/A
	Others	388,487	36.76	-	Others	307,604	25.10	-	Others	74,021	17.47	-
	Net purchase	1,056,864	100.00	-	Net purchase	1,225,453	100.00	-	Net purchase	423,711	100.00	-

Reasons for changes:

1. The Group increased its procurement percentage from Company A to raise its chip inventory level in order to fulfill growing orders. Also, as Company A has world-leading technology and R&D capability, and better product performance, it has become the Group's largest supplier of chips. On the other hand, the increase in procurement from Company B in 2021 is due to the increase in demand for antennas for our growing orders. However, the change in procurement volumes in 2022 and 2021 are not significant.
2. List of clients who accounted for at least 10% of total sales in any of the last two years and corresponding amounts and percentages, and the reasons for changes

The sales of the Group are not concentrated, thus, there is no customers who accounted for at least 10% of total sales in any of the last two years.

(V) Output volume and value for the last two years

Output volume, value and capacity for the last two years, and change analysis

Unit: NT\$ thousand; thousand units

Output volume and value Key product(s) (or segments)	Year	2021			2022		
		Capacity	Volume	Value	Capacity	Volume	Value
RFID tags		5,833,958	4,210,544	1,976,671	7,612,358	4,064,392	2,117,381

Note: Output capacity refers to the maximum output volume using existing production equipment under normal operation after taking into consideration the necessary work suspension, and holidays.

Analysis for changes: The Group has a steady growth in orders for the years 2021 and 2022. Changes in output volume is due to changes in product portfolio, but overall output value increased.

(VI) Sales volume and value for the last two years

Sales volume and value for the last two years, and change analysis

Unit: NT\$ thousand; thousand units

Sales volume and value Key product(s) (or segments)	Year	2021				2022			
		Domestic sales		Export		Domestic sales		Export	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
RFID tags		7,368	21,769	2,561,540	1,974,216	2,480	13,427	2,277,625	2,067,866
Others		178	13,939	233	21,071	2	15,225	208	7,114
Total		7,546	35,708	2,561,773	1,995,287	2,482	28,652	2,277,833	2,074,980

Analysis for changes: The sales volume and value are on steady growth as the Group continues to cultivate existing product markets and optimize its product portfolio.

III. Employee information in the last two years and up to the print date of this annual report

Year		2021	2022	Current year up to the print date of this annual report
Number of employees	General employees	168	168	172
	Technical personnel	381	338	339
	Total	549	506	511
Average age		33	38.59	38.60
Average years of service		3.3	3.11	3.40
Academic qualification	PhD	0%	0%	0%
	Master's degree	3.1%	3.16%	2.74%
	University/College	62.84%	63.04%	62.03%
	Senior high school	23.68%	27.47%	29.94%
	Below senior high school	10.38%	6.32%	5.28%

IV. Environmental protection expenditures information

(I) Losses arising as a result of environmental pollution in the recent year up until the publishing date of this annual report; quantify the estimated losses and state any response actions, or state any reasons why losses cannot be reasonably estimated.

Up to the print date of this annual report, the deficiencies identified by competent authority, penalties imposed, and the Company's response measures are as follows:

Contents of violation	Contents of penalties	Penalty date	Penalty number	Response measures
Article: Article 36, Paragraph 1 of the Waste Disposal Act Content: The name of the stored industrial waste is not clearly labeled in Chinese.	A penalty of NT\$ 6,000.	2022. 11.08	40-111-110010	Improvements were made and we have obtained the competent authority's approval of the improvement completion report for reference, and we have sent our personnel to environmental protection training for 1 time.

(II) Environmental sustainability

1. The Company conducts greenhouse gas inventories in accordance with laws each year and report results to the competent authority at regular intervals in accordance with laws. The data from the past two years are as follows:

Item	Category	2021	2022
GHG inventories Note 1, 2 (Unit: ton-CO ₂ e)	Scope 1	5,431.76	4,566.39
	Scope 2	429.84	515.94
	Total	5,861.60	5,082.33
Solid residual from the production process Note 3 (Unit: ton)	General industrial waste	13.79	36.48
	Total	13.79	36.48
Water consumption Note 4 (Unit: cubic meters)	Tap water	20,644	16,362
	Total	20,644	16,362

Scope 1 (direct emissions): Emissions from operations that are owned or controlled by the reporting company, such as gas pipes, processes, ventilation facilities, and vehicles owned or controlled by the company are calculated based on the fuel consumption volume and the "Greenhouse Gas Emission Factor Management Table Version 6.0.4" of the Environmental Protection Administration.

Scope 2 (indirect emissions): Emissions from outsourced electricity, heat, steam, or other fossil fuel-derived energy. The Company did not conduct inventory on factories in China because of differing local laws and regulations. Scope 2 emission figures only represent those of factories in Taiwan.

Note 1: GHG emissions is calculated based on the factors and methods as stated in the greenhouse gas inventory related announcements published by the Industrial Development Bureau, MOEA.

Note 2: The Greenhouse gas inventory report is prepared with reference to the following literature:

(1) 2021 Electricity Carbon Emission Factor published by Bureau of Energy, Ministry of Economic Affairs (Nov. 4, 2022)

(2) Carbon Footprint of Indirect Emissions from Electricity published by the Carbon Footprint Information Platform, Environmental Protection Administration (2022).

(3) Greenhouse Gas Emission Factor Management Table Version 6.0.4 published by the Environmental Protection Administration

* The 2022 energy-saving and carbon reduction is calculated based on the 2021 electricity carbon emission factor (0.509kg CO₂ e/kWh) published by the Bureau of Energy, Ministry of Economic Affairs.

Note 3: Calculations of solid residual from the production process and 2022 general industrial waste are recorded in detail and are reported to as required by laws.

Note 4: The Company's main source of water is from tap water. The amount of water consumption is according to the amount stated on the billing system of Taiwan Water Corporation.

2. Energy conservation and carbon reduction, reduction of greenhouse gas emissions, reduction of water consumption or other solid waste policies

Arizon lays great emphasis on environmental protection in response to international consumer environmental awareness and relevant laws and regulations. We have completed the establishment of a green production process to comply with international environment-related regulations, the green product requirements of our customers, and regulations regarding the prohibition of hazardous substances that have significant impacts on the environment. We have also formulated a comprehensive quality control system, and strictly require our production units and suppliers to follow through in order to ensure that all supplies, compartments, and products pass the halogen test, and are in line with RoHS, REACH, and other regulations.

In terms of environmental protection issues regarding the greenhouse effect and global warming, we monitor our carbon emissions and are committed to energy-saving measures in all work environments. We have formulated policies to manage the temperature of air-conditioners and installed additional energy-saving air-conditioners. In the future, we will install automated lighting devices to reduce carbon emissions and energy consumption, and we will also advocate energy reduction and implement carbon-reduction policies for air-conditioners and lighting.

Yangzhou factory:

- ◎ The factory installed solar power panels on rooftop in 2022.
- ◎ The factory implemented energy conservation and carbon reduction, reduction of greenhouse gas emissions, reduction of water consumption, or other solid production residue policies in accordance with the following regulations:

1. Directory of National Hazardous Wastes
2. Interim Measures of Jiangsu Province on the Administration of Hazardous Wastes
3. Measures for the Administration of Hazardous Waste Transfer Forms
4. Implementation of the residual material control program for the production process of solids
5. Implementation of the Measures of Jiangsu Province on Administration of Energy Conservation
6. Implementation of the Measures of Jiangsu Province on Administration of Water Resources

Passed ISO 14001, ISO 45001, CNS 90001, and FSC certification, and assigned dedicated personnel to maintain the environmental management systems to ensure their proper operation.

3. The effectiveness of each energy measure is as below:

Year	2021	2022
Electricity consumption (kWh)	837,450	1,013,645
GHG reduction effectiveness *(t-CO2e) due to energy saving policies	0	1,171,982

4. The Company's 2022 to 2023 goal is factory expansion.

We will take into consideration the products, social responsibilities, and product R&D, which are also the measuring basis of the government body. Industries with contexts based on green energy can be of great benefit to us if we can obtain relevant supply chain-related and government qualifications. A product requires a forward-looking green industry policy, which is essential for a company's operating plan. Thus, we have obtained the ISO 14001 Certification for our environmental management system, and carry out regular internal and external supervision so as to maintain the effectiveness of our system and the continued improvement of environmental protection. In the future, we will prepare our Corporate Social Responsibility Report or Corporate Sustainability Report, and work jointly with suppliers and consumers on matters regarding environmental protection. Our future goals will be obtaining ISO 50001 certification for the related product and energy management systems and the adoption of product carbon footprint.

V. Employer-employee relationship

(I) Present status of employer-employee relationship

1. Employee benefits measures

- Chinese New Year, Labor Day, and birthday bonuses
- Dragon Boat Festival, and Mid-Autumn Festival gifts
- Subsidies for weddings, funerals, child birth, hospitalization, disability, and others.
- Employee stock subscription
- Subsidies for on-the-job continuing education training
- Subsidies for night shifts
- Group insurance for employees
- On-site medical care to ensure the occupational safety and health of employees
- Regular medical check-ups that are more favorable than requirements of the Labor Health Protection Regulations

Leisure activities for employees

- Meal gathering for employees

2. Retirement plan

The retirement plans are handled in accordance with local laws and regulations.

Policies at main operating regions: For employees of Yangzhou Factory in China, the Company enters labor contracts with employees pursuant to the "The Labour Contract Law of the People's Republic of China" and allocate funds to employees housing provident funds in accordance with the provisions of the "Regulations on Management of Housing Provident Fund" and relevant local laws and regulations.

For employees of Taipei Factory in Taiwan, the Company allocates pensions and relevant funds pursuant to the "Labor Standards Act", "Labor Insurance Act" and the "Labor Pension Act".

Arizon enacted the "Labor Retirement Regulations" and established the Supervisory Committee of Workers' Pension Reserve Funds to take care of employees' life after retirement. We allocate reserve funds for the old pension system to a special account in the Bank of Taiwan based on actuary calculation results each year to protect labor rights.

The Company also adopted the Labor Pension Act (new labor pension system) on July 1, 2005 and allocate an amount equivalent to 6% of the respective workers' wage range to the employees' individual pension accounts. For those that voluntarily pays additional pension, Arizon deducts amounts based on the voluntary appropriation rate from the salary to the dedicated personal pension account at the Bureau of Labor Insurance.

The contents of the Arizon's "Labor Retirement Regulations" are as follows:

- Criteria for voluntary retirement:

- (1) Employees who are over 55 years old and have served in the Company for more than 15 years, including services in the Company's affiliated enterprises.
- (2) Employees who have served in the Company for more than 25 years, including services in the Company's affiliated enterprises.
- (3) Employees who are over 60 years old and have served in the Company for more than 10 years, including services in the Company's affiliated enterprises.

- Criteria for compulsory retirement:

The Company may subject an employee to compulsory retirement except for one of the following conditions:

- (1) Where the employee over 65 years old.
- (2) Where the worker is unable to perform his/ her duties due to disability.

The disability specified in the preceding paragraph shall be determined by the level 1 to level 6 disabilities of Labor Insurance. An additional 20% on top of the amount calculated according to

Article 55, Paragraph 1, Subparagraph 2 of the Labor Standards Act shall be given to workers forced to retire due to disability incurred from the execution of their duties.

- Calculation of the years of service and pension:
 - (1) Employees' years of service shall be calculated starting from the date of employment and the years of service before and after the implementation of the Labor Standards Act and the years of service after the implementation of the Labor Pension Act shall be combined for calculation. The duration shall be based on the years of actual continuous service in this Company.
 - (2) The years of service of employees assigned to affiliated enterprises to provide services or transferred from affiliated enterprises to the Company to provide services shall be combined for calculation.
 - (3) Where an employee is employed by the Company and an affiliated enterprise and applies for retirement in accordance with regulations, the total pension payment amount shall be calculated based on the ratio of the number of months served in each company and paid by the companies.

3. Labor-management communications

Arizon regularly convenes employer-employee meetings to communicate and coordinate with employees, and subsequently adjusts measures according to the consensus of both parties.

