Stock code :5490

XAC Automation Corporation

2022

Annual Report

Company Website：http://www.xac.com.tw

Annual Report：http://mops.twes.com.tw

Printed on April 15, 2023

(Translation– In case of any discrepancy between the Chinese and English versions, the Chinese version shall prevail.)

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2. **HEADQUARTERS, PLANTS AND BRANCHES:**
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3. **SECURITIES DEALING INSTITUTE:**
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4. **AUDITORS**
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5. **Overseas Trade Places for Listed Negotiable Securities**
   None

6. **COMPANY WEBSITE**
   http://www.xac.com.tw

XAC Automation Corp.

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Chapter 1. Letter to Shareholders

Dear Shareholders,

The 2022 business results, 2022 business plans, the Corporation's future development strategies, and the impact of external competitive environment, regulatory environment and overall business environment are summarized as follows:

I. 2022 Annual Business Report

(I) Implementation Results of Business Plan:

The net revenue of the Corporation for 2022 was NT$1,404,426 thousand, a decrease of 11.04 % from NT$1,578,726 thousand in 2021; Net loss after tax was NT$165,474 thousand, a decrease of 224.17% from NT$133,260 thousand in 2021. Basic loss per share was NT$ 1.79.

(II) Budget Implementation:

Not applicable, as the Corporation has not disclosed its financial forecast for 2022.

(III) Financial Revenue/Expenditure and Profitability:

2022 Financial Analysis	Item	%, Times, Days
Financial structure	Debt ratio	33.79%
Solvency	Current ratio	739.80%
	Quick ratio	512.72%
Operating ability	Accounts receivable turnover, days of cash receiving	3.48 times, 104.88 days
	Inventory turnover rate, average days for sales	1.42 times, 257.04 days
Profitability	Return on assets	-7.66%
	Return on equity	-11.17%
	Net profit margin	-11.78%

(IV) Research and Development

The Corporation has completed the development of XCE:XAC COMMERCE ENABLING PLATFORM and the following systems, and obtained PCI P2PE 3.0 security certification, satisfying the PCI DSS security standards in terms of data security.

1. TMS II System
2. REMOTE DIAGNOSIS
3. RKL:REMOTE KEY LOADING

(V) Reinvestment in Affiliates and Operations Overview

As of December 31, 2022

Unit: NT$ thousand

Reinvestment	Original investment amount		Ending carrying amount held	Current profit or loss of investee
	End of current period	End of previous period		
XAC invested in Value Investment Limited in Samoa	168,889	168,889	426,936	3,599
XAC invested in ZAKUS, INC in America	37,145	37,145	61,562	4,696
XAC invested in XAC Suzhou Co., Ltd.	165,841 (Note 1)	165,841 (Note 1)	447,463	3,761

Note 1: Accumulated outward remittance of original investment amount from Taiwan at the end of the current period does not include the capital increase of NT$58,201 thousand from surplus of XAC Suzhou in 2008.

XAC's parent company in Taiwan is responsible for the Group's strategic planning (functions of major decision-making, research and development, marketing, sales), and assumes major risks. It is the Group's operational headquarters.

Suzhou factory mainly plays the role of manufacturing base, quality center and system development and operation center as well.

ZAKUS subsidiary in the USA is the research and development base of XAC's front-end technology. To attract talents, ZAKUS hires local R&D talents with specialized expertise in front-end technology of new products to provide R&D and design of the product platform to Taiwan parent company. The team is also responsible for building the core technology of payment software and solutions needed for the Corporation's long-term development.

ZAKUS also provides services such as business investigation, product introduction and customer relation maintenance.

II. Outline of 2023 Business Plan

(I) Development Strategies

Based on EMV Full integrated & Semi-integrated Solution for safe payment, XAC's development strategy is to develop device payment solutions applicable to various channel needs of merchants, and develop a variety of solutions on the basis of the XCE platform for customers to conduct automate business activities. Specific development directions are as follows:

1. Development of digital payment solutions.
2. Building strategic partnerships
   - Build strategic partners across different industries (Vertical) with Unified Channel system providers as key partners.
   - Establish access to major regions around the world: The Americas; Japan; EMEA; APAC.

(II) The Effect of External Competition, the Legal Environment, and the Overall Business Environment

1. The external competition environment obviously develops towards the following trends:

Cloud POS system has become a trend, and been developed as a complete security system in combination with the payment and other business management function softwares , providing big data for strategy analysis and decision making.

- Cloud products are more demanding for security.
- The differentiation of regional demand is significantly enlarged.

2. Legal environment:
   - In the past, the payment flow system was often regulated and protected by governments according to their national conditions. Now, the trend of liberalization and opening is unstoppable, which is beneficial to XAC's entry into the world market.
   - The Corporation continues to strive towards diversity and variability which are formed from the unique global standards (EMV/PCI) of the financial system and the unique needs of each region.

3. Overall operating environment:

   Countries around the world are developing towards systems of Alternate payment and Commerce Enabling. O2O changes and digital economy bring great business opportunities, while the requirements of security and high-quality expectations remain unchanged. XAC's accumulation and foundation built with every effort in the past is an advantage. However, relatively speaking, the development of software and system integration and solutions is increasing, which is a challenge, but also an opportunity!

(III) Market Prospects and Future Outlook

Cloud IT system and Mobile internet have a great impact on the way of business operation, and almost all industries are facing changes and challenges from such trend. Based on payment security technology, various payment reading technology and safe cloud POS technology, XAC will develop safe payment solutions required by the Unified Channel integrated system, as well as business automation solutions based on cloud computing service XCE platform.

XAC's growth lies in providing the most secure and convenient payment system solutions for different customers and regions, and grasping the business opportunities brought by the Unified Channel integration system for merchants.

In retrospect of the international economic situation in 2022, the global economy has not performed well as affected by factors such as the COVID-19 epidemic, the international political and economic situation, and high inflation. However, the COVID-19 outbreak has gradually been brought under control, and the problems in the semiconductor supply chain have been gradually alleviating. The Corporation will continuously pay close attention to the market development dynamics to cope with operational risks arising from the changes in the industry and overall economic environment in the future, and continuously optimize systems and procedures, review and revise business strategies and countermeasures from time to time. Looking forward to 2023, the Corporation will promote more new products to the market, expecting to drive the overall sales for steady growth.

Thank you for your support!

Chairman: Chang,Yung-Ming

Chapter 2. Company Profile

I. Date of Incorporation

April 8, 1997

II. Company History

(I) Important events of the Corporation

1997	● The Corporation was set up in Hsinchu Science Park in April, with a capital of NT$60 million only. ● The Corporation specialized in R&D, manufacture and marketing of the following products: electronic fund transaction terminal and its components, transaction data security protection equipment and its components, multifunctional smart card reader and writer and their components. ● The Corporation increased capital by NT$105 million.
1998	● Won the international quality control system ISO 9001 Qualified factory certification from the Bureau of Standards, Metrology and Inspection, M.O.E.A. ● The Corporation's KIOSK products have been awarded the Taiwan Excellence Award by the Ministry of Economic Affairs, which is enough to prove that the Corporation's quality system, product design, R&D innovation, market position and brand recognition are highly recognized. ● The Corporation increased capital by cash of NT$85 million to increase its working capital, with the paid-in capital of NT$190 million after the capital increase.
1999	● The Corporation relocated to a newly leased factory to expand business scale and boost production capacity, . ● The Corporation was approved for initial public offering in June. ● The Corporation increased capital by surplus of NT$98.15 million, with the paid-in capital of NT$286.15 million after the capital increase. ● The Corporation obtained the MICROSOFT certification for its card reader and writer, which was the first in Taiwan.
2000	● The Board of Directors resolved on signing contract for the purchase of new factory to meet future operating growth and expand capacity. ● The Corporation obtained the patent certification of defensive keyboard key detection method. ● The Board of Directors approved the OTC listing in December. ● The Corporation increased capital by surplus of 1999 of NT$66.48 million in December, with the paid-in capital of NT$352.63 million after the capital increase.
2001	● The Corporation's shares were listed on the OTC market since May. ● The Corporation obtained the patent of "Tear bar for a thermal printer" as approved by the United States in August. ● The Corporation increased capital by surplus of NT$117.37 million only in September, with the paid-in capital of NT$470 million only after the capital increase. ● The Corporation obtained the patent of "Cutting mode switching module" related to th thermal printer as approved by the United States in October. ● The Corporation passed the EMV L1 verification of the motor driven card reader in November. ● The Corporation relocated to the newly purchased factory on 4/F, East 9th Road in December to increase its production capacity.
2002	● The Corporation obtained the EMV L2 certification for Smart Card Based transaction related devices in April.

<table>
<tr><td></td><td>● The Corporation put the Smart Card Based transaction related devices into mass production in May.
● The Corporation obtained the patent of "Security keyboard matrix scanning module" approved by the United States in May.
● The Corporation increased capital by surplus of NT$150 million in August, with the paid-in capital of NT$620 million only after the capital increase.
● The Corporation obtained two patents of Taiwan for "Cutting mode switching module and printer with the module" and "control module for printer cutter and printer with the module" in September.
● The Corporation completed the design, development of and put into mass production the EMV L2/L1 Terminal in September, realizing a safer, more convenient and faster credit card transaction process, which was a revolution in new fund transactions.</td></tr>
<tr><td>2003</td><td>● The Corporation debuted on the list of the [Top 1000 manufacturing industry] compiled by Business Weekly and CommonWealth Magazine in May.
Excerpts from the [2002 Top 1000 Manufacturing Industry] (274 issues, May 2003):</td></tr>
<tr><td>2003</td><td><table>
<tr><td>Item</td><td>Amount / %</td><td>Ranking</td></tr>
<tr><td>Revenue</td><td>1.501 billion</td><td>722</td></tr>
<tr><td>Fastest revenue growth (rate)</td><td>112 %</td><td>35</td></tr>
<tr><td>Profitability</td><td>27.76 %</td><td>1</td></tr>
<tr><td>Return on equity</td><td>34.22 %</td><td>19</td></tr>
<tr><td>Return on assets</td><td>29.34 %</td><td>2</td></tr>
</table>
● The Corporation additionally leased the 7th floor of the workshop at No.1 Zhanye Road of FICTA Technology, Inc. to increase production capacity.
● The Corporation increased capital by surplus of NT$144 million only in August, with the paid-in capital of NT$764 million only after the capital increase.
● The Corporation obtained a utility patent of Taiwan for "Tear bar for a thermal printer" in September.
● The Corporation introduced ORACLE ERP system and officially launched it in September.</td></tr>
<tr><td>2004</td><td>● The Corporation ranked the [Top 1000 manufacturing industry] compiled by Business Weekly and CommonWealth Magazine for the second time in May.
● The Corporation set up an overseas holding company, Value Investment Ltd., in Samoa in June.
● The Corporation set up XAC Suzhou factory and Zakus, Inc. in the United States through an overseas holding company in July.
XAC Suzhou factory is currently one of the Corporation's manufacturing bases.
Zakus, Inc. is the Corporation's R&D center in the United States.
● The Corporation increased capital by surplus of NT$130.6 million only in August, with the paid-in capital of NT$894.6 million only after the capital increase.
● The Corporation put XAC Suzhou factory into mass production and made shipment in November.
● In addition to the core technology of modules mastered in the past, the Corporation began to the following research and development:
➢ VISAPED Compliant Pinpads Platform.
➢ Embedded OS based transaction terminal platform.(Linux)</td></tr>
<tr><td>2005</td><td>● The Corporation introduced PLM system and built a platform for the accumulation and application of product-related development knowledge.
● XAC Suzhou factory began to make profits in the first quarter.</td></tr>
</table>

	● The Corporation officially signed a contract with FDC based in the United States for the project development plan of the next-generation payment transaction authorization terminal in August. ● The Corporation increased capital by surplus of NT$52.4 million only in August, with the paid-in capital of NT$947 million only after the capital increase. ● The Corporation obtained a utility patent of Taiwan for [swipe-card composite card reader] which can be used for IC cards and magnetic stripe cards.
2006	● The Corporation obtained a utility patent of Taiwan for [card locking device in card reader]. ● The Corporation obtained a utility patent of Taiwan for [multi-function card reader] with built-in application of reading IC cards and magnetic stripe cards and RFID devices ● The Corporation successfully put into mass production and make shipment of the project of the next-generation payment transaction authorization terminal developed together with FDC. ● The Corporation obtained a utility patent of Taiwan for [Personal identification code input terminal device with security system]. ● The Corporation obtained the invention patent of Taiwan for [A prompt replacement method for encrypting personal identification code device]. ● The Corporation reduced capital by treasury shares of 2,996 thousand. ● The Corporation put the next–generation payment transaction authorization terminal shipped to with FDC into mass production for first batch. ● Strong customer demand for video game equipment and the orders for the new generation of transaction authorization terminal boosted the Corporation's performance in the second half, with annual revenue reached a new high, exceeding NT$2 billion for the first time.
2007	● The Corporation has been cooperating with FDC on new product development projects of other functions and applications series. ● The Corporation completed the design of multifunctional payment terminal device: including all kinds of payment tools applicable for checks, credit cards and financial cards. ● Contactless card reader passed the certification of Visa PayWave, Master PayPass, ExpressPay, Discover, etc. ● The Corporation obtained a utility patent of Taiwan for [paper roll compartment cover for a thermal printer]. ● The Corporation submitted and reported the issuance of the first unsecured convertible bonds, raising NT$400 million only, which was the first cash raising activity of the Corporation since its listing in 2001, and was completed in July. ● The Corporation put the new check payment reader terminal in cooperation with FDC into mass production and made shipment. ● The Corporation terminated the lease of the second plant in June, and the operation in Hsinchu was arranged in the same building. ● The Corporation increased capital by surplus of NT$104.3 million in August, with the paid-in capital of NT$1,031,292,500 after the capital increase, and issued ordinary shares with the employee share subscription warrants. ● The Corporation set up Coinva Ltd. in Hong Kong in October. ● In response to the global demand for wireless communications, the Corporation designed a portable transaction terminal that supports WINCE or embedded-in Linux OS and conforms to high-security specifications PCI and MasterCard PTS security mechanisms.