(II) Losses due to labor disputes in last year and up to the print date for this annual report

Currency: NTD

Contents of violation	Contents of penalties	Disposition date	Penalty number	Response measures
Article: Paragraph 2, Article 32 of the Labor Standards Act Content: The extension of working hours referred to in the preceding paragraph, combined with the regular working hours shall not exceed twelve hours a day; the total number of overtime shall not exceed forty-six hours a month; however, the extension of working hours, with the consent of a labor union, or if there is no labor union exists in a business entity, with the approval of a labor-management conference, shall not exceed fifty-four hours a month and one hundred and thirty-eight hours every three months.	A penalty of NT\$40,000 in total	2023/2/7	Xin-Bei-Fu-Lao-Jian No. 1124652814	For special situations, employee rotation schedules will be coordinated to comply with the regulations.
Article: Paragraph 1, Article 36 of the Labor Standards Act Content: Employee(s) worked for 6 days consecutively, and the Company did not give the employee(s) at minimum of one rest day as regular leave.	A penalty of NT\$40,000 in total	2023/2/7	Xin-Bei-Fu-Lao-Jian No. 11246528141	For special situations, employee rotation schedules will be coordinated, and shifts will be adjusted to comply with the regulations.

(III) Continuing education and training for employees

Arizon holds talent strategic development consensus meetings with executives, amends training development rules, and conducts assessments of employee competency at all levels to sustain the development of the Company and overcome any market and industry challenges. Systematic and continuous talent cultivation programs are provided to encourage employees to maximize their potential and improve their performance. Meanwhile, diversified learning resources are made available to employees (e.g., orientation training, management training, professional training, and general training) to encourage self-enhancement among employees.

- (1) Orientation training: Aims to assist new employees to know their way around the workplace and understand the Company's vision, organizational structure, rules, and the operating status of each functional and business units.
- (2) Management training: Aims to strengthen the organization's management performance, and foster and improve supervisors' leadership and strategic thinking capabilities.
- (3) Professional training: Aims to enhance work-related skills of departmental professionals.
- (4) General training: Aims to foster employees' knowledge and skills required for independent operations, workplace communication, and job management to support the Company's future business development requirements and achieve long-term business goals.

The focus of education and training outcomes in 2022 is as below:

Course type	No. of classes	Total number of people	Total man hour	Total expenses
Professional competency	124	864	2,218	324,956
Management and general knowledge	65	1,227	2,688	38,315
Cultural cultivation for new recruits	100	222	1,732	0
On-the-job continuing education	0	0	0	0

(IV) Employee code of conduct or ethics

The Company's *Work Rules* provide a service guideline and clear work principles for employee compliance. To more effectively protect the Company's trade secrets, operating profits, and competitive edge in response to the amendment made to the Trade Secrets Act in 2013, the Company has prescribed Integrity and Confidentiality of Intellectual Property Agreement as a mandatory document for registration of new recruits.

Arizon promulgated the *Arizon RFID Technology (Hong Kong) Co., Ltd. Taiwan Branch Employee Work Rules* in August 2019. Employees' behavior must comply these Rules when performing daily tasks and operations, and provides regular education training for new recruits so as to familiarize them with the work rules and HR regulations.

The *Ethical Corporate Management Operating Procedures and Code of Conduct* were promulgated in July 2022 in accordance with the Company's *Ethical Corporate Management Guidelines* and TWSE's *Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies*. The Company performs business activities based on the principles of fairness, integrity, accountability, and transparency. The *Ethical Corporate Management Operating Procedures and Code of Conduct* were established to implement the ethical corporate management policy, actively prevent unethical conduct and conflicts of interest, establish whistleblowing channels, and regulate the conduct of relevant personnel.

(V) Employee safety and health

The Company is responsible for and obligated to protect the health and safety of its employees. In addition to the ISO45001 - Occupational Health and Safety, Arizon has declared its determination to promote employee safety and the vision to create a corporate safety culture.

The following active measures were adopted to ensure employee health and safety:

1. Responsibilities of units: Appointed occupational safety and health supervisors charged with responsibility to acts as the counselor, supervisor, and inspectors of safety and health measures.
2. Safe operations promotion: Through safety education, the safety management functions of managers of all levels are reinforced to gradually establish a coherent set of safety values and standards, and build a consensus to promote safe operations.
3. Operation standardization: Standard operating procedures are implemented for various operations.
4. Employee health management: Regular employee physical checkups are held and exceed requirements of the Labor Health Protection Regulations. Health and safety training for employees according to their health checkup results.
5. Employee safety training: Employees must receive safety training upon entering the Company and during reassignments. Departments hold ad hoc work safety training and education seminars to increase collective safety awareness.
6. Accident reporting and investigation: Any work accident at any of the factories must be reported to the person in charge of the occupational safety and health within 24 hours, and an investigation for cause and improvement must take place within the time frame specified based on the level of incident. Meanwhile, all employees are informed of the incident through announcements and are required to complete education training to prevent the incident from repeating.
7. Work safety reviews and disaster drills: In addition to regular disaster drills and occupational safety and health management meetings, equipment safety inspections are reinforced to actively improve the workplace and safety measures.

VI. Information Security Management

(I) Preface:

From our perspective, information management requires both software and hardware comprising equipment, and system (hardware), and safety awareness (software), which are all key to ensuring information security. With a dedicated information security management system and a dedicated team, the Company is able to adopt optimal approaches to utilize resources, centralize management in an appropriate and timely manner, and upgrade existing information security network equipment and mechanisms, so that the information of Arizon is kept secure in line with current trends.

We will continuously work toward increasing employees' awareness towards the risks of information security to reinforce our lines of defense for information security.

Details are as follows.

(II) Information Security Risk Management Framework:

Arizon has established an Information Security Team with the highest supervisor of the information unit acting as the Chief Information Security Officer who will lead a team consisting of Vice Presidents of each department. Each department assigns appropriate personnel as the Information Security Personnel, and members of the information unit serve as Information Security Officers.

The Information Security Team ensures the professional division of labor between information security authority and responsibility, satisfactory technical support and clear control mechanisms for the Company, in order to align with related regulatory requirements while simultaneously strengthening the Company's governance of information security.

The team is responsible for promoting, coordinating, supervising and reviewing information security management issues, and regularly review of its information security policies and objectives, propose specific implementation management plans and report the results to the Board of Directors on a regular basis, evaluate and screen possible risks, and plan accordingly.

(III) Quantitative and qualitative objectives of information security:

1. Quantitative:

No.	Item	Location	Percentage/Frequency	Notes
1	Availability of the information system	All	99.99 times/year	Disruption hours/total operation hours $\leq 0.1\%$
2	Rate of completion of reporting, response, and recovery within the required time after an information security incident is identified	All	100%	
3	Click rate of emails in social engineering exercises	All	Less than 4%	
4	Click rate of attachments in emails in social engineering exercises	All	Less than 2%	
5	Planning and operating social engineering exercises	All	1 times/year	
6	Organization of information security and social engineering exercises	All	1 times/year	

7	Penetration test and vulnerability scanning	All	1 times/year	
8	Information security audit	All	1 times/year	
9	System recovery drills	All	1 times/year	

2. Qualitative:

- 2.1 Adjusts the contents of information security updates in response to changes in laws and technologies to prevent unauthorized access, use, control, leakage, damage, tampering, destruction, or other infringement of information systems and information, and to ensure their confidentiality, integrity, and availability.
- 2.2 Meet the requirements of information security on each level to ensure information confidentiality, integrity, and availability.
- 2.3 Enhance employees' information security awareness and effective detection and prevention of external attacks.

(IV) Specific management plans:

Network Information Security Control	Data Access Control	Change Recovery Mechanism	Communication and Verification
<ul style="list-style-type: none"> ● Set up a firewall and update the Firewall Strategy ● Regularly review the system log of network services to track anomalies ● Scan computer systems and data storage media periodically for viruses ● Perform inventories of the computer system software and security updates ● Use network services in accordance with the information security policy 	<ul style="list-style-type: none"> ● Assign dedicated personnel to maintain custody of computer equipment and set accounts and passwords. ● Remote access to the system shall require adequate approved and appropriate access privileges must be granted ● Grant employees different access privileges based on their job functions ● Cancel employees' access privileges when they leave the Company and adjust the access privileges of employees who have been transferred ● Clear or overwrite the contents stored before the disposal of the equipment 	<ul style="list-style-type: none"> ● Perform annual reviews of the Information Security Policy as well as the information security protection and emergency response plans ● Conduct annual system recovery drills ● Establish system backup mechanisms and implement off-site backup storage. ● Review computer network security control measures and implement appropriate adjustments. 	<ul style="list-style-type: none"> ● Perform annual information security inspections and review whether improvements and follow-ups are required. ● Communicate information security updates at all times to enhance users' information security awareness.

(V) Resources used for information security management:

To continuously improve information security management and enhance information security defense capability, we dedicated resources including a security framework for comprehensive management and technical requirements as well as enhanced information security defense training.

1. Equipment: Next Generation Firewall, network core switches, virus wall.
2. Software: We replaced traditional anti-virus software with next-generation endpoint protection software, updated system security, and installed a computer log audit system.

3. Personnel training: Training for network administrators and information security personnel, recovery exercises, social engineering exercises, and vulnerability scanning.

(VI) Losses due to major information security incidents:

The Company did not have significant information security incidents resulting in business losses.

VII. Material contracts

Supply/sales contracts, technologies cooperation contracts, construction contracts, long-term loan agreements, and all other important contracts which are likely to impact the investors' rights, whether they are currently effective or have expired in the most recent fiscal year

Contract type	Parties Involved	Commencement date/expiration date	Content	Restrictive clauses
Bank loan agreements	Taishin International Bank	2022.3.22~2023.3.21	Line of short-term comprehensive financing	N/A
Lease contracts	Weizheng	2023.4.1~2028.3.31	Leasing of factory site in Taipei	N/A
Lease contracts	Shin-Yi Enterprise Co., Ltd.	2023.1.1~2023.12.31	Leasing of office in Taipei	N/A
Lease contracts	Shin-Yi Enterprise Co., Ltd.	2023.1.1~2023.12.31	Leasing of parking lot in Taipei	N/A
Lease contracts	Foongtone Technology Co., Ltd.	2023.1.1~2023.12.31	Subleasing of warehouse in Taipei	N/A
Lease contracts	Tadashi Tsuchida	2022.7.1~2024.06.30	Leasing of office in Japan	N/A



Chapter 6. Financial Overview

I.	Condensed Balance Sheet and Statements of Comprehensive Income for the Last Five Years	111
II.	Financial Analysis for the Last Five Years	113
III.	Audit Committee's Review Report	116
IV.	Consolidated Financial Statements	121
V.	Any Financial Difficulty and the Impact on the Company's Finance in Last Year and Up to the Print Date for the Annual Report	127

Chapter 6 Financial Overview

I. Condensed Balance Sheet and Statements of Comprehensive Income for the Last Five Years

(I) Condensed balance sheet and statement of comprehensive income - Consolidated

1. Condensed consolidated balance sheet

Unit: NT\$ thousand

Item \ Year		Financial data of the past five years					Financial information up to March 31, 2023
		2018 (Note 1)	2019	2020	2021	2022	
Current assets		-	2,724,239	2,635,904	2,511,623	1,630,886	Note 3
Property, plant and equipment		-	702,540	1,003,767	1,180,044	1,040,671	
Intangible assets		-	-	-	-	-	
Other assets		-	68,225	316,519	520,057	1,862,060	
Total assets		-	3,495,004	3,956,190	4,211,724	4,533,617	
Current liabilities	Before distribution	-	329,122	425,551	622,674	473,556	
	After distribution	-	329,122	629,260	622,674	Note 2	
Non-current liabilities		-	19,760	39,920	56,284	51,942	
Total liabilities	Before distribution	-	348,882	465,471	678,958	525,498	
	After distribution	-	348,882	669,180	678,958	Note 2	
Equity attributable to owners of parent		-	2,751,564	3,048,680	3,532,058	4,007,330	
Share capital		-	767,488	767,488	877,790	660,600	
Capital surplus		-	24,820	24,820	391,971	3,168,965	
Retained earnings	Before distribution	-	2,136,900	2,422,502	2,451,317	302,084	
	After distribution	-	2,136,900	2,218,793	2,451,317	Note 2	
Other equity		-	(177,644)	(166,130)	(189,020)	(124,319)	
Treasury stock		-	-	-	-	-	
Non-controlling interest		-	394,558	442,039	708	789	
Equity Total	Before distribution	-	3,146,122	3,490,719	3,532,766	4,008,119	
	After distribution	-	3,146,122	3,287,010	3,532,766	Note 2	

Note 1: Only financial statements for the years 2019 to 2022 are audited by CPAs. In addition, pursuant to the Regulations Governing Information to be Published in Initial Public Offering and Issuance Prospectuses issued by the Taiwan Stock Exchange, foreign public companies are only required to provide financial information for the most recent 3 years.

Note 2: The 2022 dividend distribution proposal has not been approved by the 2023 Annual shareholders' Meeting.

Note 3: Up to the date of publication of the annual report, there is no financial information reviewed by accountants for the first quarter of 2023.

2. Condensed consolidated statement of comprehensive income

Unit: NT\$ thousand

Item \ Year	Financial data of the past five years					Financial information up to March 31, 2023
	2018 (Note 1)	2019	2020	2021	2022	
Operating revenue	-	1,905,060	1,719,736	2,030,955	2,103,632	Note 2
Gross profit	-	647,272	547,260	594,999	675,474	
Operating profit	-	410,652	334,647	303,704	322,701	
Non-operating income and expenditure	-	68,492	53,861	28,379	97,397	
Pre-tax profit	-	479,144	388,508	332,083	420,098	
Continuing operations net profit for the current period	-	411,503	329,546	270,634	338,714	
Discontinued operations loss	-	-	-	-	-	
Other comprehensive income for the current period (after-tax profit)	-	(55,282)	15,051	(25,921)	64,705	
Total comprehensive income for the current period	-	356,221	344,597	244,713	403,419	
Net income attributable to owners of the parent	-	356,951	285,602	232,524	338,638	
Net income attributable to non-controlling interest	-	54,552	43,944	38,110	76	
Total comprehensive income attributable to owner of the parent	-	307,834	297,116	209,634	403,339	
Total comprehensive income attributable to non-controlling interest	-	48,387	47,481	35,079	80	
Earnings per share	-	6.35	5.08	4.07	5.18	

Note 1: Only financial statements for the years 2019 to 2022 are audited by CPAs. In addition, pursuant to the Regulations Governing Information to be Published in Initial Public Offering and Issuance Prospectuses issued by the Taiwan Stock Exchange, foreign public companies are only required to provide financial information for the most recent 3 years.

Note 2: Up to the date of publication of the annual report, there is no financial information reviewed by accountants for the first quarter of 2023.

(II) Names of auditing CPAs of the past five years and their audit opinions:

1. Name of CPAs:

2019 to 2022: Shu-Wan Lin and Chih-Ming Shao from Deloitte & Touche Taiwan.

2. CPAs' opinions:

2019 to 2022: Unqualified opinion

II. Financial analysis for the last five years

1. Financial analysis - Consolidated

Item \ Year		Financial analysis for the last five years					Financial information up to March 31, 2023
		2018	2019	2020	2021	2022	
Financial structure (%)	Debt-to-asset ratio	-	9.98	11.77	16.12	11.59	Note 3
	Long-term capital to property, plant and equipment	-	450.63	351.74	304.15	390.14	
Solvency (%)	Current ratio	-	827.73	619.41	403.36	344.39	
	Quick ratio	-	759.57	565.41	357.19	244.31	
	Times interest earned ratio	-	12,610.05	1,654.23	1,079.19	971.20	
Operating ability	Receivables turnover (times)	-	6.46	5.30	5.80	6.98	
	Average days receivable	-	57	69	62	52	
	Inventory turnover (times)	-	5.05	5.19	5.35	3.76	
	Payables turnover (times)	-	7.39	5.14	5.62	5.11	
	Average inventory turnover (days)	-	72	70	68	97	
	Property, plant and equipment turnover (times)	-	2.47	2.02	1.86	1.89	
	Total assets turnover (times)	-	0.59	0.46	0.50	0.48	
Profitability	Return on assets (%)	-	12.75	8.85	6.63	7.75	
	Return on equity (%)	-	13.86	9.93	7.71	8.98	
	Pre-tax profit to paid-in capital ratio (%)	-	62.43	50.62	37.83	63.59	
	Net margin (%)	-	21.60	19.16	13.33	16.10	
	Earnings per share (NT\$)	-	6.35	5.08	4.07	5.18	
Cash flows	Operating cash flow ratio (%)	-	6.95	147.08	74.42	378.28	
	Cash flow adequacy ratio (%)	-	-	-	-	-	
	Cash flow reinvestment ratio (%)	-	0.57	14.72	10.85	44.12	
Leverage	Operating leverage	-	2.12	2.34	2.95	2.47	
	Financial leverage	-	1.00	1.00	1.00	1.00	

<p>Note: Notes on changes in increase or decrease percentage (exempted for items less than 20% change):</p> <ol style="list-style-type: none"> 1. Debt-to-asset ratio: The decrease in 2022 debt-to-asset ratio is due to cash dividend distribution in 2022 which resulted in a decrease in other accounts payable of the parent company. 2. Long-term capital to property, plant and equipment: The increase of long-term capital to property, plant and equipment from 2021 is due to an increase in non-current assets as the Company transferred short-term wealth management products to long-term time deposit. 3. Quick ratio: The decrease in 2022 quick ratio is due to an increase in non-current assets as the Company transferred short-term wealth management products to long-term time deposit. 4. Receivables turnover: The increase of receivables turnover from 2021 is due to timely collection of receivables. 5. Inventory turnover: The decrease of inventory turnover from 2021 is due to increase in stock level in response to raw material shortage. 6. Average inventory turnover: The increase of average inventory turnover from 2021 is due to increase in stock level in response to raw material shortage. 7. Pre-tax profit to paid-in capital ratio: The increase is due to a higher profitability in 2022 when gross profit increased due to price increase for certain products. 8. Net profit margin: The increase is due to a higher profitability in 2022 when gross profit increased due to price increase for certain products. 9. Earnings per share: The increase in 2022 earnings per share from is due to a higher profitability in 2022 when gross profit increased due to price increase for certain products. 10. Operating cash flow ratio: The increase is due to the increase in pre-tax profit, resulting in an increase in cash inflow from operating activities. 11. Cash flow reinvestment ratio: The increase is due to the increase in pre-tax profit, resulting in an increase in cash inflow from operating activities. 12. Operating leverage: In 2022, due to the raw materials costs increase, the variable operating costs increased, thus the operating leverage in 2022 decreased compared to 2021. 	
---	--

Note 1: All financial statements were CPA-audited.

Note 2: The Company only started to prepare the consolidated financial statement in 2019, so there were no data on the operating cash flow or capital expenditure for the year 2018. Therefore, no calculation was conducted.

Note 3: Up to the date of publication of the annual report, there is no financial information reviewed by accountants for the first quarter of 2023.

The calculation formulas for the above are as follows:

1. Financial structure

- (1) Debt-to-asset ratio = Total liabilities / total assets.
- (2) Long-term capital to property, plant and equipment = (total equity + non-current liabilities) / net amount of property, plant and equipment.

2. Solvency

- (1) Current ratio = current assets / current liabilities
- (2) Quick ratio = (current assets - inventory - prepaid expense) / current liabilities.
- (3) Times interest earned ratio = net income before income tax and interest expense / interest expense for the current period.

3. Operating ability

- (1) Receivables turnover (including accounts receivable and notes receivable from operations) = Net sales / Average balance of receivables (including accounts receivable and notes receivable from operations).
- (2) Average days receivable = 365 / receivables turnover.
- (3) Inventory turnover = Cost of goods sold / average amount of inventory.
- (4) Payables turnover (including accounts payable and notes payable from operations) = Cost of goods sold / Average balance of payables (including accounts payable and notes payable from operations).
- (5) Average inventory turnover (days) = 365 / inventory turnover.

(6) Property, plant and equipment turnover = Net sales / average net amount of property, plant and equipment.

(7) Total assets turnover = net sales / average total assets.

4. Profitability

(1) Return on assets = [Net income + interest expense x (1 - tax rate)] / average total assets.

(2) Return on equity = after-tax income / total average equity.

(3) Net margin = After-tax income / net sales.

(4) Earnings per share = (Income attributable to owner of parent - stock dividends of preferred stocks) / weighted average number of issued shares.

5. Cash flows

(1) Operating cash flow ratio = Net cash flow from operating activities / current liabilities.

(2) Net cash flow adequacy ratio = Net cash flow from operating activities for the past five years / (capital expenditures + inventory increase + cash dividends) for the past five years.

(3) Cash reinvestment ratio = (Net cash flow from operating activities - cash dividends) / (gross margin of property, plant and equipment + long-term investment + other non-current assets + working capital).

6. Leverage:

(1) Operating leverage = (Net operating revenue - current operating cost and expense) / operating profit.

(2) Financial leverage = Operating profit / (operating profit - interest expense).

III. Audit Committee's Review Report

Arizon RFID Technology (Cayman) Co., Ltd.

Audit Committee's Review Report



The Board of Directors prepared and submitted the 2022 business report, financial statements, and earnings distribution proposal. The financial statements were audited by Deloitte & Touche, and an audit report was submitted. The Company's Audit Committee reviewed the said business report, financial statements, and the earnings distribution proposal in accordance with the Securities and Exchange Act and the Company Act and did not find any instances of noncompliance.

To

2023 Annual General Shareholders' Meeting

Audit Committee Convener: Zhen-Hong Lei



March 15, 2023

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 December 31, 2022 and 2021, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements").

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

Basis for Opinion

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

Key Audit Matter

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

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

Occurrence of sales revenue recognition for specific customers

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

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 15, 2023

Notice to Readers

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

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

ARIZON RFID TECHNOLOGY (CAYMAN) CO., LTD. AND SUBSIDIARIES
**CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars)**

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

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

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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

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

(Continued)

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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

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

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

ARIZON RFID TECHNOLOGY (CAYMAN) CO., LTD. AND SUBSIDIARIES
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars)**

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

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

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(In Thousands of New Taiwan Dollars)

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

(Continued)

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(In Thousands of New Taiwan Dollars)

	2022	2021
Net cash inflow on acquisition of subsidiaries in equity (Note 21)	\$ -	\$ 1,043
Distribution of cash dividends	(203,600)	-
Issuance of ordinary shares for cash	<u>60,844</u>	<u>-</u>
Net cash used in financing activities	<u>(156,995)</u>	<u>(1,702)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	<u>24,141</u>	<u>(1,199)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	42,920	73,170
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>565,867</u>	<u>492,697</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 608,787</u>	<u>\$ 565,867</u>
The accompanying notes are an integral part of the consolidated financial statements. (Concluded)		

- V. Any financial difficulty and the impact on the Company's finance in last year and up to the print date of this annual report:** This event did not occur at the Company.



Chapter 7. Financial Position, Financial Performance and Risk Analysis

I.	Financial Comparison Analysis	129
II.	Financial Performance Review and Analysis	130
III.	Cash Flow Analysis	131
IV.	Impact of Significant Capital Expenditures on Financial Operations in the Past Year	131
V.	Investment Policy in the Past Year, Profit/Loss Analysis, Improvement Plan, and Investment Plan for the Coming Year	132
VI.	Risk Analysis and Assessment in Last Year and Up to the Print Date of this Annual Report	133
VII.	Other Important Matters	140

Chapter 7 Financial Position, Financial Performance and Risk Analysis

I. Financial comparison analysis

Unit: NT\$ thousand

Item \ Year	2022	2021	Difference	
			Amount	%
Current assets	1,630,886	2,511,623	(880,737)	(35)
Property, plant and equipment	1,040,671	1,180,044	(139,373)	(12)
Other assets	1,862,060	520,057	1,342,003	258
Total assets	4,533,617	4,211,724	321,893	8
Current liabilities	473,556	622,674	(149,118)	(24)
Non-current liabilities	51,942	56,284	(4,342)	(8)
Total liabilities	525,498	678,958	(153,460)	(23)
Share capital	660,600	877,790	(217,190)	(25)
Capital surplus	3,168,965	391,971	2,776,994	708
Retained earnings	302,084	2,451,317	(2,149,233)	(88)
Other equity	(124,319)	(189,020)	64,701	34
Non-controlling interest	789	708	81	11
Total equity	4,008,119	3,532,766	475,353	13

Notes on changes in increase or decrease percentage:

1. Decrease in current assets: Mainly due to financial assets at fair value through profit or loss.
2. Decrease in property, plant and equipment: Mainly due to depreciation of property, plant and equipment.
3. Increase in other assets: Mainly due to the increase in financial assets measured at amortized cost
4. Decrease in current liabilities: Mainly due to the distribution of cash dividends resulting in a decrease in other payables - related parties.
5. Decrease in total liabilities: Mainly due to the distribution of cash dividends resulting in a decrease in other payables - related parties.
6. Decrease in share capital: Mainly due to the Group's share right restructuring.
7. Increase in capital surplus: Mainly due to the Group's share right restructuring.
8. Decrease in retained earnings: Mainly due to the Group's share right restructuring.
9. Increase in other equity: Mainly due to the Group's share right restructuring.
10. Increase in non-controlling interests: Mainly due to the Group's share right restructuring.
11. Increase in total equity: Mainly due to the Group's share right restructuring.