2008	●	Taiwan and Suzhou factory obtained the certification of IECQ QC080000 hazardous substance management.
	●	The Corporation indirectly invested through Coinva Ltd. to set up Beijing Coinva Technology Co. Ltd. in March, seeking access to Chinese mainland market in regard to the automated payment transaction terminal device.
	●	A total of four products have passed PCI security mechanism certification.
	●	The Corporation provided data access control services based on the concept of simple hardware combined with Web based, and designs identification devices that can support magnetic stripe, card chip card, contactless card reader, fingerprint reader, bar code reader, etc., providing different customized security application services.
	●	The Corporation designed programmable password input device, which have preliminarily passed PCI security mechanism certification.
	●	The Corporation designed the terminal device related to the unmanned self-service system which can be used in different applications such as refueling, payment of transportation expenses, automatic vending logistics control system, parking, etc.
	●	The Corporation obtained a utility patent of the USA [card locking device in card reader].
	●	The Corporation reduced capital by treasury shares of 7,590 thousand.
	●	The first batch production of handheld/wireless fund transaction terminal and contactless card reader.
2009	●	The Corporation reduced capital by treasury shares of 900 thousand in March.
	●	The Corporation entered the HP Kiosk supply chain.
	●	Beijing Coinva Technology Co. Ltd. Undertook the project "TongCard, Citizen Card" from Hangzhou Municipal Government.
	●	The Corporation obtained AT & T two certifications.
	●	The Corporation indirectly invested through Coinva Ltd. to set up Coinva Technology (Suzhou) Co. Ltd. in October.
	●	The Corporation reduced capital by treasury shares of 541.9 thousand with employee stock options of 45 thousand shares excised in November.
2010	●	The Corporation converted employee stock options to common stocks of 15 thousand shares in March.
	●	The Corporation have teamed up with Voltage to provide a solution for point-to-point encryption for data security of card payment.
	●	The Corporation converted employee stock options to common stocks of 10 thousand shares in June.
	●	The Corporation converted its corporate bonds into stocks of 77 thousand shares in November, with the paid-in capital after the capital increase of NT$944,516,010.
	●	PINPAD platform with PCI 2.0 & 3.0 certification.
	●	The Corporation obtained the certifications of ZKA (Trading Product Safety Standards of Germany) and CC (Trading Product Safety Standards of the UK for terminal products.
2011	●	The Corporation's sub-subsidiary Beijing Coinva Technology Co. Ltd. applied for cancellation of registration in February.
	●	In consideration of cost and overall production management, the Corporation ceased Taiwan manufacturing base and moved to Suzhou in April.
	●	The Corporation reduced capital by treasury shares of 55 thousand in April.

	● The Corporation developed a new generation of contactless reader platforms to support a variety of contactless specifications such as NFC, Felica, etc. ● The Corporation developed a new generation of contactless antenna modules and hardware platforms to provide better card reading and processing performance.
2012	● The Corporation set up Technology XAC Japan Corporation in May. ● Development of payment system and software: including Payment Application and TMS System (Terminal Management system). ● Payment application security solutions for tablets and smart phones. ● The Corporation obtained a patent of mainland China for "card locking device in card reader".
2013	● The Corporation obtained the patent DATA ENTRY MODULE. ● The Corporation's sub-subsidiary Coinva Technology (Suzhou) Co. Ltd. applied for cancellation of registration in December.
2014	● The Corporation's subsidiary XAC Japan Corporation applied for cancellation of registration in June.
2015	● ISO27001 ISMS-Information security management system was formally implemented in June. ● The Corporation built a strategic alliance with Wayne Fueling System in November to jointly develop the next-generation gas station payment system "iXPay™T7". ● The Corporation developed a new generation of integrated micropayment products (mPOS). ● PCI 4.0 self-service payment terminal device and related security modules.
2016	● The Corporation's sub-subsidiary Coinva Ltd. applied for cancellation of registration in May. ● The Corporation ranked the 2nd of the computer terminal devices in the 2016 [TOP5000 Large Enterprises in Taiwan] of China Credit Information Service, Ltd. (CRIF) in June.
2017	● The Corporation obtained PCI PTS 5.0 certification for its products.
2018	● The Corporation successfully entered the Middle East market and cooperated with the largest local bank to provide Payment Solutions. ● The Corporation issued 350,000 new restricted employee shares in November.
2019	● XAC formally launched the business model of "providing systems and solutions" in April. ● The Corporation ranked the 4th of the computer terminal devices in the 2019 [TOP5000 Large Enterprises in Taiwan] of China Credit Information Service, Ltd. (CRIF) in June. ● The Corporation issued 1,080,000 new restricted employee shares in October.
2020	● The Corporation issued 570,000 new restricted employee shares in July. ● The Corporation canceled and recovered 113,000 new restricted employee shares, with the capital after such change of NT$962,836,010.
2021	● The Corporation canceled and recovered 70,500 new restricted employee shares, with the capital after such change of NT$962,131,010. ● The Corporation repurchased 3,000,000 treasury shares.

	● The Corporation obtained the patent of Taiwan for the [blockchain trading system and method] in December.
2022	● The Corporation passed the PCI P2PE 3.0/ PCI PIN 3.1 certified RKI Solution in January, moving towards Solution Provider. ● The Corporation officially released the first Android intelligent terminal POS machine that passed the ATEX certification in January. ● The Corporation obtained the PCI 6.0 certification for the new C150SE NFC card reader in April. ● The Corporation officially released the E6 eCommerce platform and enabled ECR POS function with the most advanced Android intelligent terminal POS machine in December. ● The Corporation canceled and recovered 56,900 new restricted employee shares, with the capital after such change of NT$961,562,010.

(II) Information on the merger and acquisition activities, strategic investments in affiliated enterprises and corporate reorganization: None.

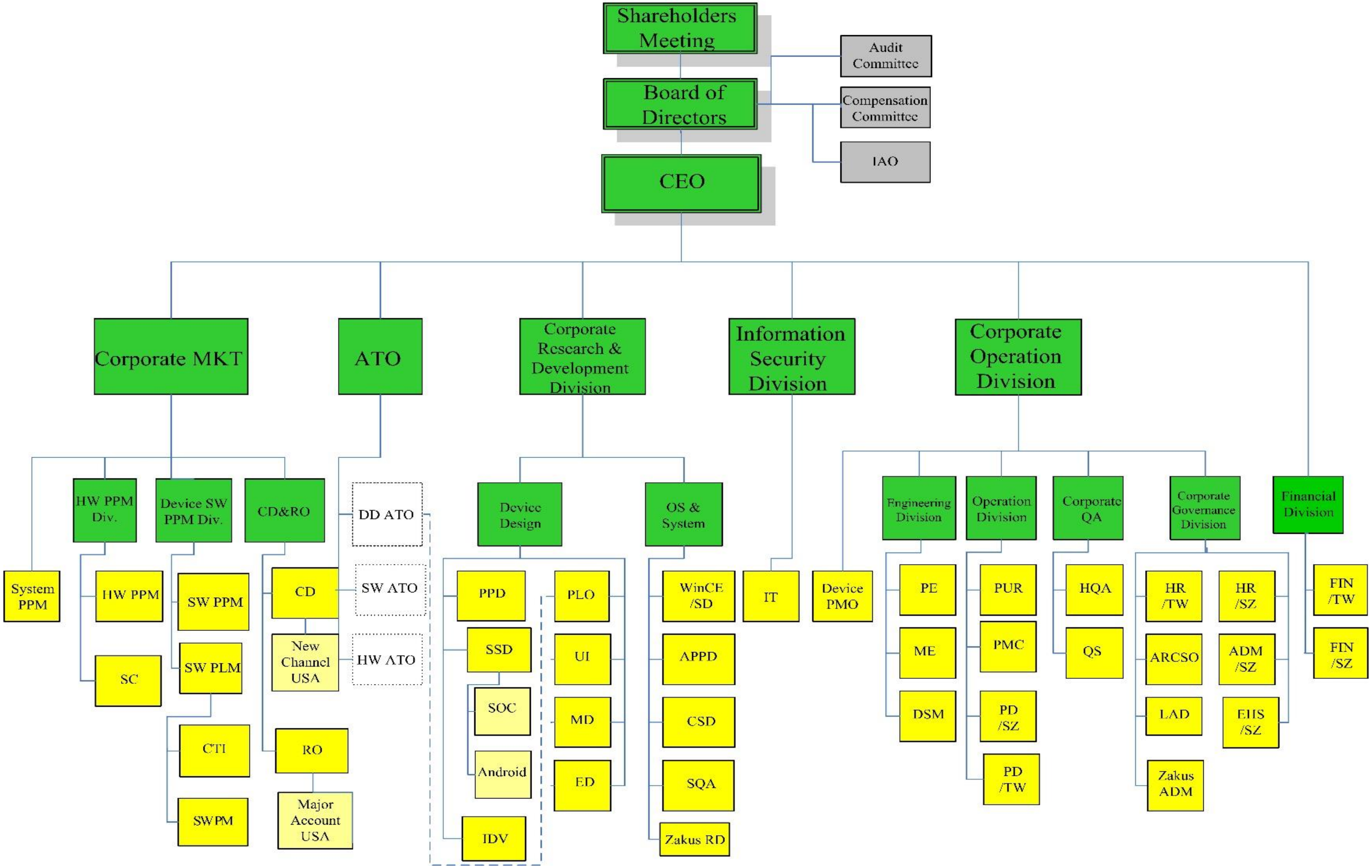
(III) A major quantity of shares belonging to directors or shareholders holding greater than a 10 percent stake in the Corporation is transferred or otherwise changes hands: None.

(IV) Any change in managerial control, any material change in operating methods or type of business, and any other matters of the material significance that could affect shareholders' equity: None.

Chapter 3. Corporate Governance Report

I. Organizational Chart

(I) Organization Chart



(II) Division Functions

Divisions	Tasks
Corporate Marketing	Consist of three divisions and one department ＊ **HW PPM Division:** Consist of Hardware Product Planning Management Department (HW PPM) and Finance and Safety Certification Department (SC) (1) HW PPM: Be responsible for hardware planning and management of new products and new technologies, evaluating and confirming customers' hardware requirements and providing technical support for business projects. (2) SC: Be responsible for global or regional finance and safety certification of XAC's products, and ensure that the products meet the design requirements. ＊ **Device SW PPM Division:** (1) Software Product Management Department: Customer Technical Support Department and Software Product Project Management Department > Customer Technical Support Department: Assist customers in application software development and solve technical problems encountered by customers in system integration. Software Product Project Management Department: ＊ Make sure SW PDP procedure spirits is followed in PDP process and provide ON time; quality delivery: Alpha/Beta/SIT/UAT phase ＊ Bug/PTR handling process management ＊ RMA/EC handling process management. (2) Software Product Planning Management Department: Be responsible for the collection and analysis of market demands, planning the corresponding software platform/architecture and solutions accordingly, and providing product development requirements documents for design and implementation. ＊ **Channel Division and Customer Service Division:** VAR PROGRAM MANAGEMENT：QUALIFICATION PROCESS/PRICE LIST & DATABASE. Customer Relationship Optimization(OF/RMA/REPAIR/NEW PROJECTS):OEM/ODM/XOP(OF/RMA/REPAIR HANDLING)CUSTOMER AGREEMENT MANAGEMENT.INQUIRY HANDLING.PROMOTION PLAN.(TRADE SHOW; WEBCOM.). ＊ **System Product Planning Department:** (1) Owner of XCE platform product spec.(TMS as core) and use case domain knowledge.(customer's requirement). (2) Deliverable upon PROJECT awarded. (2-1) Task partition: kick off PDP(device/ap/system). (2-2) SIT(System integration test):PDP kick off; to be Integrated into UAT(approved by customer). (2-3) Coordination OF solution project development (include:SIT/UAT/pilot) FOR customer's approval. (3) Production site set up. (4) System FAE & solution RMA.
Corporate Research & Development Division	Consist of two divisions, as described as follows ＊ Products R&D Division: Consist of 7 Departments, as described as follows (1) Project Development Department: Integrate R&D resources to complete product integrated design verification and solve technical problems, be responsible for EVT stage management. (2) Payment Platform Design Department: Be responsible for the development and design verification of payment platform. (3) System Software Design Department: Be responsible for the integrated design

Divisions	Tasks
	verification of Android platform and related modules. 3-1. SOC Platform Design: Be responsible for the development and design verification of SOC platform. 3-2. Android Platform Design: Be responsible for the development and design of Android platform. (4) Electronic Design Department: Be responsible for electronic design of products. (5) Integrated Design Verification Department: Be responsible for integrated design verification of product MVP to improve the quality of product design. (6) Structure Design Department: Be responsible for the design and development of the product structure and the design of necessary assembly methods. (7) User Interface Design Department: Be responsible for the design of user interface, enhance product added value and competitiveness. ＊ **System Design Division:** Consist of 4 Departments, as described as follows (1) WinCE System Design Department: Be responsible for the development and design of WinCE platform. (2) Application Software Department: Be responsible for the development of system application software. (3) Cloud Solution Design Department: Be responsible for the development and design of cloud solutions. (4) Software Quality Assurance Department: Testing and verifying the software for products.
ATO	Consist of DD ATO, SW ATO and HW ATO: ＊ Platform development strategy including the certification. ＊ Modification of existing products (including FW/EE/MD) to meet customers' USE CASE requirements. ＊ Review and complete the high level architecture design of the sub-PDP requirements. ＊ Architecture design to meet use case needs on top of existing products.
Information Security Division	Be responsible for coordinating the strategy and implementation of the Corporation's IT system and Product security compliance, ensuring the digital assets of XAC and customers. Consist of Resources Management Department, which is responsible for the overall planning/promotion/coordination/management of information system, maintenance of databases, maintenance and management of Intranet and corporate network environment, procurement of computer software, hardware and peripherals.
Corporate Operation Division	Consist of four divisions and one department, as described as follows ＊ **Corporate Governance Division:** Be responsible for the overall cordinating and planning of corporate governance, and assist the chairman to implement corporate governance, with responsibilities covering legal affairs, administration, human resources, environmental safety, etc. ＊ **Engineering Division:** Consist of Product Engineering Department, Manufacturing Engineering Department, Design Service Management Department Be responsible for implementing new product design and development procedures, planning integrated test plans, implementing design verification test of new products and introducing them into mass production, developing and improving manufacturing process, analyzing quality defects and putting forward effective countermeasures, improving product yield, ensuring on-time launch of new products and continuous mass production. ＊ **Operation Division:** Consist of Purchasing Department, PMC Department,

Divisions	Tasks
	Production Department (1) Purchasing Department: Be responsible for the implementation of purchasing strategy, finding qualified suppliers in terms of quality/price/delivery/service for the Corporation, to ensure the competitiveness of products. (2) PMC Department: Be responsible for customer order maintenance and response, delivery, production control, material purchase and control, warehousing management, import and export operations. (3) Production Department: Be responsible for the management of production line operation and production equipment. ＊ **Corporate Quality Assurance Division:** Acting as the Corporation's quality /RBA/ environmental management representative, and from the CEO's perspective, ensure that the Corporation's quality system works effectively; Ensure the quality of products beyond the customer-satisfied level. ＊ **Product Project Management Department:** Be responsible for time planning integration and implementation schedule control of the product development phase. Communicate and coordinate the output project schedule of each department and coordinate resources to promote cross-department cooperation, so that all departments are clear about their objectives and achieve high-quality exit of PDP as scheduled, and launch products on time.
Financial Division	Be responsible for the control and management of finance, accounting, taxation and company assets.
Auditing Office	Check and evaluate the internal control systems, carry out audit and check the implementation results.

II. Board of Directors, Supervisors, and Key Managers Background Information

(I) Board members

Data as of April 15, 2023

Title	Nationality	Name	Gender/Age	Date Elected	Term	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominees		Experience (Education) (Note 3)	Other Position Concurrently Held in the Corporation and Other Companies	Executives, Directors or Supervisors who Are Spouses or within the Second Degree of Kinship			Remark
							Number of Shares	Shareholding Ratio (%)	Number of Shares	Shareholding Ratio (%)	Number of Shares	Shareholding Ratio (%)	Number of Shares	Shareholding Ratio (%)			Title	Name	Relationship	
Chairman and General Manager	R.O.C.	Chang,Yung-Ming	Male 61- 70 years old	2022.06.14	3 years	1997.04.08	3,417,036	3.55	3,417,036	3.55	0	0	0	0	Master of Electronic Engineering, National Taiwan Institute of Technology General Manager, UIC General Manager, Daheng	Chairman and General Manager of the Corporation Chairman, Henry Investment Co., Ltd.	None	None	None	(Note 4)
Director	R.O.C.	Teng,Wan-Sheng	Male 61- 70 years old	2022.06.14	3 years	1997.04.08	1,850,111	1.92	1,850,111	1.92	236,438	0.25	0	0	Master of Electronic Engineering, National Taiwan Institute of Technology Assistant General Manager, UIC Assistant General Manager, Daheng Vice President of R&D Division, XAC Automation Corp.	None.	None	None	None	
Director	R.O.C.	Tseng,Tsung-Lin	Male 61- 70 years old	2022.06.14	3 years	2016.06.16	386,004	0.4	386,004	0.4	0	0	0	0	MBA, University of Missouri Senior Vice president and Chief Finance Officer, TSMC Executive Director and Chief Finance Officer, UMC Senior Vice President, Investment and Strategic Planning, Quanta Computer	Independent Director, Global Communication Semiconductors, LLC	None	None	None	
Director	R.O.C.	Fuli Investment Co., Ltd.	-	2022.06.14	3 years	2013.05.24	2,050,000	2.13	2,050,000	2.13	0	0	0	0	-	None.	None	None	None	
Representative (brought forward)	R.O.C.	Chuang,Yung-Shun	Male 71- 80 years old	2022.06.14	3 years	2013.05.24	0	0	0	0	0	0	0	0	EMBA, National Taiwan University Chairman, AAEON Technology Inc.	Director, AAEON ELECTRONICS INC. Director, AAEON TECHNOLOGY (Europe) B.V. Director, AAEON TECHNOLOGY GMBH Director, AAEON TECHNOLOGY SINGAPORE PTE. LTD. Director, Mcfees Group Inc. Chairman, AAEON Technology Inc. - Corporate Representative Chairman, AAEON Technology (Suzhou) Inc. - Corporate Representative Chairman, Yanyou Investment Co., Ltd. - Corporate Representative Chairman, Yanxin Investment	None	None	None	

Title	Nationality	Name	Gender/Age	Date Elected	Term	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominees		Experience (Education) (Note 3)	Other Position Concurrently Held in the Corporation and Other Companies	Executives, Directors or Supervisors who Are Spouses or within the Second Degree of Kinship			Remark
							Number of Shares	Shareholding Ratio (%)	Number of Shares	Shareholding Ratio (%)	Number of Shares	Shareholding Ratio (%)	Number of Shares	Shareholding Ratio (%)			Title	Name	Relationship	
																Co., Ltd. Director, AAEON Foundation Chairman, Fuli Investment Co., Ltd. Chairman, EverFocus Electronics Corp. Director, Allied Biotech Corp. Director, King Core Electronics Inc. Director, Atech OEM Inc. Director, Qiye Electronics (Dongguan) Co., Ltd. Director, Danyang Qiye Technology Co., Ltd. Director, MACHVISION Inc Co., Ltd. Director, MACHVISION (Dongguan) Testing Equipment Co., Ltd. Director, Top Union Electronics (Suzhou) Co., Ltd. Independent Director, Top Union Electronics Corp. Director, Allied Oriental International Ltd. Director, Litemax Electronics Inc. Director, Litemax Technology, Inc. Chairman, Onyx Healthcare Inc. - Corporate Representative Chairman, Onyx Electronic Technology (Shanghai) Co., Ltd. - Corporate Representative Director, ONYX Healthcare USA, Inc. Director, ONYX Healthcare Europe B.V. Director, iHELPER Inc. - Corporate Representative (brought forward) Director, Winmate Inc. - Corporate Representative Director, CHC Healthcare Group - Corporate Representative Director, Sunengine Co., Ltd. - Corporate Representative Director, New Future Capital Co., Ltd. - Corporate Representative Director, IBASE Technology Inc. - Corporate Representative Independent Director, TAIFLEX Scientific Co., Ltd.				

Title	Nationality	Name	Gender/Age	Date Elected	Term	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominees		Experience (Education) (Note 3)	Other Position Concurrently Held in the Corporation and Other Companies	Executives, Directors or Supervisors who Are Spouses or within the Second Degree of Kinship			Remark
							Number of Shares	Shareholding Ratio (%)	Number of Shares	Shareholding Ratio (%)	Number of Shares	Shareholding Ratio (%)	Number of Shares	Shareholding Ratio (%)			Title	Name	Relationship	
Independent Director	R.O.C.	Huang,Hsu-Nan	Male 61- 70 years old	2022.06.14	3 years	2016.06.16	0	0	0	0	0	0	0	0	Ph.D., Institute of Management Science, National Chiao Tung University Dean, School of Management, Ming Chuan University Director, Institute of Management, Ming Chuan University Associate Professor, Department of Business Administration, National Yunlin University of Science and Technology Associate Research Member/Group Leader, Council for Economic Planning and Development, Executive Yuan Executive Director, Taiwan Efficiency and Productivity Association Executive Supervisor, The Global Logistics & Commerce Council of Taiwan Evaluation Member, Higher Education Evaluation and Accreditation Council of Taiwan; Evaluation Member, Taiwan Assessment and Evaluation Association	Independent Director, King Core Electronics Inc. Independent Director, EverFocus Electronics Corp. Director, Litemax Electronics Inc. Supervisor, Le Young Construction Co., Ltd. Director, Sunsino Development Associate Inc. - Corporate Representative Professor, Ming Chuan University; Director, Innovation Incubator Center	None	None	None	
Independent Director	R.O.C.	Hsueh,Jung-Yin	Male 61- 70 years old	2022.06.14	3 years	2016.06.16	0	0	0	0	0	0	0	0	PhD, College of Engineering, University of Pennsylvania Chair Professor, Computer Science & Information Engineering, Asia University; Director, Artificial Intelligence Center; Director, Fintech Blockchain Center R&D Director, Data Analytics Technology & Applications, Institute for Information Industry; Director, Cloud Career Center IBM WATSON Research Center, NY	None	None	None	None	

<table>
<tr><th rowspan="2">Title</th><th rowspan="2">Nationality</th><th rowspan="2">Name</th><th rowspan="2">Gender/Age</th><th rowspan="2">Date Elected</th><th rowspan="2">Term</th><th rowspan="2">Date First Elected</th><th colspan="2">Shareholding When Elected</th><th colspan="2">Current Shareholding</th><th colspan="2">Spouse & Minor Shareholding</th><th colspan="2">Shareholding by Nominees</th><th rowspan="2">Experience (Education) (Note 3)</th><th rowspan="2">Other Position Concurrently Held in the Corporation and Other Companies</th><th colspan="3">Executives, Directors or Supervisors who Are Spouses or within the Second Degree of Kinship</th><th rowspan="2">Remark</th></tr>
<tr><th>Number of Shares</th><th>Shareholding Ratio (%)</th><th>Number of Shares</th><th>Shareholding Ratio (%)</th><th>Number of Shares</th><th>Shareholding Ratio (%)</th><th>Number of Shares</th><th>Shareholding Ratio (%)</th><th>Title</th><th>Name</th><th>Relationship</th></tr>
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Visiting Professor (Sabbatical), National Chiao Tung University</td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>Independent Director</td><td>R.O.C.</td><td>Tseng,Ching-Yi</td><td>Male
61- 70 years old</td><td>2022.06.14</td><td>3 years</td><td>2016.06.16</td><td>106,000</td><td>0.11</td><td>58,000</td><td>0.06</td><td>0</td><td>0</td><td>0</td><td>0</td><td>Ph. D., EE, University of Southern California, Los Angeles
Technology Director, Supu Dongli Co., Ltd.
General Manager, Montage Technology Taiwan, Taipei/Hsin-Chu, Taiwan
Founder/President, Acrospeed Inc. Taipei/Hsin-Chu, Taiwan</td><td>Chairman, Good Future BioMed. Inc.</td><td>None</td><td>None</td><td>None</td><td></td></tr>
</table>

Note 1: For a corporate shareholder, the name of the corporate shareholder and its representative shall be listed separately (when listing the representative of a corporate shareholder, the name of the corporate shareholder shall also be noted), and Form 1 below shall also be complete

Note 2: Please state the actual age, or, alternatively, state the age interval into which the actual age falls, e.g., 41~50 years, 51~60 years.

Note 3: Specify experience and qualifications related to the current position. If during a period specified above the person has served in a position at a CPA firm that serves as external auditor/attestor, specify the position held and the duties for which the person was responsible

Note 4: Where the chairperson of the Board of Directors and the general manager or person of an equivalent post (the highest level manager) of a company are the same person, spouses, or relatives within the first degree of kinship, an explanation shall be given of the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto (e.g., increasing the number of independent directors and ensuring that a majority of directors do not concurrently serve as an employee or managerial officer: Although the General Manager and the Chairman of the Corporation's Board of Directors are the same person, the duties of the General Manager and the Chairman of the board have been clearly divided, and the majority of the board directors are not concurrently employees or managers (except the Chairman, none of other directors are concurrently employees or managers). In view of this, the purpose of supervision can be achieved.

Note 5: Total number of shares as of April 16, 2023 was 96,156,201 shares.