II. Financial Performance Review and Analysis

Unit: NT\$ thousand

Item \ Year	2022	2021	Increase/decrease	Change (%)
Net sales revenue	2,103,632	2,030,995	72,637	4
Cost of goods sold	1,428,158	1,435,996	(7,838)	(1)
Gross profit	675,474	594,999	80,475	14
Operating expenses	352,773	291,295	61,478	21
Net operating profit	322,701	303,704	18,997	6
Non-operating income and expenditure	97,397	28,379	69,018	243
Pre-tax profit	420,098	332,083	88,015	27
Income tax expense	(81,384)	(61,449)	(19,935)	(32)
Net profit	338,714	270,634	68,080	25
Other comprehensive income	64,705	(25,921)	90,626	350
Total comprehensive income for the period	403,419	244,713	158,706	65

Notes/Analysis on changes in increase or decrease percentage:

1. Increase in gross profit: Mainly due to recovery of sales of clothing industry in the terminal market, and the Company's continued effort to cultivate new customers, which resulted in an increase in sales revenue.
2. Increase in operating expenses: Mainly due to the Company's continued effort to cultivate new customers, which resulted in an increase in related expenses.
3. Increase in non-operating income and expenditure: Mainly due to interest income from time deposits.
4. Increase in pre-tax profit and after-tax profit: Mainly due to the increase in 2022 revenue.
5. Increase in income tax expense: Mainly due to the increase in 2022 pre-tax profit.
6. Increase in other comprehensive income and total comprehensive income for the period: Mainly due to increase in exchange rate changes, which resulted in an increase in exchange difference arising from translation of foreign financial statements.

III. Cash flow analysis

CASH, BEGINNING OF YEAR	Net cash flow from operating activities	Inflow (outflow) of net cash from other activities	Cash balance	Liquidity contingency plan	
				Investment plan	Financial plan
\$565,867	\$1,791,358	(\$1,748,438)	\$608,787	-	-

1. Analysis on the cash flow changes of the current year:
 - (1) Cash flow from operating activities: Cash flow from operating activities is mainly generated from cash inflow from operating profits and the decrease in financial assets at fair value through profit or loss.
 - (2) Cash flow from other activities: Cash flow from investment activities is mainly generated from the increase in financial assets measured at amortized cost, annual expenditure on the upgrading and maintenance of relevant equipment. Cash flow from financing activities is mainly generated from the distribution of cash dividends.
2. Liquidity contingency plan and liquidity analysis: N/A
3. Cash flow analysis for the coming year:
 - (1) Cash flow from operating activities: The Group expects a continued growth in revenue and profit into 2023, and a continued cash inflow from operating activities.
 - (2) Cash flow from investing activities: Mainly consisted of the annual capital expenditure on the upgrading and maintenance of relevant equipment.
 - (3) Cash flow from financing activities: Bank loans and repayments and cash dividend distribution are arranged based on the cash flows from overall operating and investing activities.

IV. Impact of Significant Capital Expenditures on Financial Operations in the Past Years:

N/A.

V. Investment policy in the past year, profit/loss analysis, improvement plan, and investment plan for the coming year

1. Reinvestment policy

The Company's investment in other companies is for the purpose of the Group's operating needs. The operating revenue is mainly from export to southeast Asia and is stable. Currently, the Company's investment policies and operating procedures are handled in accordance with "Asset Acquisition and Disposal Procedure", "Procedures for Transactions with Related Parties" and "Regulations on Transactions with Related Parties, Specific Companies and Groups" formulated by the Company and passed at its board or shareholders' meetings, and also the procedures for investment cycles specified in the internal control system. In terms of internal control, all investee companies shall comply with the bylaws of the Company, local laws and regulations, as well as actual business operation.

2. Reasons for reinvestment profit or loss, and improvement plans for next year

Name of Company	Amount of reinvestment profit or loss in the most recent year (2022)	Main reasons for profit or loss	Improvement plan
YFY RFID CO. LIMITED	343,499	Mainly due to income from investment accounted for using the equity method.	-
Arizon RFID Technology Co., Ltd.	381,007	Mainly due to recovery of sales of clothing industry in the terminal market, and the Company's continued effort to cultivate new customers, which resulted in an increase in sales revenue.	-
Arizon RFID Technology (Hong Kong) Co., Ltd.	(46,103)	Mainly due to the completion of Taiwan Branch and its entering into mass production, and continued expenses from fixed costs.	We will continue to order from NAXIS, and received verification from new clients to increase supply.
Arizon RFID Technology (Japan) Co., Ltd.	(674)	Mainly due to expected supply increase from certification of new customers going forward.	-
YEON Technologies (Yangzhou) Co., Ltd.	3,184	Mainly due to good business operation.	-

3. Investment plan in the coming year: N/A.

VI. Risk analysis and assessment in the last year and up to the print date of this annual report:

(I) The impact of interest rate, exchange rate change, and inflation on the company's profit and loss and future response measure

(1) Impact of changes in interest rates on the Company's profitability and response measures

The Group's interest income is generated from bank deposits; interest expense is from imputed interest expense from lease liabilities and part of the Group's borrowings. The Group's interest income for the years 2021 and 2022 are NT\$18,936 thousand and NT\$55,507 thousand, accounting for 5.70% and 13.21% of pre-tax profit, respectively; interest expenses for the years 2021 and 2022 are NT\$308 thousand and NT\$433 thousand, accounting for 0.09% and 0.10% of pre-tax profit, respectively. This shows that changes in interest rates pose no material adverse impact on the Group's operation.

Response measures:

The Group has established and has been maintaining good credit relation with the banks. It also watches the trend of market interest rates, so as to obtain preferred interest rate terms when there are capital needs for business expansion in the future. In addition, the Group mitigates its interest rate risks by a comprehensive financial planning and appropriate utilization of other financial instruments.

(2) Impact of changes in exchange rates on the Company's profitability and response measures

The main operating sites of the Group is located in mainland China and Taiwan, with the main sales target market in mainland China. The Group's sales transactions are mainly denominated in USD and RMB, and so are procurement of raw materials. Although receivables and payables offset each other and has a certain level of hedging effect, exchange rate losses may still arise, as RMB and NTD are needed for daily operation at operating sites.

Response measures:

1. Our finance unit works closely with all financial institutions, and gathers information of exchange rate changes at all times, grasps the exchange rate trends and changes in the world, and uses this information as reference for managing foreign currency accounts so as to proactively respond to the effects caused by exchange rate fluctuations.
2. When providing quotes to customers, we take into the consideration the effects of exchange rate fluctuations, and take a conservative approach when providing quotes, so as to minimize the impact of exchange rate fluctuation on the revenue of received orders.

3. The Group evaluates exchange rate fluctuations, and utilizes spot and forward foreign exchange transactions in accordance with "Asset Acquisition and Disposal Procedure" to hedge potential risks, in order to minimize the impact of exchange rate fluctuation on the Company's income.

(3) Impact of inflation on the Company's profitability and response measures

There is no incidence of significant impact on the Group's profit caused by inflation. In the future, the Group will continue to watch the changes in global market, and pay attention to possible inflation risks.

Response measures:

The Group maintains a good relationship with its suppliers and customers. When there is a change of price in the market, the Group reflects such matter on the cost and sales price of its products. Thus, inflation has not had significant impact on the Group's major subsidiaries.

(II) Policies on high risk or high leverage investments, lending to others, making endorsements or guarantees, and trading derivatives, reasons for profit or loss, and response measures

- (1) Policies on high risk or high leverage investments, reasons for profit or loss, and response measures

The Company upholds the basis of steady operation, focuses on the business operations and values technological research and development and the expansion of sales and marketing, all under the premise of a sound financial development. Therefore, the Company did not engage in high risk or high leverage investments in last year and up to the print date.

- (2) Policies on lending to others, making endorsements or guarantees, and trading derivatives, reasons for profit or loss, and response measures

Up to the print date, the Group has not made endorsements or guarantees to others. In addition, the Company has formulated "Procedure for Lending Funds to Other Parties," "Procedures of Making of Endorsement and Guarantees," "Asset Acquisition and Disposal Procedure" and "Procedures for Engaging in Financial Derivative Transactions" to govern relevant matters.

(III) Future R&D Plans and Expected R&D Investment:

- (1) Future R&D Plans

Project name	Plan content:
Analysis and development of visualized LED tags	1. Research of radio frequency field on the activation of LED 2. Modification of LED production equipment

Project name	Plan content:
	3. Standards for LED production testing 4. Development of supporting software
Design and development of heat-resistant and water-proof tag for industrial linen (hotels)	After the above washing procedure, tags on 5 to 10 linens are able to read 200 loops in dense reader mode.
Development of ultra-high frequency RFID tags for dense reader environments (E.g., test papers, bills, files, etc.)	Development of RFID tags for dense reader mode of >100pcs
Development of molded-in RFID tags for medicine packaging	1. Development of RFID tags for injection/blowing molding that are visually smooth after injection/blowing molding; completed verification of the production technology 2. RFID tags molded in HDPE bottles with thermal resistance as low as -40°C; completed verification of the production technology
Development of production technology of high precision eco-friendly tag, and quality upgrade	1. Upgrade products, and develop tags of the small-sized chip series 2. Optimize high precision Bonding technology

(2) R&D expenditure to be invested

The Group proposes to invest NT\$90,000 thousand in R&D for the year 2023. As the Group's business grows and expands, we invest in R&D to accelerate R&D speed so as to support future R&D plans. In addition to the procurement and R&D of relevant materials and equipment, we will also continue to recruit R&D talents with abundant experience and creativity to enhance the R&D capacity and, in turn, the Group's market competitiveness.

(IV) Impact of important policy and legislative changes in Taiwan and overseas on financial operations and response measures:

The Company is registered in Cayman Islands but it is mainly operated in mainland China and Taiwan. All business operations of the Group are in compliance with domestic and foreign major policies and ordinances. The Group pays close attention to any changes to the major policies and ordinances of its operating sites and makes preventive preparations through an array of means beforehand. In the event of such changes, the Group consults lawyers, accountants, or other relevant units, or retains them to evaluate and make necessary measures, so as to respond appropriately to the changes in the market in a timely manner. Up to the print date, there is no incident of changes in the major policies and laws of the Group's operating sites and Cayman Islands that cause significant impact on the Group's business operation.

(V) Impact of recent technological (including cyber security risks) and market changes on the Company's finance and business, and response measures:

In the face of the fast-changing technological and industrial environment, the Group pays close attention to the changes in technology and the trends in the industry in which it is involved. It also works closely with its customers to grasp the latest industrial and developmental trends and market information, gather

information about advances in technologies and changes in trends, and continues with the work to improve in all areas so as to increase production efficiency. In addition, the Group has established a comprehensive network and cyber security protection system, to maintain and secure important data of its R&D, management, and finance. Although there is no guarantee of absolutely no cyber security threats or malicious hacker attacks on the system, the Group strives to ensure the appropriateness and effectiveness and improve the response capability of its security system through regular review and evaluation of the control cycle. Up to the print date, there is no significant impact of recent technological (including cyber security risks) and market changes on the Company's financial operations.

(VI) Impact of corporate image change on risk management and response measures

The Group upholds its business philosophy of integrity, trustworthiness, and sustainable operation, devotes itself to its core business since its establishment, and focuses on improving its product image while maintaining a harmonious labor-management relation so as to upkeep its good corporate image. Up to the print date, there is no major corporate image change that impacted the Group.