(II) Disclosure of Information Regarding the Professional Qualifications and Experience of Directors and Supervisors and the Independence of Independent Directors

Qualifications / Name	Professional Qualification and Experience (Note 1)	Independence (Note 2)	Number of Other Public Companies where the Individual Concurrently Serves as an Independent Director
Chang,Yung-Ming	Master of Electronic Engineering, National Taiwan Institute of Technology. He currently serves as the Chairman of the Board and General Manager of the Corporation, and Chairman of Hengli Investment Co., Ltd. He has more than 5 years of working experience in commerce, finance and otherwise necessary for the business of the Corporation. He is dedicated to similar fields in the electronics industry for decades. With professional leadership, marketing integration, operations management and strategic planning skills, he has led the Corporation to become an industry leader and a sustainable business.	Not under any of the categories stated in Article 30 of the Company Act	None
Teng,Wan-Sheng	Master of Electronic Engineering, National Taiwan Institute of Technology. He currently serves as a director of the Corporation and was the vice R&D president of the Corporation. He has more than 5 years of working experience in commerce, finance and otherwise necessary for the business of the Corporation. He is committed to the research of power integrated circuits and electronics, and provides professional advice on the development and sales of the Corporation's products.	Not under any of the categories stated in Article 30 of the Company Act	None
Tseng,Tsung-Lin	MBA at University of Missouri. He currently serves as a director of the Corporation and an independent director of Global Communication Semiconductors, LLC, and ever served as the Senior Vice president and Chief Finance Officer of TSMC. He has more than 5 years of working experience in commerce, finance, accounting and otherwise necessary for the business of the Corporation, specializing in corporate finance, finance and accounting, and has extensive industry planning experience.	Not under any of the categories stated in Article 30 of the Company Act	1
Fuli Investment Co., Ltd.: Representative: Chuang,Yung-Shun	EMBA at National Taiwan University. He currently serves as the chairman of AAEON Technology Inc., Chairman of Fuli Investment Co., Ltd., and the representative of corporate director in a number of TWSE/TPEx listed companies. He has more than 5 years of working experience in commerce, law, finance, accounting or	Not under any of the categories stated in Article 30 of the Company Act	2

Qualifications / Name	Professional Qualification and Experience (Note 1)	Independence (Note 2)	Number of Other Public Companies where the Individual Concurrently Serves as an Independent Director
	otherwise necessary for the business of the Corporation, specializing in business development, financial planning and marketing strategy.		
Huang,Hsu-Nan	Ph.D., Institute of Management Science, National Chiao Tung University. He is the convener of the Audit Committee and Remuneration Committee of the Corporation, Dean of the School of Management of Ming Chuan University, and a director in a number of TWSE/TPEx listed companies. He has more than 5 years of working experience in commerce or otherwise necessary for the business of the Corporation, and the professional qualification as a professor at a public or private university in related fields. He has rich experience in business operation and financial planning. He does not fall in any circumstances specified in Article 30 of the Company Act.	1. Neither the independent director, his spouse, nor any of his relatives is a director, supervisor or employee of the Corporation or its affiliates. 2. Neither the independent director, his spouse, nor any of his relatives (or their nominees) holds shares of the Corporation. 3. Not a director, supervisor or employee of a company that has a specific relationship with the Corporation (see Article 3, paragraph 1, subparagraphs 5 to 8 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies). 4. No remuneration received for providing commerce, law, finance, accounting and other services to the Corporation or its affiliates in the last two fiscal years.	2
Hsueh,Jung-Yin	PhD of College of Engineering at University of Pennsylvania. He is a member of the Audit Committee and Remuneration Committee of the Corporation, the Chair Professor at Computer Science & Information Engineering of Asia University, the director of Artificial Intelligence Center, the director of Fintech Blockchain Center, the R&D Director of Data Analytics Technology & Applications of Institute for Information Industry, and the director of Cloud Career Center. He has more than 5 years of working experience in commerce, finance or otherwise necessary for the business of the Corporation, as well as experience as a professor at a public or private university in related fields, specializing in product research and industrial development. Not under any of the categories stated in Article 30 of the Company Act.		None
Tseng,Ching-Yi	PhD of College of Engineering at University of Southern California. He is a member of the Audit Committee and Remuneration Committee of the Corporation, and currently serves as the chairman of Good Future BioMed. Inc. He has more than 5 years of working		None

Qualifications / Name	Professional Qualification and Experience (Note 1)	Independence (Note 2)	Number of Other Public Companies where the Individual Concurrently Serves as an Independent Director
	experience in commerce, finance or otherwise necessary for the business of the Corporation, specializing in corporate management and digital signal processing/communication system design. He does not fall in any circumstances specified in Article 30 of the Company Act.		

Note 1: Professional qualifications and experience: Specify the professional qualifications and experience of each director and supervisor. If a member of the Audit Committee, specify their accounting or finance background and work experience. Additionally, specify whether any circumstance under any subparagraph of Article 30 of the Company Act exists with respect to a director or supervisor.

Note 2: Describe the status of independence of each independent director, including but not limited to the following: did they or their spouse or any relative within the second degree serve as a director, supervisor, or employee of the Corporation or any of its affiliates; specify the number and ratio of shares of the Corporation held by the independent director and their spouse and relatives within the second degree (or through nominees); do they serve as a director, supervisor, or employee of any company having a specified relationship with the Corporation (see Article 3, paragraph 1, subparagraphs 5 to 8 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies); specify the amount(s) of any pay received by the independent director for any services such as business, legal, financial, or accounting services provided to the Corporation or any affiliate thereof within the past 2 years.

(III) Diversity and independence of the Board of Directors:

1. Diversity of the Board of Directors: To strengthen corporate governance and promote the sound development of the composition and structure of the Board of Directors, the Corporation formulates appropriate diversity policies for its own operations, business patterns and development needs. The Board of Directors as a whole should have the following capabilities to achieve the ideal goal of corporate governance:
   - (I) Ability to make operational judgments
   - (II) Accounting and financial analysis ability
   - (III) Business management ability
   - (IV) Crisis management ability
   - (V) Knowledge of the industry
   - (VI) An international market perspective
   - (VII) Ability to lead
   - (VIII) Ability to make policy decisions

2. The independence of the Board of Directors: The current Board of Directors of the Corporation is composed of 7 directors, including 3 independent directors. The proportion of directors who are also employee of the Corporation is 14%, and that of independent directors is 43%. The qualifications of all directors are in line with the provisions of the law, and their professional competence and implementation are as follows:

Name	Title	Gender	Age		Term of Independent Director			As An Employee of the Corporation	Industry Experience				Professional Competence					
			61-70 years old	71-80 years old	3 years below	3 to 9 years	9 years above		Finance and Banking	Electronic Technology	Manufacturing	Information Technology	Commerce	Accounting	Business Administration	Marketing Management	Research and Development	Lecturer at Universities & Colleges
Chang,Yung-Ming	Chairman	Male	✓					✓	✓	✓	✓		✓		✓	✓		
Teng,Wan-Sheng	Director	Male	✓							✓			✓				✓	
Tseng,Tsung-Lin	Director	Male	✓						✓	✓			✓	✓	✓			
Fuli Investment Co., Ltd.: Representative: Chuang,Yung-Shun	Director	Male		✓					✓	✓	✓		✓	✓	✓	✓	✓	
Huang,Hsu-Nan	Independent Director	Male	✓			✓				✓	✓		✓		✓	✓		✓
Hsueh,Jung-Yin	Independent Director	Male	✓			✓			✓	✓		✓	✓				✓	✓
Tseng,Ching-Yi	Independent Director	Male	✓			✓				✓			✓		✓		✓	

(IV) Major Shareholders if any Director or Supervisor is a Corporate Person

Table 1: Major Shareholders of Corporate Shareholders

As of April 15, 2023

Name of Corporate Shareholder	Major Shareholders of Corporate Shareholders
Fuli Investment Co., Ltd.	Chuang,Yung-Shun (43.75%), Huang,Hui-Mei (37.5%), Chuang,Fu-Chieh (9.375%), Chuang,Fu-Chun (9.375%)

Table 2: If any Major Shareholder Listed in Form 1 is a Corporate Person, List its Major Shareholders in this Form

Name of Corporate Person	Major Shareholders of the Corporate Person
(Not applicable)	

(V) Information on the General Manager, Assistant General Managers, Deputy Assistant General Managers, and Supervisors of Divisions and Branch Units

Data as of April 15, 2023

Title (Note 1)	Nationality	Name	Gender	Date Elected	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominees		Major (Education) Working Experiences (Note 2)	Position(s) Held Concurrently in Any Other Company	Managerial Officer who Are Spouses or within the Second Degree of Kinship			Remark
					Number of Shares	Shareholding Ratio (%)	Number of Shares	Shareholding Ratio (%)	Number of Shares	Shareholding Ratio (%)			Title	Name	Relationship	
General Manager	R.O.C.	Chang,Yung-Ming	Male	1997.04.08	3,417,036	3.55	0	0	0	0	Master of Electronic Engineering, National Taiwan Institute of Technology General Manager, UIC General Manager, Daheng	Chairman and General Manager of the Corporation Chairman, Henry Investment Co., Ltd.	None	None	None	(Note 3)
Senior Vice President	USA	Ni,Chu-Ching	Male	2004.03.07	0	0	0	0	0	0	Department of Electronics Engineering, National Chiao Tung University Master of Electrical Engineering, Oklahoma, USA Vice President of Engineering, Maxspeed Corp.	-	None	None	None	
Vice President	USA	Cha,Erh-Ssu	Male	2011.01.01	250,000	0.26	0	0	0	0	Lawrence University with a BA in Political Science Vice President of Product and Business Development at First Data Corporation General Manager at LinkPoint International	-	None	None	None	
Vice President	R.O.C.	Chin,Yung-Hui	Male	2009.10.01	525,885	0.55	13,782	0.01	0	0	Master of Electrical Engineering, University of Nottingham, UK Deputy Manager, Solomon Technology Corporation	-	None	None	None	
Deputy Assistant General Manager	R.O.C.	Lo,Su-Chu (Note 4)	Female	2017.02.01	0	0	0	0	0	0	Master, Institute of Finance and Banking, National Chiao Tung University Cost Supervisor, Southern Information Co., Ltd.	Chief Finance Officer, XAC Suzhou	None	None	None	
Chief Strategy Officer and Chief Security Officer	R.O.C.	Hu,Hsuan-Tsung	Male	2018.11.02	274,000	0.28	0	0	0	0	Master, Institute of Electrical and Control Engineering, National Chiao Tung University Manager, Product Planning Department of the Corporation	-	None	None	None	
Chief Operating Officer	The People's Republic of China	Liu,Yun	Male	2018.11.02	150,000	0.16	0	0	0	0	Bachelor, Automation, Wuhan University of Science and Technology Senior Manager, Product Engineering Department of XAC Technology (Suzhou) Co., Ltd.	-	None	None	None	
Senior Deputy Assistant General Manager	The People's Republic of China	Shen,Pao-Hui	Male	2018.11.02	150,000	0.16	0	0	0	0	Master of Computer Science and Technology, Soochow University Software R&D Manager, Andrew Telecom Equipment (China) Co., Ltd.	-	None	None	None	
Deputy Assistant General Manager	R.O.C.	Tsai,Hsin-Liang	Male	2018.11.02	127,000	0.13	0	0	0	0	Master, Department of Computer Science & Information Engineering, National Taiwan University Senior Manager, Software Design Department of the Corporation	-	None	None	None	

Title (Note 1)	Nationality	Name	Gender	Date Elected	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominees		Major (Education) Working Experiences (Note 2)	Position(s) Held Concurrently in Any Other Company	Managerial Officer who Are Spouses or within the Second Degree of Kinship			Remark
					Number of Shares	Shareholding Ratio (%)	Number of Shares	Shareholding Ratio (%)	Number of Shares	Shareholding Ratio (%)			Title	Name	Relationship	
Deputy Assistant General Manager	R.O.C.	Kuo,Hui-Ling	Female	2018.11.02	176,504	0.18	0	0	0	0	Department of Accounting, Fu Jen Catholic University Manager, Channel and Customer Management Department of the Corporation	-	None	None	None	
Chief Corporate Governance Officer and Accounting Officer	R.O.C.	Hsu,Jen-Chien	Male	2019.08.02 2019.07.24	25,000	0.03	0	0	0	0	Master, Banking and Finance, NCNU Senior Auditor, PwC Corporate Finance Staff, Union Bank of Taiwan Co., Ltd.	-	None	None	None	
Chief Finance Officer	R.O.C.	Chang,Meng-Yi (Note 5)	Female	2022.01.26	0	0	3,000	0	0	0	Department of Accounting, Samsung University Finance Manager, Champion Building Materials Co., Ltd. Accounting Manager, TM Technology, Inc. Deputy Accounting Manager, Etron Technology, Inc. Audit Manager, KPMG Taiwan	Chief Finance Officer, XAC Suzhou	None	None	None	

Note 1: Information on the General Manager, Assistant General Manager, Deputy Assistant General Managers and the supervisors of all the Corporation's divisions and branches units, and any position equivalent to general manager, Assistant General Manager or Deputy Assistant General Manager, regardless of title, shall also be disclosed.

Note 2: Specify experience and qualifications related to the current position. If during a period specified above the person has served in a position at a CPA firm that serves as external auditor/attestor, specify the position held and the duties for which the person was responsible

Note 3: Where the Chairman of the Board of Directors and the general manager or person of an equivalent post (the highest level manager) are the same person, spouses, or relatives within the first degree of kinship, an explanation shall be given of the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto (e.g., increasing the number of independent directors and ensuring that a majority of directors do not concurrently serve as an employee or managerial officer): Although the General Manager and the Chairman of the Corporation's Board of Directors are the same person, the duties of the General Manager and the Chairman of the board have been clearly divided, and the majority of the board directors are not concurrently employees or managers (except the Chairman, none of other directors are concurrently employees or managers). In view of this, the purpose of supervision can be achieved.

Note 4: The Chief Finance Officer and Assistant General Manager Lo,Su-Chu, resigned on January 26, 2022 and retired on February 10, 2022.

Note 5: Manager Chang,Meng-Yi was approved by resolution of the Board of Directors as Chief Finance Officer and assumed office on January 26, 2022.

III. Directors’, Supervisors’ President's and Vice Presidents' remuneration

1. Remuneration to Ordinary Directors and Independent Directors (Individual Disclosure of Names and Remuneration Items)

Unit: NT$ thousand, thousand shares; Data as of December 31, 2022

Title	Name (Note 1)	Remuneration to Directors								Sum of A+B+C+D and Ratio to Net Income (%) (Note 10)		Remuneration Received by Directors for Concurrent Service as An Employee								Sum of A+B+C+D+E+F+G and Ratio to Net Income (%) (Note 10)		Remuneration Received from Investee Enterprise Other than Subsidiaries or from the Parent Company (Note 11)
		Base Compensation (A) (Note 2)		Severance Pay and Pension (B)		Director Profit-sharing Compensation (C) (Note 3)		Expenses and Perquisites (D) (Note 4)		The Corporation	All Companies in Consolidated Financial Statements (Note 7)	Salary, Rewards, and Special Disbursements (E) (Note 5)		Retirement Pay and Pension (F)		Employee Profit-sharing Compensation (G) (Note 6)				The Corporation	All Companies in Consolidated Financial Statements (Note 7)	
		The Corporation	All Companies in Consolidated Financial Statements (Note 7)	The Corporation	All Companies in Consolidated Financial Statements (Note 7)	The Corporation	All Companies in Consolidated Financial Statements (Note 7)	The Corporation	All Companies in Consolidated Financial Statements (Note 7)	Total Amount/ Proportion	Total Amount/Proportion	The Corporation	All Companies in Consolidated Financial Statements (Note 7)	The Corporation	All Companies in Consolidated Financial Statements (Note 7)	The Corporation		All Companies in Consolidated Financial Statements (Note 7)		Total Amount/ Proportion	Total Amount/ Proportion	
																Amount in Cash	Amount in Stock	Amount in Cash	Amount in Stock			
Chairman and General Manager	Chang,Yung-Ming	0	0	0	0	0	0	0	0	0	0	8,053	8,053	737	737	0	0	0	0	8,790 (5.31)%	8,790 (5.31)%	None
Director	Teng,Wan-Sheng	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	None
Director	Fuli Investment Co., Ltd. (Representative: Chuang,Yung-Shun)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	None
Director	Tseng,Tsung-Lin	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	None
Independent Director	Huang,Hsu-Nan	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	None
Independent Director	Hsueh,Jung-Yin	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	None
Independent Director	Tseng,Ching-Yi	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	None

1. Please state the policies, systems, standards, and structure for the remuneration of the Independent Directors, and state the correlation to the remuneration according to the responsibilities, risks time commitment and other factors:
In accordance to Article 20-1 of the Corporation's Articles of Incorporation, the remuneration to directors shall be decided by the Board of Directors based on the involvement in and contribution to operations of the Corporation by such directors, and in reference to the general peer levels.

2. Unless disclosed in the above table, remuneration received in the most recent fiscal year by the Directors for providing services (e.g. serving as a non-employee consultant to the parent company/all companies in the Consolidated Financial Statements/invested enterprises), etc.): None.

Note 1: Directors (including independent directors) took office on June 10, 2019: Chang,Yung-Ming, Teng,Wan-Sheng, Fuli Investment Co., Ltd. (Representative: Chuang,Yung-Shun), Tseng,Tsung-Lin, Huang,Hsu-Nan, Hsueh,Jung-Yin, Tseng,Ching-Yi.

Note 2: This refers to director base compensation in the most recent fiscal year (including director salary, duty allowances, severance pay, and various rewards and incentives, etc.).

Note 3: Please fill in the amount of director profit-sharing compensation approved by the Board of Directors for distribution for the most recent fiscal year.

Note 4: This refers to director expenses and perquisites in the most recent fiscal year (including travel expenses, special disbursements, stipends of any kind, and provision of facilities such as accommodations or vehicles, etc.). If housing, car or other form of transportation, or personalized expenses are provided, disclose the nature and cost of the property provided, the actual or fair market rent, fuel expenses, and any other amounts paid. Additionally, if a driver is provided, please add a note explaining the relevant base compensation paid by the Corporation to the driver, but do not include it in the calculation of the director remuneration.

Note 5: This includes any remuneration received by a director for concurrent service as an employee in the most recent year (including concurrent service as general manager, assistant general manager, other managerial officer, or non-managerial employee) including salary, duty allowances, severance pay, rewards, incentives, travel expenses, special disbursements, stipends of any kind, and provision of facilities such as accommodations or vehicles, etc. If housing, car or other form of transportation, or personalized expenses are provided, disclose the nature and cost of the property provided, the actual or fair market rent, fuel expenses, and any other amounts paid. Additionally, if a driver is provided, please add a note explaining the relevant base compensation paid by the Corporation to the driver, but do not include it in the calculation of the director remuneration. Additionally, salary expenses recognized as share-based payment under IFRS 2 - including employee share subscription warrants, new restricted employee shares, and participation in share subscription under a rights offering, etc. - should be included in the calculation of remuneration.

Note 6: This refers to employee profit-sharing compensation (including stocks and cash) received by a director for concurrent service as an employee in the most recent fiscal year (including concurrent service as general manager, assistant general manager, other managerial officer, or non-managerial employee). Disclose the amount of profit-sharing compensation approved or expected to be approved by the Board of Directors for distribution for the most recent fiscal year. If the amount cannot be forecasted, disclose the amount expected to be distributed by calculating pro-rata to the amount that was actually distributed in the preceding fiscal year. Table 1-3 should also be completed.

Note 7: Disclose the total amount of remuneration in each category paid to the directors of the Corporation by all companies in the consolidated financial report (including the Corporation).

Note 8: Disclose the names of the directors in the respective ranges into which they fall based on the sum total of the remuneration in the indicated categories paid to each director by the Corporation.

Note 9: Disclose the names of the directors in the respective ranges into which they fall based on the sum total of the remuneration in the indicated categories paid to each director of the Corporation by all companies in the consolidated financial report (including the Corporation).

Note 10: Net income means the net income after tax on the parent company only or individual financial report for the most recent fiscal year.

Note 11:

a. In this column, specifically disclose the amount of remuneration received by the directors of the Corporation from investee enterprises other than subsidiaries or from the parent company (if none, state "None").

b. If directors of the Corporation have received remuneration from investee enterprises other than subsidiaries or from the parent company, that remuneration shall be added into the amount in Column I of the Remuneration Range Table, and the name of that column shall be changed to "Parent Company and All Investee Enterprises".

c. Remuneration means remuneration received by directors of the Corporation for serving in capacities such as director, supervisor, or managerial officer at investee companies other than subsidiaries or at the parent company, including base compensation, profit-sharing compensation (including employee, director, and supervisor profit-sharing compensation) and expenses and perquisites.

∗ This table is for information disclosure purposes only and is not intended to be used for tax purposes, as the remuneration disclosed in this table differs from the concept of income under the Income Tax Act.

2. Remuneration to General Manager and Assistant General Managers

Unit: NT$ thousand, thousand shares; Data as of December 31, 2022

Title	Name	Base Compensation (A) (Note 2)		Severance Pay and Pension (B)		Rewards and Special Disbursements (C) (Note 3)		Employee Profit-sharing Compensation (D) (Note 4)				Sum of A+B+C+D and Ratio to Net Income (%) (Note 8)		Remuneration Received from Investee Enterprise Other than Subsidiaries or from the Parent Company (Note 9)
		The Corporation	All Companies in Consolidated Financial Statements (Note 5)	The Corporation	All Companies in Consolidated Financial Statements (Note 5)	The Corporation	All Companies in Consolidated Financial Statements (Note 5)	The Corporation		All Companies in Consolidated Financial Statements (Note 5)		The Corporation	All Companies in Consolidated Financial Statements	
								Amount in Cash	Amount in Stock	Amount in Cash	Amount in Stock			
General Manager	Chang,Yung-Ming	5,292	5,292	737	737	2,761	2,761	0	0	0	0	8,790 (5.31)%	8,790 (5.31)%	None
Senior Vice President of XAC USA	Ni,Chu-Ching	0	7,059	0	162	0	0	0	0	0	0	0 0%	7,221 (4.36)%	None
Vice President of XAC USA	Cha,Erh-Ssu	0	6,511	0	185	0	0	0	0	0	0	0 0%	6,696 (4.05)%	None
Vice President of HW PPM Division	Chin,Yung-Hui	3,617	3,617	121	121	1,328	1,328	0	0	0	0	5,066 (3.06)%	5,066 (3.06)%	None

Note 1: The name of each general manager and assistant general manager shall be stated separately, based on the amount of the aggregated remuneration items paid to each. If a director concurrently serves as a general manager or an assistant general manager, please complete this table.

Note 2: This includes salary, duty allowances, and severance pay to the general managers and assistant general managers in the most recent fiscal year.

Note 3: This includes the amounts of all types of rewards, incentives, travel expenses, special disbursements, stipends of any kind, provision of facilities such as accommodations or vehicle, and other compensation to the general managers and assistant general managers in the most recent fiscal year. If housing, car or other form of transportation, or personalized expenses are provided, disclose the nature and cost of the property provided, the actual or fair market rent, fuel expenses, and any other amounts paid. Additionally, if a driver is provided, please add a note explaining the relevant base compensation paid by the Corporation to the driver, but do not include it in the calculation of the director remuneration. Additionally, salary expenses recognized as share-based payment under IFRS 2 - including employee share subscription warrants, new restricted employee shares, and participation in share subscription under a rights offering, etc. - should be included in the calculation of remuneration.

Note 4: This refers to employee profit-sharing compensation (including stocks and cash) received by the general manager(s) and assistant general managers as approved or expected to be approved by the Board of Directors for the most recent fiscal year (including concurrent service as general manager, assistant general manager, other managerial officer, or non-managerial employee). If the amount cannot be forecasted, disclose the amount expected to be distributed by calculating pro-rata to the amount that was actually distributed in the preceding fiscal year. Table 1-3 should also be completed.

Net income means the net income after tax on the parent company only or individual financial report for the most recent fiscal year; for companies that have adopted IFRSs, the net income refers to the net income in the parent company only or individual financial report in the most recent year.

Note 5: Disclose the total amount of remuneration in each category paid to the general managers and assistant general managers by all companies in the consolidated financial report (including the Corporation).

Note 6: Disclose the names of the general managers and assistant general managers in the respective ranges into which they fall based on the sum total of the remuneration in the indicated categories paid to each general manager and assistant general manager by the Corporation.

Note 7: Disclose the names of the general managers and assistant general managers in the respective ranges into which they fall based on the sum total of the remuneration in the indicated categories paid to each general manager and assistant general manager of the Corporation by all companies in the consolidated financial report (including the Corporation).

Note 8: Net income means the net income after tax on the parent company only or individual financial report for the most recent fiscal year; for companies that have adopted IFRSs, the net income refers to the net income in the parent company only or individual financial report in the most recent year.

Note 9:

a. In this column, specifically disclose the amount of remuneration received by the general managers and assistant general managers of the Corporation from investee enterprises other than subsidiaries or from the parent company (if none, state "None").

b. If general managers or assistant general managers of the Corporation have received remuneration from investee enterprises other than subsidiaries or from the parent company, that remuneration shall be added into the amount in Column E of the Remuneration Range Table, and the name of that column shall be changed to "Parent Company and All Investee Enterprises".

c. Remuneration means remuneration received by the general managers and assistant general managers of the Corporation for serving in capacities such as director, supervisor, or managerial officer at investee companies other than subsidiaries or at the parent company, including base compensation, profit-sharing compensation (including employee, director, and supervisor profit-sharing compensation) and expenses and perquisites.

∗ This table is for information disclosure purposes only and is not intended to be used for tax purposes, as the remuneration disclosed in this table differs from the concept of income under the Income Tax Act.

3. Remuneration to the Five Highest Remunerated Management Personnel of the Corporation (Individual Disclosure of Names and Remuneration Items)

Unit: NT$ thousand, thousand shares; Data as of December 31, 2022

Title	Name	Base Compensation (A) (Note 2)		Severance Pay and Pension (B)		Rewards and Special Disbursements (C) (Note 3)		Employee Profit-sharing Compensation (D) (Note 4)				Sum of A+B+C+D and Ratio to Net Income (%) (Note 6)		Remuneration Received from Investee Enterprise Other than Subsidiaries or from the Parent Company (Note 7)
		The Corporation	All Companies in Consolidated Financial Statements (Note 5)	The Corporation	All Companies in Consolidated Financial Statements (Note 5)	The Corporation	All Companies in Consolidated Financial Statements (Note 5)	The Corporation		All Companies in Consolidated Financial Statements (Note 5)		The Corporation	All Companies in Consolidated Financial Statements	
								Amount in Cash	Amount in Stock	Amount in Cash	Amount in Stock			
General Manager	Chang,Yung-Ming	5,292	5,292	737	737	2,761	2,761	0	0	0	0	8,790 (5.31)%	8,790 (5.31)%	None
Senior Vice President of XAC USA	Ni,Chu-Ching	0	7,059	0	162	0	0	0	0	0	0	0 0%	7,221 (4.36)%	None
Vice President of XAC USA	Cha,Erh-Ssu	0	6,511	0	185	0	0	0	0	0	0	0 0%	6,696 (4.05)%	None
Vice President of HW PPM Division	Chin,Yung-Hui	3,617	3,617	121	121	1,328	1,328	0	0	0	0	5,066 (3.06)%	5,066 (3.06)%	None
Chief Strategy Officer and Chief Security Officer	Hu,Hsuan-Tsung	2,520	2,520	108	108	547	547	0	0	0	0	3,175 (1.92)%	3,175 (1.92)%	None

Note 1: "Management personnel" in the "Five Highest Remunerated Management Personnel" means managerial officers of the Corporation. "Managerial officers" means those falling within the applicable scope defined in March 27, 2003 Order No. Tai-Cai-Zheng-III-Zi No. 0920001301 of the former Securities and Futures Commission, Ministry of Finance. The "five highest remunerated" is calculated as those ranked in the top five in remuneration based on the sum total of the amounts of salary, retirement pay and pension, rewards and special disbursements, and employee profit-sharing compensation (i.e., the sum of items A+B+C+D) received by each of the Corporation's managerial officers from all companies in the consolidated financial reports. If any concurrently serving directors is among those top, fill out this table and also Table (1-1) above.