(VII) The expected benefits and possible risks of mergers and acquisitions as well as the responding measures: N/A

(VIII) Expected benefits of plant expansion, potential risks, and response measures: N/A

(IX) Risks in concentrated procurement or sales and response measures:

(1) Purchase concentration risk

52.12% and 63.65% of the Group's total procurement are from its largest supplier, Impinj, in the years 2021 and 2022, respectively. Impinj is one of the main RFID suppliers in the world among others such as NXP, EM Microelectronic, and Alien Technology, and has world-leading technology and good product quality. In order to fulfill orders amidst world chip shortage in recent years, the Group raised its chip stock level and thus, increased its procurement percentage from Impinj. The Group maintains three or more suppliers for its main suppliers, and these suppliers are world-renowned mega manufacturers in the industry, with which the Group has a long-standing and stable business relationship. Furthermore, due to the shortage of IC chips in recent years, the Group not only consolidates its position as a core customer of Impinj, but also works on increasing the number of chip types that are compatible with ARC-certified products and other measures, so as to increase procurement volume from another leading chip supplier -- NXP. As manufacturers in China continue to launch new chip products that can be widely used in RFID, the Group will be open up to more procurement options, and thus there is no event of supply shortage that affected the Group's production scheduling.

(2) Sales concentration risk

The Group is a main tag supplier of world-renowned apparel brands. In 2021 and 2022, the Group's net revenue from its top 10 customers accounted for 42.70% and 36.39%, respectively, and sales to each of its customers are under 10%.

(X) Impact of mass transfer of equity by or change of directors, supervisors, or shareholders holding more than 10% equity of the Company, associated risks and response measures:

As the Company needs to meet the requirements for the diffusion of ownership when applying for share listing, Yuen Foong Yu Investment Holding convened and passed at its audit committee and board meeting on August 10, 2022 and August 12, 2022, respectively, the diffusion of ownership of Arizon RFID Technology (Cayman) Co., Ltd. for the purpose of share listing. It was resolved YFY Global, a subsidiary of Yuen Foong Yu Investment Holding will release 10,100 thousand name-bearing shares in Arizon RFID Technology (Cayman) Co., Ltd., accounting for 15.29% of total issued shares for financial investors' subscription through auction at a reserve price of NT\$70 per share. An equity evaluation report has been issued by Diwan Financial Advisory Services Co., Ltd. and RSM Taiwan has been retained to express its opinion on the reasonableness of the sales price, legitimacy of the share release, and suitability of buyers.

The composition of directors, or shareholders holding more than 10% of the Company's shares and the shareholding ratio are stable. Up to the print date, there are no major transfers of shares.

(XI) Impact of control transfer and risks: The Company is not exposed to risks of control transfer.

(XII) Litigation or non-litigation events:

1. With respect to the Company's lawsuits that have been closed with a judgment, ongoing litigations, non-contentious matters or administrative proceedings during the past two years and as of the day its annual report goes to press, related facts, target amounts, litigation commencement dates, major parties in litigation and the current status shall be disclosed, provided that their outcomes may have a significant impact on shareholders' equity or securities prices: N/A
2. With respect to lawsuits that have been closed with a judgment, ongoing litigations, non-contentious matters or administrative proceedings implicating the Company's Directors, Supervisors, President, actual responsible person, or major shareholders with a stake of more than 10% of the Company and its affiliated companies during the past two years and as of the day its annual report goes to press, related facts, target amounts, litigation commencement dates, major parties in litigation and the current status shall be disclosed, provided that their outcomes may have a significant impact on shareholders' equity or securities prices: N/A
3. The Company's Directors, Supervisors, President, actual responsible person, or major shareholders with a stake of more than 10% of the Company have been implicated in scenarios stipulated in Article 157 of the Securities and Exchange Act during the past two years and as of the day its annual report goes to press, as well as the current status on the Company's response measures: N/A

(XIII) Other significant risks and response measures:

1. For other information pertaining to significant risks to the Company's operation and its countermeasures, please refer to the "favorable and unfavorable factors for future development, and countermeasures" part in the operational overview of this annual report.
2. Risks associated with the overall economy, political/economic environment, foreign exchange and regulations. This Company, registered in the Cayman Islands, mainly deals in Mainland China and

Taiwan. The followings are changes that it encounters in terms of the overall economic and political environment.

(1) The impact of foreign exchange fluctuations on the Company's bottom line and its countermeasures going forward. The Group's actual and main operating facilities are located in Mainland China and Taiwan, with sales concentrating on the Mainland Chinese market. Sales of goods and transactions are mostly denominated in USD and RMB. Procurement and transactions of imported raw materials are also mostly denominated in USD and RMB. Although offsetting receivables against payables could naturally generate a certain level of hedging, foreign exchange gains and losses are still unavoidable as operating facilities need to convert their foreign currencies to RMB or NTD to pay for their daily operations. Countermeasures:

① Finance departments remain in close contact with various financial institutions so as to collect related information pertaining to changes in foreign exchange at all times, and to stay on top of information regarding international foreign exchange trends and changes. Such information could be leveraged as reference for adjusting portfolios in the Company's foreign currency accounts to actively respond to the impact of foreign exchange fluctuations.

② When offering quotations to customers, more prudent and conservative foreign exchange rates are adopted out of consideration for possible impact from foreign exchange fluctuations. The level of impact from foreign exchange fluctuations on the profitability of received orders could thereby be reduced.

③ The Group regularly assesses foreign exchange fluctuations. In accordance with the Group's "Procedures for the Acquisition or Disposal of Assets", it uses transactions on the spot and forward markets for hedging at appropriate times, in hopes of minimizing the impact of foreign exchange fluctuations on the Company's bottom line.

(2) Inflation's impact on the Company's bottom line & future countermeasures. The Group has never experienced any incident that impacted its bottom line as a result of inflation. Going forward, the Group will continue to keep a close eye on market changes around the world, and remain mindful of potential inflation risks at all times. Countermeasures: The Group maintains close and sound interactions with its suppliers and customers. In the event of changes to market prices, they would be reflected in product costs and prices in a timely fashion. Therefore, inflation has not impacted the bottom line of this key subsidiary. And risks of foreign exchange fluctuations.

3. The Company's executive management is about to face major challenges for the first time since the Company became publicly listed.

The Company has done remarkably well in the field of RFID tags. However, it has to face an enormous number of investors, shareholders or professional investment institutions after the IPO. Furthermore, as a foreign enterprise, the Company has yet to adapt to and understand related securities rules and regulations of the Republic of China. Going forward, the Company will designate specific personnel to be in charge of investor relations and compliance with related ROC securities rules and regulations, as part of its measures to address the challenges it has to face after the IPO.

4. Risks to safeguarding shareholders' interests

The Company Act of the Cayman Islands differs greatly from that of the ROC in terms of regulations. The Company has amended its Articles of Incorporation in accordance with Taiwan Stock Exchange Corporation's "Checklist for Protecting Shareholders' Interests in a Foreign Issuer's Country of

Incorporation". However, as there are still many discrepancies between the two countries' regulations in terms of their company operation guidelines, investors are unable to apply their views about regulations applicable to investing in a ROC company as well as the protection of shareholders' interests to their investment in a company registered in the Cayman Islands. Investors should make sure that they understand and consult experts with respect to whether they may or may not be entitled to certain protections of shareholders' interests when investing in a company incorporated in the Cayman Islands.

5. As a holding company, the Company relies on the performance of its subsidiaries and branches as well as their ability to distribute dividends. It is also limited by restrictions associated with their dividend distributions and fund transfers.

The Company is a holding company set up in the British Cayman Islands with no commercial operations or operating revenues of its own. The Company relies on subsidiaries and branch offices operating under it as source of profits. The Company's subsidiaries operating in Mainland China and Hong Kong and its branch offices operating in the Republic of China are its important sources of operating profits. Therefore, the Company's cash dividend distributions would be influenced by its subsidiaries' cash dividend distributions or surplus reserve retention. However, these subsidiaries' cash dividend distributions are bound by local laws regulating cash dividend remittance at the time of distribution, as well as cash transfer and foreign exchange restrictions. They are also subject to foreign exchange fluctuations. The Company is not able to fully control them.

Moreover, the Company's subsidiaries are all separate and independent legal persons. When these subsidiaries are bankrupt, insolvent, reorganized, liquidated or when their assets are realized, their creditors, including their trading partners, take precedence over the Company in terms of asset access and distribution priority.

Payout of the Company's dividends or distribution of other interests shall be conducted in accordance with related regulations. It is suggested that investors make sure they fully understand and consult experts with respect to taxation ramifications derived from their investing in a holding company.

6. Risks of Statement Made in This Annual Report

(1) Facts & Statistics

Certain data and statistics in this annual report are derived from different statistical publications. However, those kinds of data may be inaccurate, incomplete or not up-to-date. The Company has no comment on the accuracy or precision of those kinds of statements. Investors should not be overly reliant on such data when they make their investment decisions.

(2) Forward-Looking Statements in This Annual Report and Their Risks & Uncertainties

This annual report includes some forward-looking statements and information about the Company. Such statements and information are based on company management's belief, assumptions and the latest information available to them. In this annual report, when "expect", "believe", "could", "anticipate", "hereafter", "intend", "or would", "must", "plan", "estimate", "seek", "should", "would", "may", "expected" and other similar expressions are used in the context of the Company or its management, they are forward-looking statements. These kinds of statements reflect company management's views on future events, operations, circulating capital and fund sources. Some of those views may not materialize or may be subject to change. Such statements would be influenced by certain risks, uncertain factors and assumptions,

including other risk factors stipulated in this annual report. Investors should deliberate upon relying on any forward-looking statements pertaining to known and unknown risks as well as uncertain factors. Risks and uncertain factors like these confronting the Company may affect the accuracy of these forward-looking statements, including but not limited to the following aspects:

- ① Descriptions in the fifth segment of this annual report about operational overview.
- ② Certain statements about trends of prices, quantities, operations, profits, overall market trends, risk management and foreign exchange rates in this annual report.

The Company will not update forward-looking statements in this annual report, nor will it amend them in response to subsequent events or information. Due to such risks, other risks, uncertain factors and assumptions, forward-looking statements and situations depicted in this annual report may not unfold in the way the Company expects, or may not materialize at all. Therefore, investors should not rely on any forward-looking statements. For other significant risks to the Company's operations and its countermeasures, please refer to the "favorable and unfavorable factors for future development, and countermeasures" pertaining to the Company in this annual report. In spite of such countermeasures, implementation may still be incomplete as a result of force majeure. Therefore, related risks may still affect the Company's operations, operating results and financial situation.