Note 2: This refers to the salary, duty allowances, and severance pay of each of the five highest remunerated management personnel in the most recent fiscal year.

Note 3: This refers to the amount of all rewards, incentives, travel expenses, special disbursements, stipends of any kind, and provision of facilities such as accommodations or vehicles, and other remuneration of the five highest remunerated management personnel in the most recent fiscal year. If housing, car or other form of transportation, or personalized expenses are provided, disclose the nature and cost of the property provided, the actual or fair market rent, fuel expenses, and any other amounts paid. Additionally, if a driver is provided, please add a note explaining the relevant base compensation paid by the Corporation to the driver, but do not include it in the calculation of the director remuneration. Additionally, salary expenses recognized as share-based payment under IFRS 2 - including employee share subscription warrants, new restricted employee shares, and participation in share subscription under a rights offering, etc. - should be included in the calculation of remuneration.

Note 4: This refers to employee profit-sharing compensation (including stocks and cash) received by the five highest remunerated management personnel in the most recent fiscal year. If the amount cannot be forecasted, disclose the amount expected to be distributed by calculating pro-rata to the amount that was actually distributed in the preceding fiscal year. Table 1-3 should also be completed.

Note 5: Disclose the total amount of remuneration in each category paid to the five highest remunerated management personnel by all companies in the consolidated financial report (including the Corporation).

Note 6: Net income means the net income after tax on the parent company only or individual financial report for the most recent fiscal year.

Note 7:

a. In this column, specifically disclose the amount of remuneration received by the five highest remunerated management personnel of the Corporation from investee enterprises other than subsidiaries or from the parent company (if none, state "None").

b. Remuneration means remuneration received by the five highest remunerated management personnel of the Corporation for serving in capacities such as director, supervisor, or managerial officer at investee companies other than subsidiaries or at the parent company, including base compensation, profit-sharing compensation (including employee, director, and supervisor profit-sharing compensation) and expenses and perquisites.

＊ This table is for information disclosure purposes only and is not intended to be used for tax purposes, as the remuneration disclosed in this table differs from the concept of income under the Income Tax Act.

(VI) Names and Distributions of Employee Profit-Sharing Compensation to Managerial Officers

Unit: NT$ thousand; Data as of December 31, 2022

<table>
<tr><th colspan="2">Title</th><th>Name</th><th>Amount in Stock</th><th>Amount in Cash</th><th>Total</th><th>Ratio of Total Amount to Net Income (%)</th></tr>
<tr><td rowspan="12">Managerial Officer</td><td>General Manager</td><td>Chang,Yung-Ming</td><td rowspan="12">0</td><td rowspan="12">0</td><td rowspan="12">0</td><td rowspan="12">0</td></tr>
<tr><td>Senior Vice President of XAC USA</td><td>Ni,Chu-Ching</td></tr>
<tr><td>Vice President of XAC USA</td><td>Cha,Erh-Ssu</td></tr>
<tr><td>Vice President of HW PPM Division</td><td>Chin,Yung-Hui</td></tr>
<tr><td>Deputy Assistant Finance Manager</td><td>Lo,Su-Chu</td></tr>
<tr><td>Chief Strategy Officer and Chief Security Officer</td><td>Hu,Hsuan-Tsung</td></tr>
<tr><td>Chief Operating Officer</td><td>Liu,Yun</td></tr>
<tr><td>Deputy Assistant General Manager, System Design Division</td><td>Shen,Pao-Hui</td></tr>
<tr><td>Deputy Assistant General Manager, Product R&D Division</td><td>Tsai,Hsin-Liang</td></tr>
<tr><td>Deputy Assistant General Manager, Channel Division and Customer Service Division</td><td>Kuo,Hui-Ling</td></tr>
<tr><td>Chief Corporate Governance Officer and Accounting Officer</td><td>Hsu,Jen-Chien</td></tr>
<tr><td>Manager and Chief Officer, Financial Division</td><td>Chang,Meng-Yi</td></tr>
</table>

Note 1: Names and job titles should be disclosed individually, but profit distributions received maybe disclosed in aggregate.

Note 2: Fill in the amount of employee profit-sharing compensation (including stocks and cash) received by the managerial officers as approved or expected to be approved by the Board of Directors for the most recent fiscal year. If the amount cannot be forecasted, disclose the amount expected to be distributed by calculating pro-rata to the amount that was actually distributed in the preceding fiscal year. Net income means the net income after tax on the parent company only or individual financial report for the most recent fiscal year; for companies that have adopted IFRSs, the net income refers to the net income in the parent company only or individual financial report in the most recent year.

Note 3: The applicable scope of "managerial officers" is defined under the March 27, 2003 FSC Order No. Tai-Cai-Zheng-III-Zi No. 0920001301 as persons in the following positions:

(1) General Manager and equivalent level positions
(2) Assistant General Manager and equivalent level positions
(3) Deputy Assistant General Manager and equivalent level positions
(4) Chief Officer of the Finance Division
(5) Chief Officer of the Accounting Division
(6) Chief Corporate Governance Officer
(7) Other persons who have the power to manage affairs and sign for the Corporation

Note 4: If any director, general manager, or assistant general manager receives profit-sharing compensation (including stocks or cash), complete this table in addition to Table 1-2.

(VII) Separately Compare and Describe Total Remuneration, as A Percentage of Net Income Stated in the Parent Company Only or Individual Financial Statements, as Paid to the by the Corporation and by Each Other Company Included in the Consolidated Financial Statements During the Past 2 Fiscal Years to Directors, Supervisors, President, and Vice Presidents, and Analyze and Describe Remuneration Policies, Standards, and Packages, the Procedure for Determining Remuneration, and Its Linkage to Operating Performance and Future Risk Exposure.

1. Analysis of the total remuneration paid to the Directors, Supervisors, General Managers and Assistant General Managers of the Corporation in the last two fiscal years as a percentage of the net income after tax of the parent company only financial reports or of the individual financial reports

Unit: NT$ thousand; Data as of December 31, 2022

Fiscal Year	2021				2022			
Title	Total remuneration		Total remuneration as a percentage of net income stated in the parent company only financial reports or individual financial reports (%)		Total remuneration		Total remuneration as a percentage of net income stated in the parent company only financial reports or individual financial reports (%)	
	The Corporation	All Companies in Consolidated Financial Statements	The Corporation	All Companies in Consolidated Financial Statements	The Corporation	All Companies in Consolidated Financial Statements	The Corporation	All Companies in Consolidated Financial Statements
Directors	3,660	3,660	2.75	2.75	0	0	0	0
President and Vice President	14,373	27,248	10.79	20.45	13,856	27,773	(8.37)	(16.78)

Note 1: Net income after tax of 2023: NT$133,260 thousand
Note 2: Net loss after tax of 2022: NT$165,474 thousand

2. Remuneration policies, standards, and packages, the procedure for determining remuneration, and its linkage to operating performance and future risk exposure
   (1) The remuneration paid by the Corporation to directors can be divided into two categories: directors' remuneration and expenses and perquisites. The remuneration of directors is in accordance with Article 28 of the Articles of Incorporation of the Corporation: "If the Corporation has profits in the year, it shall set aside 3% to 12% for the remuneration of employees and less than 3% for the remuneration of directors. However, in case of the accumulated losses, certain profits shall first be reserved to cover them.

Qualification requirements of employees entitled to receive stock or cash set out in the preceding paragraph include the employees of parents, controlled enterprises or subsidiaries of the Corporation meeting certain specific requirements. Any earnings after the Corporation's annual final accounting, it shall be first used to pay all taxes and dues and cover accumulated losses, then 10% of the earnings shall be reserved as the statutory surplus reserve; provided that this restriction shall not apply to the circumstances that the statutory surplus reserve has reached the paid-in capital of the Corporation. Provision for special surplus reserve shall be retained by the Board of Directors according to the operation needs and as required by law. If there is still a balance, the Board of Directors shall draw up an earnings distribution plan for the balance and the undistributed retained earnings at the beginning of period, and submit it to the board of shareholders for a resolution on distribution. Since the remuneration is based on the allocation of the current year's earnings, it is highly correlated with the Corporation's operating performance. The remuneration paid to the general manager and assistant general managers is adjusted and allocated according to the Corporation's operating performance in addition to the salary.

(2) The remuneration paid by the Corporation to the general manager and assistant general managers includes salary, rewards and provision of facilities, and the employee bonus distributed with additional earnings, which shall be approved by the chairman as authorized by the Board of Directors in accordance with the relevant provisions of the Corporation's salary policies. Since employee bonus depends on the distribution ratio of the current year's earnings, it is highly correlated with the Corporation's operating performance.

IV. Implementation of Corporate Governance

(I) Operation of the Board of Directors

A total of 6 meetings have been held by the Board of Directors in the most fiscal year, with the directors' attendance shown as follows:

Title	Name	Attendance in Person	Attendance by Proxy	Attendance Rate (%)	Remark
Chairman	Chang,Yung-Ming	6	0	100%	None
Director	Teng,Wan-Sheng	6	0	100%	None
Director	Fuli Investment Co., Ltd. (Representative: Chuang,Yung-Shun)	6	0	100%	None
Director	Tseng,Tsung-Lin	5	0	83%	None
Independent Director	Huang,Hsu-Nan	6	0	100%	None
Independent Director	Hsueh,Jung-Yin	6	0	100%	None
Independent Director	Tseng,Ching-Yi	4	2	67%	None

Other information required to be disclosed:

I. If any of the following circumstances exists, specify the board meeting date, meeting session number, content of the motion(s), the opinions of all the independent directors, and the measures taken by the Corporation based on the opinions of the independent directors: The Corporation has set up an Audit Committee. Please refer to page 23 of this annual report.
   (I) Any matter under Article 14-3 of the Securities and Exchange Act.
   (II) In addition to the matters referred to above, any dissenting or r qualified opinion of an independent directory that is on record or stated in writing with respect to any board resolution.

II. The status of implementation of recusals of directors with respect to any motions with which they may have a conflict of interest: specify the director's name, the content of the motion, the cause for recusal, and whether and how the director voted: None.

III. For a TWSE or TPEx listed company, disclose information including the evaluation cycle and period(s) of the Board of Directors' self-evaluations (or peer evaluations) and the evaluation method and content. The implementation of evaluations of the Board of Director is as follows:

Evaluation Cycle	Evaluation Period	Evaluation Scope	Evaluation Method	Evaluation Content
Once a year	Performance evaluation of the Board of Directors for the period from January 1 to December 31, 2022	Overall performance evaluation of the Board of Directors	Self-evaluation by board members	1. Participation in the operation of the Corporation 2. Improvement of the quality of the Board of Directors' decision making 3. Composition and structure of the Board of Directors 4. Election and continuing education of the directors 5. Internal control

Evaluation Cycle	Evaluation Period	Evaluation Scope	Evaluation Method	Evaluation Content
		Performance evaluations of individual board members	Self-evaluation by board members	1. Alignment of the goals and mission of the Corporation 2. Awareness of the duties of a director 3. Participation in the operation of the Corporation 4. Management of internal relationship and communication 5. The director's professionalism and continuing education 6. Internal control
		Evaluation of the performance of the functional committee	Self-evaluation by members of functional committee	1. Participation in the operation of the Corporation 2. Awareness of the duties of the functional committee 3. Improvement of quality of decisions made by the functional committee 4. Makeup of the functional committee and election of its members 5. Internal control

IV. An Evaluation of Targets (e.g. the Establishment of an Audit Committee and the Improvement of Information Transparency, etc.) for Strengthening of the Functions of the Board of Directors during the Current and Immediately Preceding Fiscal Years, and Measures Taken Toward Achievement thereof:

Targets for Strengthening of the Functions of the Board of Directors	Evaluation of Implementation Status
Establishment of an audit committee	To strengthen the function of the Board of Directors, the Corporation elected three independent directors and established an audit committee at the general shareholders' meeting on June 16, 2016.
Enhance the transparency of information.	1. The Corporation has designated a dedicated person to be responsible for the collection and disclosure of corporate information, the implementation of the spokesman system, the update of information on the company website. 2. The Corporation has formulated the Rules of Procedure for Board of Directors Meetings in accordance with the Regulations Governing Procedure for Board of Directors Meetings of Public Companies for compliance, published the information of directors' attendance at the Board of Directors on the MOPS, and disclosed the major resolutions of the Board of Directors on the company website.
Strengthen communication between directors and internal audit officer	Enable the directors to maintain good communication with the Corporation's internal audit officer at ordinary times or at the board meetings regarding the Corporation's financial and business situation, so as to better understand whether the overall operation situation of the Corporation complies with relevant laws and regulations.
Strengthen the professional knowledge of directors to enhance the function of the Board of Directors	Provide directors with information on courses to enhance the professional knowledge of directors and encourage their participation in professional courses.