VII. Other important matters: N/A



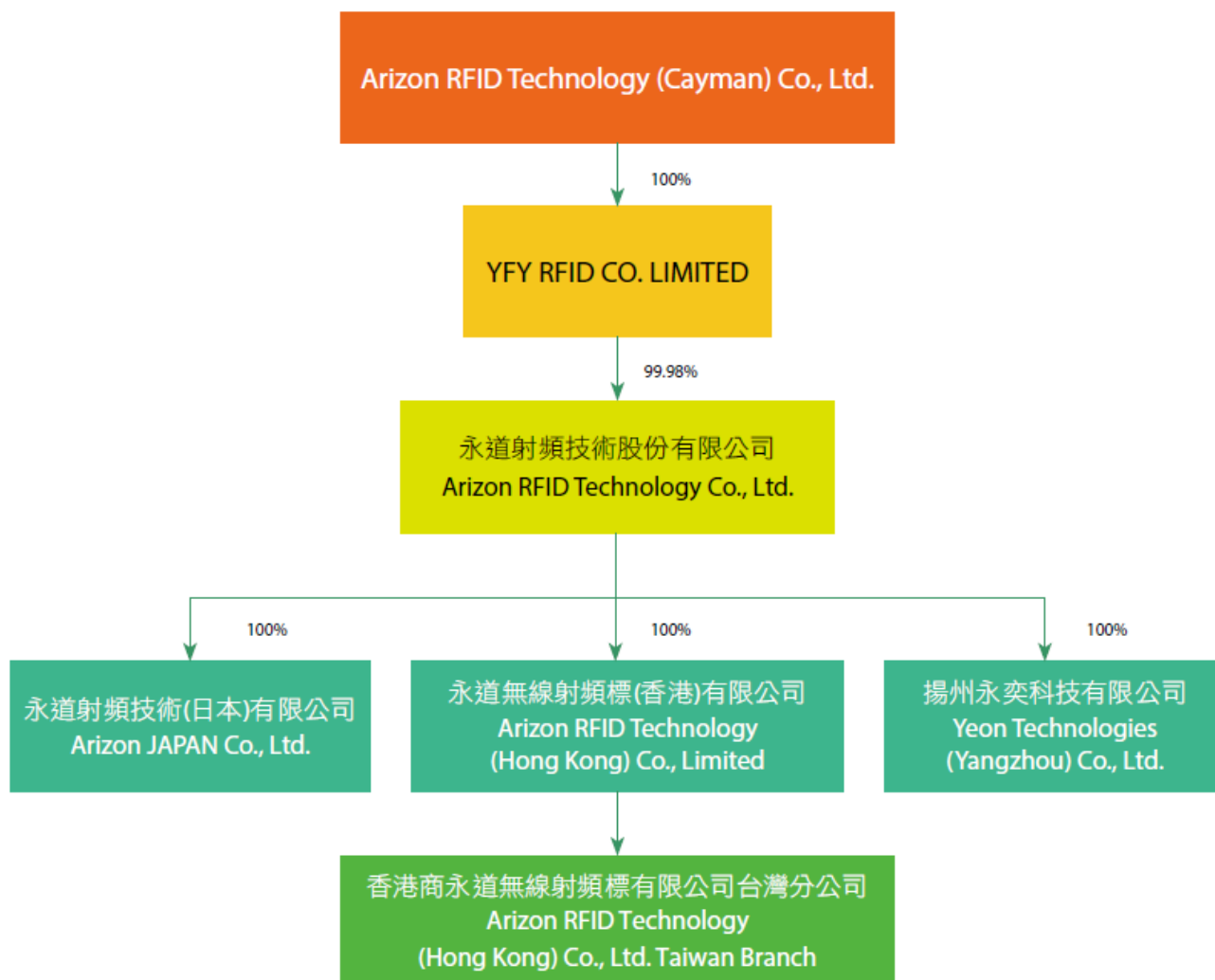
Chapter 8. Special Disclosures

I.	Information of Affiliates	142
II.	Progress of Private Placement of Securities During the Last Year and Up to the Print Date of the Annual Report	147
III.	Holding or Disposal of the Company's Shares by Subsidiaries in the Past Year and Up to the Print Date of the Annual Report	147
IV.	Other Supplemental Information	147
V.	The matters of special note shall include an explanation of any material differences from the rules of the ROC in relation to the protection of shareholder equity	147
VI.	Any Incidents with Material Impact on Shareholder Equity or Security Price as Described Under Subparagraph 2, Paragraph 3, Article 36 of the Securities and Exchange Act in the Last Year and Up to the Print Date for the Annual Report	154

Chapter 8 Special disclosures

I. Information of affiliates

(I) Organizational Chart



(II) Basic information of the various affiliated enterprises

Up to December 31, 2022

Unit: NT\$ thousand (NT\$ unless otherwise specified)

Company name	Date of establishment	Address	Paid-in capital	Main businesses/products
YFY RFID Co., Limited	2010/06/25	13/F Amber Commercial Building, 70 Morrison Hill Road, Wanchai, Hong Kong	USD 29,585	General investment.
Arizon RFID Technology Co., Ltd.	2004/06/11	No. 88 Wuzhou E. Rd., Economic Development Park, Yangzhou, Jiangsu	RMB 194,290	Production of various high-frequency and ultra-high frequency RFID INLAY and label cards.
YEON Technologies (Yangzhou) Co., Ltd.	2007/09/18	No. 88 Wuzhou E. Rd., Economic Development Park, Yangzhou, Jiangsu	RMB 8,000	Design and distribution of RFID and related assemblies, as well as smart identification systems and reception antennas.
Arizon RFID Technology (Hong Kong) Co., Ltd.	2017/10/02	Rm 2702-03, C. C. Wu Building, 302-8 Hennessy Road, Wan Chai, HK	USD 22,000	Product distribution and R&D service
Arizon Japan Co., Ltd.	2019/08/08	3-2-11 Nishishinjuku, Shinjuku, Tokyo, Japan	JPY 50,000	Product distribution and technology consulting services

Note: Exchange rate on the report day US\$1=30.71, RMB1=4.409442, JPY1=0.2324

(III) Information on the same shareholders who are presumed to have control and subordination: N/A

(IV) The industries covered by the business of the overall related enterprise: general investment, various hardware products of RFID intelligent identification system, software system development and label design, and peripheral system integration services supply.

(V) Basic information of Directors, Supervisors, and Presidents of affiliates

December 31, 2022 Unit: No. of shares/shares, investment amount/NT\$

Company name	Title	Name or representative	Shares held	
			Number of shares	Shareholding ratio (%)
YFY RFID Co., Limited	Director Director	YFY Global Investment BVI Corp. Felix Ho		
Arizon RFID Technology Co., Ltd.	Chairman Director Director Director Director Supervisor Supervisor Supervisor President	Felix Ho Bing-Yi Lin Hong-Shi Wen Lin-En Zhou Wan-Chuan Lin Zhi-Qing Min Kuan-Yu Lin Qiu-Yue Xia Bing-Yi Lin		
YEON Technologies (Yangzhou) Co., Ltd.	Chairman Director Director Supervisor President	Bing-Yi Lin (Representative of RFIDYD AI & Network Technology Co., Ltd.) Hong-Shi Wen (Representative of RFIDYD AI & Network Technology Co., Ltd.) Kuo-Feng Kao (Representative of RFIDYD AI & Network Technology Co., Ltd.) Nai-Hsia Wu (Representative of RFIDYD AI & Network Technology Co., Ltd.) Hong-Shi Wen	Investment RMB 8,000,000	Investment Percentage 100.0
Arizon RFID Technology (Hong Kong) Co., Ltd.	Director Director	Bing-Yi Lin (Representative of RFIDYD AI & Network Technology Co., Ltd.) Hong-Shi Wen (Representative of RFIDYD AI & Network Technology Co., Ltd.)	Investment USD 22,000,000	Investment Percentage 100.0
Arizon Japan Co., Ltd.	Director Director Director Supervisor	Felix Ho (Representative of RFIDYD AI & Network Technology Co., Ltd.) Bing-Yi Lin (Representative of RFIDYD AI & Network Technology Co., Ltd.) Xiao-Zhi Luo He Nai-Hsia Wu	Investment JPY 50,000,000	Investment Percentage 100.0

(VI) Financial and operational overview of affiliated companies

2022

Unit: NT\$ thousand

Company name	Paid-in capital	Total assets	Total liabilities	Net worth	Operating revenue	Operating profit	Current profit and loss (after tax)	Earnings per share (NT\$) (after taxes)
YFY RFID Co. Limited	908,552	3,983,203	-	3,983,203	-	(525)	380,768	14.87
RFIDYD AI & Network Technology Co., Ltd.	856,710	4,412,318	467,076	3,945,242	1,902,992	413,315	381,158	1.96
YEON Technologies (Yangzhou) Co., Ltd.	35,276	64,647	2,177	62,470	17,529	291	3,184	
Arizon RFID Technology (Hong Kong) Co., Ltd.	675,620	552,594	96,931	455,663	300,225	(49,961)	(46,103)	(2.10)
RFIDYD AI & Network Technology (Japan) Co., Ltd.	11,620	13,772	7,608	6,164	46,398	(755)	(674)	(674.00)

(VII) Affiliated enterprises report: N/A

(VIII) Consolidated financial statements of various affiliated enterprises:

Declaration of consolidated financial statements of affiliated enterprises

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2022 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard No. 10, “Consolidated Financial Statements.” Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we have not prepared a separate set of consolidated financial statements of affiliates.

Hereby solemnly and sincerely declared by



Name of Company: Arizon RFID Technology (Cayman)co., Ltd.

Chairman: Felix Ho



March 15, 2023

II. Progress of Private Placement of Securities During the Last Year

and Up to the Print Date of the Annual Report: N/A

III. Holding or Disposal of the Company's Shares by Subsidiaries in the Past year and Up to the Print Date of the Annual Report: N/A

IV. Other supplemental information: N/A

V. The matters of special note shall include an explanation of any material differences from the rules of the ROC in relation to the protection of shareholder equity.

Due to the slight inconsistency between the laws of the British Cayman Islands and the laws of the Republic of China, the Taiwan Stock Exchange Co., Ltd.'s "Checklist for the Protection of Shareholders' Equity in the Country in which the Foreign Issuer is Registered" (hereinafter referred to "Checklist for the Protection of Shareholders' Equity") does not necessarily apply to the company. The following list explains the differences between the company's currently valid Memorandum and Articles of Association (hereinafter referred to "AOA") and the protection of shareholders' equity due to the provisions of the laws of the British Cayman Islands, and the provisions of the company's AOA.

Differences	Cayman law and description	Memorandum and Articles of Association ("AOA") regulations and description
1. Formation and change of company capital		
1. The company shall not cancel its shares unless it reduces its capital in accordance with the resolution of the shareholders' meeting; the reduction of capital shall be made in accordance with the proportion of shares held by shareholders. 2. When the company reduces its capital, it may return the share payment with property other than cash; the property to be returned and the amount to be replaced shall be resolved by the	According to the provisions of the Companies Act of the Cayman Islands, the reduction of issued shares can only be canceled after going through the procedure of stock buyback, and the company has no right to cancel the shares still held by shareholders.	Article 27 and Article 51(c) of the Company's AOA stipulate that the company's procedures for reducing capital are carried out through share repurchases. These differences are caused by the provisions of the Companies Act of the Cayman Islands. There are no restrictions on the procedure by which a company can reduce its capital.

Differences	Cayman law and description	Memorandum and Articles of Association ("AOA") regulations and description
shareholders' meeting and approved by the shareholder receiving the property. 3. The Board of Directors shall submit the value of the property mentioned in the preceding paragraph and the offset amount to an accountant of the ROC for verification and approval before the shareholders' meeting.		
1. Procedures for the company to sign stock option contracts with employees or issue employee stock option certificates. 2. Employee stock option certificates are not transferable, except for successors.	The Companies Act of the Cayman Islands does not have special regulations on matters such as employee stock option contracts or the procedures for issuing employee stock option certificates. These restrictions on transfer are part of the contractual relationship between the company and its employees and should be stipulated in the employee stock option contract.	Article 14 of the Company's AOA has been amended according to the important matters for the protection of shareholders' rights listed on the left. However, according to Cayman law, if it is desired to restrict the transfer of employee stock option certificates, it should still be stipulated in the employee stock option contract or stock option certificates.
Shares with no par value adopted by the company shall not be converted into shares with par value.	According to Article 8 of the Companies Act of the Cayman Islands, a Cayman company shall not divide its capital into shares with a fixed amount and shares with no par value.	The issued shares of the company are par value stock, this important issue of shareholder equity protection does not apply to the company.
2. The convening procedure and resolution method of the shareholders meeting		
The convening of the physical shareholder meeting of the company shall be held within the territory of the ROC. If a physical shareholder meeting is held outside the Republic of China, it shall report to the stock exchange for approval within two days after the resolution of the board of directors or the approval of the shareholders to convene by the competent authority.	There is no local competent authority in the Cayman Islands responsible for examining whether shareholders can convene shareholders' meetings by themselves. There is also nothing in the Companies Act of the Cayman Islands that prohibits a company from regulating its meeting procedures in its AOA.	If the shareholders convene the shareholders' meeting outside the Republic of China, since the shareholders convene the extraordinary shareholders' meeting by themselves without the permission of the local competent authority of the Cayman Islands, Article 34 of the company's AOA only stipulates that it should be reported to the TPEx or the stock exchange (as applicable) for approval in advance. This part shall have no substantial impact on the company's shareholders' equity.
1. When a company convenes a general meeting of shareholders, it shall list	The Companies Act of the Cayman Islands does not specify whether shareholders	The latter paragraph of Article 63 and Article 69 of the Company's AOA stipulate that

Differences	Cayman law and description	Memorandum and Articles of Association ("AOA") regulations and description
<p>electronic means as one of the channels for exercising voting rights.</p> <p>2. When the company exercises voting rights in writing or electronically, the method of exercise shall be specified in the shareholders meeting convening notice.</p> <p>Shareholders who exercise their voting rights in writing or electronically shall be deemed to have attended the shareholders' meeting in person. However, it shall be regarded as abstaining from voting on the temporary motion of the shareholders meeting and the amendment of the original motion.</p> <p>3. Shareholders who exercise their voting rights in writing or electronically shall send their declaration of intent to the company two days before the shareholders meeting. In case of duplicate declarations of intent, the first one shall prevail. However, this does not apply to those who express their intention before the declaration is revoked.</p> <p>4. Shareholders who wish to attend the shareholders' meeting in person after exercising their voting rights in written or electronic means shall revoke the declaration of intention to exercise voting rights in the preceding paragraph in the same manner as for exercising voting rights two days before the shareholders' meeting; voting rights exercised electronically shall prevail.</p>	<p>who exercise their voting rights in writing or electronically can be deemed to attend the shareholders' meeting in person. If the AOA stipulate that shareholders exercise their voting rights in writing or electronically, it shall be deemed as appointing the chairman of the shareholders meeting as their proxy.</p> <p>The Cayman Company Law does not have provisions for shareholders to revoke the power of attorney, but the company's AOA may still stipulate relevant provisions for revoking the power of attorney when shareholders do not attend the general meeting in person. However, according to the principles of common law in Cayman, regardless of any provisions to the contrary in the company's AOA, shareholders who vote in person at the general meeting of shareholders should have priority.</p>	<p>shareholders who exercise voting rights in writing or electronically shall be deemed to entrust the chairman of the shareholders' meeting as a proxy to exercise voting rights in accordance with the contents contained in the written or electronic documents.</p> <p>Therefore, shareholders who exercise voting rights in writing or electronically can enjoy all the rights of shareholders who exercise voting rights in writing or electronically in accordance with the laws of the Republic of China, and there should be no substantial impact on the shareholders' equity of the company.</p> <p>According to the common law principles of Cayman, shareholders attending the general meeting to vote in person should have priority. However, Article 64 and Article 67 of the company's AOA have been amended according to important matters concerning the protection of shareholders' equity, which should have no substantial impact on the rights and interests of shareholders of the company.</p>
1. The AOA of the company may stipulate that profit	There is no relevant mandatory regulation in the Companies	According to Article 107 (3) of the company's AOA, the

Differences	Cayman law and description	Memorandum and Articles of Association ("AOA") regulations and description
<p>distribution or loss allocation shall be made after the end of each quarter or half of the fiscal year.</p> <p>2. Proposals on the company's profit distribution or loss compensation for the first three quarters or the first half of the fiscal year should be submitted to the supervisor or the audit committee for review together with the business report and financial statements, and then submitted to the board of directors for resolution.</p> <p>3. When distributing surplus according to the provisions of the preceding paragraph, the company shall first estimate and retain the tax payable, make up losses according to law, and set aside the statutory surplus reserve. However, this restriction does not apply when the statutory surplus reserve has reached the paid-in capital.</p> <p>4. When the company distributes earnings in accordance with the provisions of Paragraph 2 by issuing new shares, shareholders representing more than two-thirds of the total number of issued shares shall be present, and more than half of the voting rights of the attending shareholders shall agree to do so. If the total number of shares of shareholders</p>	<p>Act of the Cayman Islands for profit distribution or loss appropriation after the end of each quarter or half of the fiscal year, which can be stipulated in the AOA of the company.</p>	<p>company adopts the annual profit distribution system, and does not adopt the quarterly or semi-fiscal year end distribution of surplus or appropriation of losses, therefore, the following important matters for the protection of shareholders' equity listed on the left are not applicable.</p>

Differences	Cayman law and description	Memorandum and Articles of Association ("AOA") regulations and description
<p>present is less than the above-mentioned quota, it can be done with the consent of shareholders representing more than half of the total number of issued shares and more than two-thirds of the voting rights of shareholders present; the distribution of cash shall be subject to a resolution of the board of directors.</p> <p>5. When the company distributes profits or makes up losses in accordance with the preceding four paragraphs, it shall do so in accordance with the financial statements audited or reviewed by accountants.</p>		
<p>When the procedure for convening a shareholders' meeting or the method of resolution violates the laws or the AOA, the shareholders may appeal to the court to revoke the resolution, and the Taiwan Taipei District Court may be the jurisdictional court of first instance.</p>	<p>The Cayman courts cannot recognize and enforce a foreign judgment that is not a monetary award without re-examining the legal basis of the dispute at issue.</p>	<p>Article 56 of the AOA of the company clearly stipulates the protection of shareholders' equity listed on the left. However, this regulation is slightly different from the important matters listed on the left for the protection of shareholders' equity. The important matters for the protection of shareholders' equity listed on the left are actually the statutory provisions for rescission of the shareholder's right of appeal. Its legal effect cannot be achieved by the provisions of the AOA. It is necessary to have legal provisions to endow shareholders with the right of revocation of appeal.</p>
<p>For any of the following proposals materially involving shareholders' rights and interests, a resolution adopted by a majority of the shareholders present who represent two-thirds or more of the total</p>	<p>The Companies Act of the Cayman Islands law requires special resolutions (including: Amendment to the memorandum and AOA, merger, reduction of capital, capital redemption reserve, voluntary dissolution due to</p>	<p>Article 2 of the company's AOA defines "special resolution" and "supermajority resolution". "Special Resolution" means a special resolution stipulated in the Companies Act of the Cayman Islands. "Supermajority resolution" refers to the</p>

Differences	Cayman law and description	Memorandum and Articles of Association ("AOA") regulations and description
<p>where shares represented by the shareholders attending the shareholders' meeting are less than the preceding minimum requirement, as an alternative, the proposal may be adopted by two-thirds or more of the attending shareholders who represent a majority of the total number of its outstanding shares:</p> <ol style="list-style-type: none"> 1. The company's signing of, amendment to, or termination of a contract in respect of lease of all business, appointment of an agent to operate business, or regular joint operation with a third party, assignment of all or major business or assets, assumption of all business or assets of a third party that may have a significant impact on the operation of the company 2. Amendment to the memorandum and AOA 3. If an amendment to the memorandum and AOA will jeopardize the rights and interest of preferred shareholders, the amendment is subject to approval of a preferred shareholders' meeting 4. Allocation of all or part of share dividends and bonuses through issue of new shares 5. Resolution on dissolution, merger or split-up 6. Share swap 	<p>refers to the shareholders' meeting attended by shareholders representing more than one-half of the company's total issued shares, and a resolution made by "more than two-thirds of the voting rights" of the attending shareholders' voting rights (if the AOA provide for a higher number of voting rights, then the regulations) and cannot be adopted by a lower majority.</p>	<p>thirds of the total number of issued shares in accordance with Taiwan's company law, and the consent of more than half of the voting rights of the attending shareholders. If the total number of shares of shareholders present is less than the above-mentioned quota, it may be done with the consent of shareholders representing more than half of the total number of issued shares present and more than two-thirds of the voting rights of shareholders present. The following matters have been listed as "supermajority resolution" in Article 52 of the company's AOA, However, certain matters should be subject to special resolutions in accordance with the provisions of the Companies Act of the Cayman Islands, and these matters cannot be made below the threshold for special resolutions in the Companies Act of the Cayman Islands, so they are also listed in Article 51 and Article 53 of the AOA. The difference above is limited by the provisions of the Cayman Law. The AOA of the company have separately specified the matters that require "supermajority resolution" and the statutory matters that require special resolutions in accordance with the Companies Act of the Cayman Islands. This difference is for the company's shareholders Interests shall not be adversely affected.</p>
3. Authorities and Responsibilities of Members, Directors, and Supervisors		
<p>If a director conducts business and has a major event that seriously damages the company or violates laws or regulations or the AOA, and the shareholders' meeting does</p>	<p>The Cayman courts cannot recognize and enforce a foreign judgment that is not a monetary award without re-examining the legal basis of the dispute at issue.</p>	<p>The Cayman Court will not recognize and enforce foreign judgments that are not monetary payments without a substantive trial. Therefore, even if the following important matters for the protection of</p>

Differences	Cayman law and description	Memorandum and Articles of Association ("AOA") regulations and description
<p>or the AOA, and the shareholders' meeting does not pass a resolution to remove him, shareholders holding more than 3% of the company's total issued shares may, at the shareholders' meeting Within 30 days thereafter, appeal to the court for dismissal, and the Taipei District Court in Taiwan may be the jurisdictional court of first instance.</p>	<p>dispute at issue.</p>	<p>even if the following important matters for the protection of shareholders' rights and interests are included in the company's AOA, the judgment or ruling made by the Taipei District Court in Taiwan will not It may also not be recognized and enforced by the Cayman courts. In view of this, according to Article 91 of the company's AOA, within the scope permitted by the Cayman Law, the Taiwan Taipei District Court can be the court of first instance jurisdiction, so the difference should have no adverse impact on the company's shareholders' rights and interests.</p>
<p>Regulations on supervisors</p>	<p>The Companies Act of the Cayman Islands does not have a concept equivalent to a "supervisor". It is not clear how effective the establishment of a supervisor by the company's AOA is.</p>	<p>The company adopts the audit committee system and does not have a supervisor. Therefore, the important matters for the protection of shareholders' rights and interests listed on the left do not apply to the company.</p>
<p>1. A shareholder holding 1% or more of the Company's total issued shares for six consecutive months or longer may request in writing the supervisor to institute an action against the director on behalf of the Company, in which case the Taiwan Taipei District Court shall be the court of first instance.</p> <p>2. In the absence of action initiated by supervisor after 30 days of a shareholder's request, the shareholder may initiate an action for the Company, in which case the Taiwan Taipei District Court shall be the court of first instance.</p>	<p>Cayman Islands are unlikely to recognize and enforce foreign judgment which is not the monetary judgment without any reexamination of merits of the underlying dispute.</p>	<p>1. Since the company has not set up a supervisor, Article 92 of the AOA stipulates that qualified shareholders should request independent directors to file a lawsuit.</p> <p>2. Since the Cayman court will not recognize and enforce a foreign judgment on non-pecuniary payments without a substantive hearing, even if this important matter of protecting shareholders' equity is included in the AOA, the judgment or ruling made by the Taipei District Court of Taiwan may not be recognized and enforced by the Cayman court. In view of this, Article 92 of the Company's AOA stipulates that, to the extent permitted by the Cayman Laws, the Taipei District Court of Taiwan may be the court of first instance, so the difference shall have no adverse</p>

Differences	Cayman law and description	Memorandum and Articles of Association ("AOA") regulations and description
		effect on the shareholders' rights of the Company.
<p>1. Directors of the company shall have the loyalty and shall exercise the duty of care as good administrators in conducting the business operation of the company. Director shall be liable for damages to the company in the event of a violation of the above. If the act was performed for themselves or others, the shareholders may resolve at a general meeting to treat the gains from the act as the gains of the company.</p> <p>2. If directors have, in the course of conducting the business operations, violated any provision of the applicable laws and/or regulations and thus caused damage to any other person, the directors and the company shall be jointly and severally liable for the damages to the injured.</p> <p>3. Within the scope of performance of their duties and functions, managers and supervisors of the company shall have the same liability as the directors of the company.</p>	<p>1. According to the Cayman law, if a director causes damage to a third-party during performance of company business, the third party may claim damages against the company, and the company may further claim compensation by the director for losses arising from the third-person claim. Despite of the fact that the AOA provides directors and the Company have joint and several liability, from the perspective of the Cayman law, the third party cannot directly claim against the director.</p> <p>2. Managers generally have no fiduciary duties towards the company. Since the manager is not a party to the AOA, even if it is stipulated in the AOA, it will still have no enforcement power. The above-mentioned obligations should be agreed with the manager in the form of contract.</p>	<p>Article 79 of the Company's AOA has been amended according to the important matters on the protection of shareholders' rights listed on the left. However, under the Cayman Law, even if the company's AOA stipulate that the director should be jointly and severally liable to others and the company, there is no basis for a claim. Therefore, there may not be a basis for the director to directly sue for compensation.</p> <p>2. In addition, although Article 79 of the company's AOA has been stipulated that it is also applicable to the manager, according to the Cayman Law, it should still be agreed with the manager in the form of a contract. Therefore, if the manager's responsibility in this article is to be implemented, the company and the manager should still make a special agreement in the contract. This difference has no adverse impact on the company's shareholders' equity.</p>

VI. Any Incidents with Material Impact on Shareholder Equity or Security Price as Described Under Subparagraph 2, Paragraph 3, Article 36 of the Securities and Exchange Act in the Last Year and Up to the Print Date for the Annual Report: N/A



Appendix: Notes to Consolidated Financial Statements

155

Appendix: Notes to consolidated financial statements

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

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

1. GENERAL INFORMATION

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

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

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

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

2. APPROVAL OF FINANCIAL STATEMENTS

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

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

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

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

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

New IFRSs	Effective Date Announced by IASB
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 1)

Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 2)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 3)

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

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

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

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. Statement of compliance

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

into effect by the FSC.

b. Basis of preparation

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

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

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

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or a liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- 3) Level 3 inputs are unobservable inputs for an asset or a liability.