(II) Operation of the Audit Committee

A total of 5 meetings of the audit committee were held in the most recent year. The attendance of independent directors was as follows:

Title	Name	Attendance in Person	Attendance by Proxy	Attendance Rate (%)	Remark
Independent Director	Huang,Hsu-Nan	5	0	100%	None
Independent Director	Hsueh,Jung-Yin	5	0	100%	None
Independent Director	Tseng,Ching-Yi	4	1	80%	None

1. The operation of the Audit Committee is primarily to assist the Board in the oversight of the following matters:
   I. Fair presentation of the Corporation's financial statements.
   II. Appointment (dismissal), independence, and performance of CPAs.
   III. Effective implementation of the Corporation's internal control.
   IV. Regulatory compliance.
   V. Management and control of the Corporation's existing or potential risks.
2. The function and power of the Audit Committee are as follows:
   I. Adoption or amendment of an internal control system pursuant to Article the 14-1 of the Securities and Exchange Act.
   II. Assessment of the effectiveness of the internal control system.
   III. Adoption or amendment, pursuant to Article 36-1 of the Securities and Exchange Act, of handling procedures for financial or operational actions of material significance, such as acquisition or disposal of assets, derivatives trading, loans to others, or endorsements or guarantees for others.
   IV. Matters bearing on the personal interest of a director.
   V. Material asset or derivatives transactions.
   VI. Material monetary loans, endorsement, or provision of guarantee.
   VII. The offering, issuance, or private placement of any equity-type securities.
   VIII. Appointment, discharge or remuneration of CPAs.
   IX. Appointment or discharge of a finance manager, accounting manager or chief internal auditor.
   X. Annual financial reports and second quarter financial reports that must be audited and attested by a CPA, which are signed or sealed by the chairman, managerial officer, and accounting officer.
   XI. Any other material matter so required by the Corporation or the competent authority.
   XII. Performance Self-evaluation Questionnaire of the Audit Committee,
   XIII. Regular review of the committee charter related matters.

Other information required to be disclosed:

I. Any matter under Article 14-5 of the Securities and Exchange Act, and any other resolutions passed by more than two-thirds of all directors but without approval of the Audit Committee:

<table>
<tr><th>Board of Directors</th><th>Content of Motion and Follow-up Actions</th><th>Matters under Article 14-5 of the Securities and Exchange Act</th><th>Other resolutions passed by more than two-thirds of all directors but without approval of the Audit Committee</th></tr>
<tr><td rowspan="2">The 17th of the 9th Session 2022.01.26</td><td>1. Adopted the appointment of the Corporation's Chief Finance Officer.</td><td>V</td><td>None</td></tr>
<tr><td colspan="3">Independent Directors' dissenting/ qualified opinions or major opinions: None.
Resolution Results of the Audit Committee (January 26, 2022): Adopted by all directors present at the audit committee meeting.
The Corporation's Response to the Resolution Results of the Audit Committee: Approved by all the directors present.</td></tr>
<tr><td rowspan="2">The 18th of the 9th Session 2022.03.16</td><td>1. Adopted the Corporation's 2021 Annual Business Report and financial report.
2. Adopted of the Corporation's Statement on Internal Control for the Year 2021.
3. Adopted the Corporation's 2021 Earning Distribution Plan.</td><td>V</td><td>None</td></tr>
<tr><td colspan="3">Independent Directors' dissenting/ qualified opinions or major opinions: None.
Resolution Results of the Audit Committee (March 16, 2022): Adopted by all directors present at the audit committee meeting.
The Corporation's Response to the Resolution Results of the Audit Committee: Approved by all the directors present.</td></tr>
</table>

II. Where an independent director recuses himself or herself from a proposal in which he/she has a personal interest, the name of the independent director, the content of proposal, the reason for recusal and the results of the voting should be stated: None.

III. Communication between the Independent Director and the chief internal audit officer and CPAs (contents must include material matters, methods, and results of communication on the finances and state of business of the Corporation): The chief internal audit officer of the Corporation regularly reports the internal audit implementation status (including tracking report) to the independent directors; CPAs communicate with the independent directors twice a year on the financial and business status of corporate governance; In addition, if it is necessary for an independent director to consult the financial and business situation, the Corporation will call the CPAs and relevant department heads on demand to report to the independent director.

(III) Corporate Governance Implementation Status and Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof

Evaluation Item	Implementation Status (Note 1)			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof
	Yes	No	Description	
I. Has the Corporation established and disclosed its Corporate Governance Best-Practice Principles based on the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies?		V	The Corporation has not yet developed a Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies.	Under discussion and formulation
II. Shareholding structure & shareholders' rights (I) Does the Corporation have Internal Operation Procedures for handling shareholders' suggestions, concerns, disputes and litigation matters. If yes, have these procedures been implemented accordingly? (II) Does the Corporation know the identity of its major shareholders and the parties with ultimate control of the major shareholders? (III) Has the Corporation built and implemented a risk management system and a firewall between the Corporation and its affiliates?	 V V V		(I) In addition to a spokesperson and acting spokesperson, the Corporation also cooperates with a stock agent, Fubon Securities Co. Ltd., to handle relevant issues and suggestions between shareholders. In case of legal issues, the Corporation will appoint legal advisers to assist in coping with them. (II) The major shareholders of the Corporation and the ultimate controllers of the major shareholders are mostly (1) directors, (2) directors' related parties, (3) founding shareholders and (4) domestic legal persons who have long-term investment in the Corporation. The investment relationship is stable. (III) The legal entity between the Corporation and its affiliates is designed as individual entity that operates independently in terms of operational, tax and legal risks, with some cross-organizational management functions for overall synergy. However, the roles and functions of personnel, management rights and responsibilities are clearly specified in the organization chart and authority summary table. In addition, thanks to the clear definition and establishment of the operating objectives of the parent and subsidiaries, their respective roles and the division of labor between main functions, the Corporation is able to carry out appropriate risk	None

Evaluation Item	Implementation Status (Note 1)			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof
	Yes	No	Description	
(IV) Has the Corporation established internal rules prohibiting insider trading of securities based on undisclosed information?	V		assessment and control, and adjust the risk control mechanism and the firewall method of affiliates from time to time based on the operating results or changes in the local external environment. The Corporation has developed a Corporate Risk Control Policy. (IV) The Corporation has developed an internal specification of the Procedures for Preventing Insider Trading Management and disclosed it on the company website.	
III. Composition and Responsibilities of the Board of Directors (I) Have a diversity policy and specific management objectives been adopted for the board and have they been fully implemented?		V	(I) The Corporation currently has three independent directors and has not established a diversity policy. The members of the Board of Directors are in compliance with the statutory requirements and have industry-appropriate professional qualifications and independence.	Under discussion and formulation
(II) Has the Corporation voluntarily established other functional committees in addition to the Remuneration Committee and the Audit Committee?		V	(II) The Corporation has set up a remuneration committee and an audit committee, but has not set up other functional committees, which will be set in the future according to actual operation needs.	
(III) Has the Corporation established rules and methodology for evaluating the performance of its Board of Directors, implemented the performance evaluations on an annual basis, and submitted the results of performance evaluations to the Board of Directors and used them as reference in determining salary/compensation for individual directors and their nomination and additional office terms?	V		(III) The Corporation has formulated the Performance Evaluation Method of the Board of Directors and Functional Committees and carries out the performance evaluation of the Board of Directors on an annual basis. The evaluation methods include the internal self-evaluation of the Board of Directors, self-evaluation of board members and the internal self-evaluation of the functional committee. The 2022 evaluation results were reported to the Board of Directors on March 15, 2023 as a reference for individual remuneration and nomination for renewal.	
(IV) Does the Corporation regularly evaluate the independence of the CPA?	V		(IV) The Corporation regularly evaluates the independence and competency of CPAs on an annual basis and reports the results	

Evaluation Item	Implementation Status (Note 1)			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof
	Yes	No	Description	
			to the Board of Directors. The evaluation items are defined in accordance with the provisions of the Certified Public Accountant Act and the Norm of Professional Ethics for Certified Public Accountant of the Republic of China (NFCPAAROC Code), confirming that the CPAs have no financial interest or business relationship with the Corporation other than charges for compliance audit and tax cases, and the CPAs' family members also conform to the independence requirement. A Statement of Independence has been obtained and the Audit Quality Index (AQIs) is taken as the reference basis for selecting CPAs. The evaluation results of the most recent year were discussed and approved by the Audit Committee on January 31, 2023, and submitted to the Board of Directors on January 31, 2023 for resolution in terms of the independence and competency of CPAs.	
IV. Does the Corporation have in place an adequate number of qualified corporate governance officers and has it appointed a chief corporate governance officer with responsibility corporate governance practices (including but not limited to providing information necessary for directors and supervisors to perform their duties, aiding directors and supervisors in complying with laws and regulations, organizing board meetings and annual general meetings of shareholders as required by law, and compiling minutes of board meetings and annual general meetings)?	V		The Corporation has appointed a corporate governance officer to be responsible for corporate governance related matters on August 2, 2019.	None
V. Has the Corporation established channels for communicating with its stakeholders (including but not limited to shareholders, employees, customers, suppliers, etc.) and created a	V		The Corporation has functional officers to carry out daily operation and communication with the bank, customers, employees, suppliers, etc. For investors and competent authorities, the Corporation has set a spokesman and acting spokesman to receive	None

Evaluation Item	Implementation Status (Note 1)			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof
	Yes	No	Description	
stakeholders section on its company website? Does the Corporation appropriately respond to stakeholders' questions and concerns on important corporate social responsibility issues?			questions from shareholders and give explanations accordingly. In accordance with the relevant standards of information disclosure, the Corporation uploads all related announcements, and set up a special section for related parties on the company website. The Corporation has maintained a normal and smooth communication channel.	
VI. Has the Corporation appointed a professional shareholder services agent to handle matters related to its shareholder meetings?	V		The Corporation has appointed Fubon Securities Co. Ltd., a professional stock agent, to handle all the Corporation's stock matters.	None
VII. Information Disclosure (I) Has the Corporation established a corporate website to disclose information regarding its financial, business, and corporate governance status? (II) Does the Corporation use other information disclosure channels (e.g., maintaining an English-language website, designating staff to handle information collection and disclosure, appointing spokespersons, webcasting investors conference etc.)? (III) Does the Corporation publish and report its annual financial statements within two months after the end of the fiscal year, and publish and report its financial reports for the first, second, and third quarters as well as its operating statements for each month before the specified deadlines?	 V V 	 V	(I) The Corporation has established a website [www.xac.com.tw] containing information about the Corporation, products, finance, business, investor relations and corporate governance. (II) The Corporation has assigned a dedicated person to be responsible for publishing and reporting information related to network disclosure, and has developed rules for spokesman and acting spokesman, with one spokesman and one acting spokesman set. (III) The Corporation is currently publishing and reporting its financial reports and monthly operating situation according to the date specified in the Business Matters for Issuers of TPEx listed Securities. The Corporation does not publish and report its annual financial statements within two months after the end of the fiscal year, and publish and report its financial reports before the specified deadlines.	None

Evaluation Item	Implementation Status (Note 1)			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof
	Yes	No	Description	
VIII. Has the Corporation disclosed other information to facilitate a better understanding of its corporate governance practices (including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' continuing education, the implementation of risk management policies and risk evaluation standards, the implementation of customer relations policies, and purchasing liability insurance for directors and supervisors)?	V V		(I) Employee rights and interests: In addition to the establishment of the employee welfare committee and the implementation of the pension system, the Corporation also insures the employee group insurance. (II) Employee wellness: The Corporation attaches great importance to the comfort and cleanliness of the working environment, as well as the safety of employees. All entrances and exits are equipped with access systems, security systems and monitors, and health checks are carried out for employees regularly. (III) Investor relations: The Corporation discloses information honestly as required by law to the MOPS to protect the rights and interests of investors, and state the investor's email address and spokesman's contact information on the company website to maintain a healthy and harmonious relationship between the Corporation and shareholders. (IV) Supplier relations: The Corporation attaches great importance to supplier management. The Corporation keeps good interaction with all suppliers, and regularly sends professional staff to guide suppliers to improve their quality during manufacturing process, so as to create a win-win cooperation. (V) Rights of stakeholders: The Corporation has an investor service mailbox either on the Public Information Observatory or on the Corporation website. In addition to a spokesperson and acting spokesperson, the Corporation also cooperates with a stock agent, Fubon Securities Co. Ltd., to handle relevant issues and suggestions of shareholders and stakeholders of the Corporation. In case of legal issues, the Corporation will appoint professional lawyers to cope with, so as to protect the interests of stakeholders. (VI) Continuing education of directors: Continuing education of directors is carried out in accordance with the training hours,	None None