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

Current assets include:

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

Current liabilities include:

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

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

d. Basis of consolidation

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

and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

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

e. Foreign currencies

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

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

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

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

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

f. Inventories

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

g. Property, plant and equipment

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

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

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

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

h. Intangible assets

1) Separate acquisition

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

2) Derecognition

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

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

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

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

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

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

j. Financial instruments

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

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

1) Financial assets

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

a) Measurement category

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

i. Financial assets at FVTPL

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

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

ii. Financial assets at amortized cost

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

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

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

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

b) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses (ECLs) on financial assets at

amortized cost (including accounts receivable) at the end of each reporting period.

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

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

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

c) Derecognition of financial assets

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

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

2) Equity instruments

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

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

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

3) Financial liabilities

a) Subsequent measurement

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

b) Derecognition of financial liabilities

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

k. Provisions

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

I. Revenue recognition

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

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

m. Leases

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

1) The Group as lessor

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

2) The Group as lessee

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

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

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

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

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

n. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

o. Taxation

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

1) Current tax

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

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

2) Deferred tax

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

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

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

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

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

manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred taxes for the year

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

p. Employee share options

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

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

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

6. CASH AND CASH EQUIVALENTS

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

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

	December 31	
	2022	2021
Cash equivalents	-	1.80%

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

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

8. FINANCIAL ASSETS AT AMORTIZED COST

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

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

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

9. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE

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

December 31, 2022

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

December 31, 2021

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

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

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

10. INVENTORIES

	December 31
	2022
	2021

Finished and purchased goods	\$ 179,696	\$ 91,481
Work in process	26,518	28,693
Materials	<u>267,174</u>	<u>165,286</u>
	<u>\$ 473,388</u>	<u>\$ 285,460</u>

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

11. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements:

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

Remarks:

- In December 2021, YFY RFID purchased 13.47% of the shares from a minority shareholder and became a 99.98%-owned subsidiary.
- The Company was established by YFY RFID as its 100%-owned subsidiary in the fourth quarter of 2021. The organization restructuring was conducted by the Company's share exchange with YFY RFID's share in the first quarter of 2022. After completing the organization restructuring, the Company became the ultimate holding company. The Company is the continuation of YFY RFID, therefore the consolidated financial statements of the Company for the prior period are prepared under the assumption that the Company and YFY RFID were amalgamated at the very beginning and is not restricted by the date of incorporation.

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

12. PROPERTY, PLANT AND EQUIPMENT

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

(Continued)

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

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

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

13. LEASE ARRANGEMENTS

a. Right-of-use assets

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Carrying amounts</u>		
Land	\$ 20,839	\$ 21,018
Buildings	3,268	14,012
Others	<u>1,800</u>	<u>1,971</u>

	<u>\$ 25,907</u>	<u>\$ 37,001</u>
	For the Year Ended December 31	
	2022	2021
Additions to right-of-use assets	<u>\$ 1,537</u>	<u>\$ 1,758</u>
Depreciation charge for right-of-use assets		
Land	\$ 511	\$ 500
Buildings	11,406	11,449
Others	<u>1,068</u>	<u>676</u>
	<u>\$ 12,985</u>	<u>\$ 12,625</u>

b. Lease liabilities

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

Range of discount rates for lease liabilities was as follows:

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

c. Material lease-in activities and terms

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

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

d. Other lease information

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

14. RETIREMENT BENEFIT PLANS

Defined Contribution Plans

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

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

15. EQUITY

a. Ordinary shares

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

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

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

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

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

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

b. Capital surplus

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

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

c. Retained earnings and dividends policy

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

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

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

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

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

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

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

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

d. Non-controlling interests

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

16. REVENUE

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

Contract Balances

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

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

	For the Year Ended December 31	
	2022	2021
Revenue from contracts with customers - sale of goods	<u>\$ 16,461</u>	<u>\$ 8,397</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.

17. NET PROFIT

a. Depreciation and amortization

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

An analysis of amortization by function		
Operating expenses	\$ 1,364	\$ 1,215
b. Employee benefits expense		
	For the Year Ended December 31	
	2022	2021
Short-term employee benefits	\$ 348,719	\$ 342,909
Share-based payment	11,090	-
Post-employment benefits		
Defined contribution plans	<u>17,791</u>	<u>17,282</u>
	<u>\$ 377,600</u>	<u>\$ 360,191</u>
An analysis of employee benefit expense by function		
Operating costs	\$ 188,565	\$ 195,871
Operating expenses	<u>189,035</u>	<u>164,320</u>
	<u>\$ 377,600</u>	<u>\$ 360,191</u>

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

c. Compensation of employees and remuneration of directors

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

Amount

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

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

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

18. INCOME TAXES

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

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

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

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

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

b. Deferred tax assets and liabilities

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

For the year ended December 31, 2022

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

(Continued)

	Opening Balance	Recognized in Profit or Loss	Exchange Differences	Closing Balance
<u>Deferred tax liabilities</u>				
Temporary differences				
Others	\$ 476	\$ (486)	\$ 10	\$ - (Concluded)

For the year ended December 31, 2021

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

Deferred tax liabilities

Temporary differences				
Others	\$ 1,084	\$ (606)	\$ (2)	\$ 476

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

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

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

Arizon JAPAN Co., Ltd.

	December 31, 2022
Loss carryforwards	
Expiry in 2032	<u>\$ 1,003</u>

d. Income tax assessments

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

19. EARNINGS PER SHARE

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

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

Net profit for the year:

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

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

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

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

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

20. SHARE-BASED PAYMENT ARRANGEMENTS

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

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

Employee Share Option	Number of Units (In Thousands)	Weighted Average Exercise Price (NT\$)
Balance at January 1	-	\$ -
Options granted	<u>595</u>	57.4
Balance at December 31	<u>595</u>	
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 \$2,366 thousand for the year ended December 31, 2022.

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

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

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

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

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

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

21. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

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

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

22. CAPITAL MANAGEMENT

The Group manages its capital to ensure entities in the Group will be able to continue as going concerns

through consideration of the future operational plan, profitability, capital expenditure, operating income and debt repayment when assessing various costs and risks. In order to balance the overall capital and financial structure, the Group may pay dividends, issue new shares, etc.

23. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments

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

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

1) Fair value hierarchy

December 31, 2021

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

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

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

c. Categories of financial instruments

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

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

2) The balances include financial liabilities measured at amortized cost, which comprise notes and

accounts payable, accounts payable to related parties, other payables, other payables to related parties, and deposits received (accounted as other current liabilities and other non-current liabilities).

d. Financial risk management objectives and policies

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

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

1) Market risk

a) Foreign currency risk

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

Sensitivity analysis

The Group is mainly exposed to the USD.

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

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

b) Interest rate risk

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

	December 31	
	2022	2021
Fair value interest rate risk		
Financial assets	\$ 2,006,296	\$ 434,150
Financial liabilities	\$ 5,134	\$ 16,060

Cash flow interest rate risk

Financial assets	\$ 608,644	\$ 565,768
------------------	------------	------------

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

Sensitivity analysis

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

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

c) Other price risk

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

Sensitivity analysis

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

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

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

2) Credit risk

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

To maintain the quality of the accounts receivable, the Group has developed a credit risk management procedure to reduce the credit risk from specific customers. The credit evaluation of individual customers includes considering factors that will affect their payment ability such as financial condition, past transaction records and current economic conditions. Credit risk of bank deposits, fixed-income investments and other financial instruments with banks is evaluated and

monitored by the Group's finance department. Since the counterparties are creditworthy banks and financial institutions with good credit ratings, there was no significant credit risk.

3) Liquidity risk

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

24. TRANSACTIONS WITH RELATED PARTIES

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

a. Related party name and category

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

b. Sales of goods

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

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

c. Purchases of goods

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

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

d. Accounts receivable from related parties

Related Party Category	December 31	
	2022	2021
Fellow subsidiaries	\$ 686	\$ 269
Substantive related parties	<u>5</u>	<u>-</u>
	<u>\$ 691</u>	<u>\$ 269</u>

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

e. Accounts payable to related parties

Related Party Category	December 31	
	2022	2021
Fellow subsidiaries	<u>\$ 1,052</u>	<u>\$ 282</u>

The outstanding accounts payable to related parties are unsecured.

f. Loans to related parties

Related Party Category	December 31	
	2022	2021
<u>Interest revenue</u>		
Fellow subsidiaries		
YFY International B.V.	<u>\$ -</u>	<u>\$ 994</u>

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

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

- h. Acquisitions of property, plant and equipment

Related Party Category	Proceeds	
	For the Year Ended December 31	
	2022	2021
Fellow subsidiaries	\$ <u>-</u>	\$ <u>9,000</u>

- i. Lease arrangements

Lease Paid	For the Year Ended December 31	
	2022	2021
	2022	2021
Substantive related parties	\$ <u>2,084</u>	\$ <u>2,187</u>

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

- j. Acquisitions of other assets

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

- k. Other transactions with related parties

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

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

Related Party Category	Advance Receipts	
	For the Year Ended December 31	
	2022	2021
Fellow subsidiaries	\$ <u>680</u>	\$ <u>-</u>

I. Remuneration of key management personnel

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

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

25. OTHER ITEMS

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

26. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

	December 31, 2022		
	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 5,613	6.9646 (USD:RMB)	\$ 172,375
<u>Financial liabilities</u>			
Monetary items			
USD	8,379	6.9646 (USD:RMB)	257,319
	December 31, 2021		
	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 8,295	6.3757 (USD:RMB)	\$ 229,606
<u>Financial liabilities</u>			

	December 31, 2021		
	Foreign Currency	Exchange Rate	Carrying Amount
Monetary items			
USD	5,274	6.3757 (USD:RMB)	145,984

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

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

27. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 1) Financing provided to others (None)
- 2) Endorsements/guarantees provided (None)
- 3) Marketable securities held (Table 1)
- 4) Marketable securities acquired or disposed of at costs or prices at least NT\$300 million or 20% of the paid-in capital (Table 2)
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital (None)
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital (None)
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital (None)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (None)
- 9) Trading in derivative instruments (Table 7)
- 10) Intercompany relationships and significant intercompany transactions (Table 3)
- 11) Information on investees (Table 4)

b. Information on investments in mainland China:

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area (Table 5)
- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: (None)
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period
 - c) The amount of property transactions and the amount of the resultant gains or losses
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes
 - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds
 - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services
- c. Information of major shareholders:

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

28. SEGMENT INFORMATION

- a. Segment revenue and results are as follows:

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

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

- b. Revenue from major products and services

Please refer to Note 16 for the analysis of the Group's revenue from continuing operations from its

major products and services.

c. Geographical information is as follows:

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

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

d. Information on major customers

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

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

TABLE 1

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

MARKETABLE SECURITIES HELD

DECEMBER 31, 2022

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

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

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

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

MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL

DECEMBER 31, 2022

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

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

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

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

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

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

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

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

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

TABLE 4

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

INFORMATION ON INVESTEEES

FOR THE YEAR ENDED DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Notice to readers

This English-version annual report is a translation version from the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.

Arizon RFID Technology (Cayman) Co., Ltd.

Chairman of the board
Felix Ho



17F, No.51, Sec. 2, Chongqing S. Rd., Taipei / +886-2-2391-6863