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status (Note 1)</th><th rowspan="2">Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof</th></tr>
<tr><th>Yes</th><th>No</th><th>Description</th></tr>
<tr><td></td><td></td><td></td><td>training scope, training system, training arrangement and information disclosure stipulated in the Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEx Listed Companies.
(VII) Implementation status of risk management policy and risk measurement criteria: The Corporation focuses on its own industry, implements various policies in accordance with relevant laws and regulations, and establishes various standard operation implementation norms to reduce and avoid any possible risks, and has developed a Corporate Risk Control Policy.
(VIII) Implementation status of customer policies: The Corporation has maintained a win-win relationship with customers for a long time, always adheres to the research and development of high quality, reasonable cost, high value added products, and has obtained long-term trust from customers. The implementation of the above customer policies over the years has proved that almost all XAC's customers are long-term partners with continuous new projects and more than 5 years of business dealings.
(IX) Liability insurance for directors and supervisors: The Corporation has taken out liability insurance for directors and key staffs according to law in June 2019.</td><td></td></tr>
<tr><td colspan="5">IX. Please describe improvements that have already been made based on the Corporate Governance Evaluation results released for the most recent fiscal year by the Corporate Governance Center, Taiwan Stock Exchange, and specify the priority enhancement objectives and measures planned for any matters still awaiting improvement.
1. The Corporation has disclosed the English version of its 2022 Annual Report, 2023 Handbook, and the 2022 Financial Report.
2. As the epidemic is moderating, the Corporation encourages directors and independent directors to attend shareholders' meetings.</td></tr>
<tr><td colspan="5">Note: Regardless of whether "Yes" or "No" is ticked regarding the implementation status, an explanation should still be provided in the explanation column for each item.</td></tr>
</table>

(IV) Where a Remuneration Committee is established, the Corporation shall disclose its composition, duties and operation status

(1) Information on Remuneration Committee Members

Capacity (Note 1)	Qualifications / Name	Professional Qualifications, Experience and Independence	Number of Other Public Companies at which the Person Concurrently Serves as a Remuneration Committee Member	Remark
Independent Director	Huang,Hsu-Nan	Refer to Pages 11-14 of this Annual Report for information on board members and other relevant information	2	Convener
Independent Director	Hsueh,Jung-Yin		0	None
Independent Director	Tseng,Ching-Yi		0	None

(2) Operational status of the Remuneration Committee

I. The Corporation's Remuneration Committee consists of 3 members.

II. The term of current members is from June 14, 2022 to June 13, 2025. The number of remuneration committee meetings held in the most recent fiscal year was: 3. The attendance by the members was as follows:

Title	Name	Attendance in Person	Attendance by Proxy	Attendance Rate (%) (Note)	Remark
Convener	Huang,Hsu-Nan	3	0	100%	None
Committee Member	Hsueh,Jung-Yin	3	0	100%	None
Committee Member	Tseng,Ching-Yi	3	0	100%	None
Other information required to be disclosed: I. If the Board of Directors does not accept, or amends, any recommendation of the remuneration committee, specify the board meeting date, meeting session number, content of the recommendation(s), the outcome of the resolution(s) of the Board of Directors, and the measures taken by the Corporation with respect to the opinions given by of the remuneration committee (e.g., if the salary/compensation approved by the board is higher than the recommendation of the remuneration committee, specify the difference(s) and the reasons): None. II. With respect to any matter for resolution by the remuneration committee, if there is any dissenting or qualified opinion of a committee member that is on record or stated in writing, specify the remuneration committee meeting date, meeting session number, content of the motion, the opinions of all members, and the measures taken by the Corporation with respect to the members' opinion: None.					

Note:

(1) If any remuneration committee member left the committee before the end of the fiscal year, specify the date that they left the committee in the Remarks column. Their in-person attendance rate (%) should be calculated based on the number of remuneration committee meetings held and the number they attended in person during the period they were on the committee.

(2) If any by-election for remuneration committee members was held before the end of the fiscal year, the names of the new and old committee members should be filled in the table, with a note stating whether the member left office, was newly serving, or was serving consecutive terms, and the date of the by-election. The in-person attendance rate (%) should be calculated based on the number of remuneration committee meetings held and the number attended in person during the period of each such person's actual time on the committee.

(V) Promotion of Sustainable Development - Implementation Status and Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the Reasons Thereof

Item	Implementation Status (Note 1)			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof
	Yes	No	Description	
I. Has the Corporation established a governance framework for promoting sustainable development, and established an exclusively (or concurrently) dedicated unit to be in charge of promoting sustainable development? Has the Board of Directors authorized senior management to handle related matters under the supervision of the board?		V	The Corporation has not yet established an exclusively (or concurrently) dedicated unit to be in charge of promoting sustainable development.	Handle according to relevant laws if necessary by law or practice.
II. Does the Corporation conduct risk assessments of environmental, social and corporate governance (ESG) issues related to the Corporation's operations in accordance with the materiality principle, and formulate relevant risk management policies or strategies? (Note 2)		V	The Corporation has not yet formulated a relevant risk management policy.	Handle according to relevant laws if necessary by law or practice.
III. Environmental Issues				None
(I) Has the Corporation set an environmental management system designed to industry characteristics?	V		(I) The Corporation's Administrative Resources Coordination and Dispatching Office is responsible for environmental management affairs, and the Corporation has appointed the cleaning company to clean on a daily basis so as to maintain a clean environment.	
(II) Does the Corporation endeavor to use energy more efficiently and to use renewable materials with low environmental impact?	V		(II) The Corporation promotes the efficient use of all kinds of energy, and entrusts qualified manufacturers for waste recycling, to enhance the environmental awareness of green earth.	
(III) Has the Corporation evaluated the potential risks and opportunities posed by climate change for its business now and in the future and adopted relevant measures to address them?	V		(III) The Corporation actively promotes measures on energy conservation and carbon reduction, and greenhouse gas reduction, and encourages employees to practice accordingly.	

Item	Implementation Status (Note 1)			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof
	Yes	No	Description	
(IV) Did the Corporation collect data for the past two years on greenhouse gas emissions, volume of water consumption, and the total weight of waste, and establish policies for greenhouse gas reduction, reduction of water consumption, or management of other wastes?	V		(IV) The Corporation controls the temperature of air conditioning to effectively achieve the goal of reducing greenhouse gases. In addition, The Corporation sets up slogans in many areas of office to promote resource recycling, and develop the good habit of garbage sorting to implement environmental protection. The Corporation has worked out the schedule of the greenhouse gas inventory and established an exclusively dedicated unit.	
IV. Social Issues (I) Has the Corporation formulated relevant management policies and procedures in accordance with relevant laws and regulations and international human rights conventions?	V		(I) The Corporation abides by the relevant labor laws and regulations, and carries out the appointment and removal of relevant personnel and sets salary in accordance with its management measures for internal control system, so as to protect the basic rights and interests of employees.	None
(II) Has the Corporation established and implemented reasonable employee welfare measures (include salary/compensation, leave, and other benefits), and are business performance or results appropriately reflected in employee salary/compensation?	V		(II) To ensure the reasonableness of the Corporation's compensation and benefit measures, the Corporation has stipulated that it should participate in the salary survey conducted by the consulting company every two years to check whether the current compensation and benefit measures are reasonable, and specified the way of dividend distribution by earnings in the Corporation's Articles of Incorporation, and implements the KPI assessment and the bonuses and rewards policies, so as to fully reflect the business results in the employee compensation policy.	

Item	Implementation Status (Note 1)			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof
	Yes	No	Description	
(III) Does the Corporation provide employees with a safe and healthy working environment, and implement regular safety and health education for employees? (IV) Has the Corporation established effective career development training programs for employees? (V) Does the Corporation comply with the relevant laws and international standards with regards to customer health and safety, customer privacy, and marketing and labeling of products and services, and implement consumer protection and grievance policies? (VI) Has the Corporation formulated supplier management policies requiring suppliers to comply with relevant regulations on issues such as environmental protection, occupational safety and health, or labor rights, and what is the status of their implementation?	V V V V		(III) The Corporation regularly inspects fire and sanitary equipment, etc., and conducts regular (annual) health checks for employees. (IV) The Corporation provides employees with career training to cultivate necessary talents. (V) The Corporation has established a code of ethical conduct and adheres to the Responsible Business Alliance Code of Conduct (RBA CoC) to protect the rights and interests of consumers. (VI) The Corporation has established a supplier management procedure and requires suppliers to sign an RBA declaration letter declaring their compliance with the RBA CoC.	None
V. Does the Corporation refer to internationally-used standards or guidelines for the preparation of reports such as sustainability reports to disclose non-financial information? Does the Corporation obtain third party assurance or certification for the reports above?		V	The Corporation has not yet prepared a sustainability report.	Handle according to relevant laws if necessary by law or practice.
VI. If the Corporation has adopted its own sustainable development best practice principles based on the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, please describe any deviation from the principles in the Corporation's operations: The Corporation has not yet developed a Sustainable Development Best Practice Principles.				
VII. Other important information to facilitate better understanding of the Corporation's promotion of sustainable development: None.				
Note 1: If "Yes" is ticked in the "Implementation status" column, please concretely describe the major policies, strategies, and measures adopted and the status of their implementation. If "No" is ticked in the "Implementation Status" column, please explain the deviations and the reasons in the "Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof" column and explain the Corporation's plans for adoption of related policies, strategies, and measures in the future. Note 2: The materiality principle refers to focusing on environmental, social and corporate governance issues likely to have a material impact on the Corporation's investors and other stakeholders. Note 3: Regarding the method for disclosure, please refer to the "SAMPLE ANNUAL REPORT" page on the website of the Taiwan Stock Exchange Corporate Governance Center.				

(VI) Ethical Corporate Management - Implementation Status and Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and the Reasons Thereof:

Evaluation Item	Implementation Status (Note 1)			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof
	Yes	No	Description	
I. Establishment of Ethical Corporate Management Policies and Programs (I) Does the Corporation have an ethical corporate management policy approved by its Board of Directors, and bylaws and publicly available documents addressing its corporate conduct and ethics policy and measures, and commitment regarding implementation of such policy from the Board of Directors and the top management team? (II) Whether the Corporation has established an assessment mechanism for the risk of unethical conduct; regularly analyzes and evaluates, within a business context, the business activities with a higher risk of unethical conduct; has formulated a program to prevent unethical conduct with a scope no less than the activities prescribed in Article 7, paragraph 2 of the Ethical Corporate Management Best Practice Principles for TWSE/TPE Listed Companies? (III) Does the Corporation clearly set out the operating procedures, behavior guidelines, and punishment and appeal system for violations in the unethical conduct prevention program, implement it, and regularly review and revise the plan?		V	The Corporation has a code of ethical conduct for compliance by directors and managers, but has not yet developed an ethical corporate management best practice principles.	Under discussion and formulation
II. Ethical Management Practice (I) Does the Corporation assess the ethics records of those it has business relationships with and include ethical conduct related clauses in the business contracts? (II) Has the Corporation set up a dedicated unit to promote		V	Same as above. As the Corporation has not yet developed an ethical corporate management best practice principles, the relevant ethical practices will be implemented after development of the principles. The auditing unit of the Corporation is an independent	Under discussion and formulation

Evaluation Item	Implementation Status (Note 1)			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof
	Yes	No	Description	
ethical corporate management under the Board of Directors, and does it regularly (at least once a year) report to the Board of Directors on its ethical corporate management policy and program to prevent unethical conduct and monitor their implementation? (III) Has the Corporation established policies to prevent conflict of interests, provided appropriate communication and complaint channels, and properly implemented such policies? (IV) Does the Corporation have effective accounting and internal control systems in place to enforce ethical corporate management? Does the internal audit unit follow the results of unethical conduct risk assessments and devise audit plans to audit compliance with the systems to prevent unethical conduct or hire outside accountants to perform the audits? (V) Does the Corporation provide internal and external ethical corporate management training programs on a regular basis?			unit, which will audit various trading cycles from time to time. If any misconduct is found, it will immediately put forward correction to relevant personnel.	
III. Implementation of Complaint Procedures (I) Has the Corporation established specific whistle-blowing and reward procedures, set up conveniently accessible whistle-blowing channels, and appointed appropriate personnel specifically responsible for handling complaints received from whistle-blowers? (II) Has the Corporation established standard operation procedures for investigating the complaints received, follow-up measures taken after investigation, and mechanisms ensuring such complaints are handled in a confidential manner? (III) Has the Corporation adopted proper measures to protect	V		Any person of the Corporation may complain to a manager, internal audit officer or other appropriate supervisor, and the Corporation will handle the complaint in a confidential manner.	None

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status (Note 1)</th><th rowspan="2">Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof</th></tr>
<tr><th>Yes</th><th>No</th><th>Description</th></tr>
<tr><td>whistle-blowers in volume from retaliation for filing complaints?</td><td></td><td></td><td></td><td></td></tr>
<tr><td>IV. Strengthening Information Disclosure
(I) Does the Corporation disclose its ethical corporate management policies and the results of their implementation on its website and the Market Observation Post System (MOPS)?</td><td>V</td><td></td><td>The Corporation will make a summary and disclose the information on an annual basis in the shareholders' annual report.</td><td>None</td></tr>
<tr><td colspan="5">V. If the Corporation has adopted its own ethical corporate management best practice principles based on the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies, please describe any deviations between the principles and their implementation: yet to formulated the Ethical Corporate Management Best Practices: The Corporation has not yet developed an ethical corporate management best practice principles.</td></tr>
<tr><td colspan="5">VI. Other important information to facilitate a better understanding of the status of operation of the Corporation's ethical corporate management policies (e.g., the Corporation's reviewing and amending of its ethical corporate management best practice principles): None</td></tr>
<tr><td colspan="5">Note 1: Regardless of whether "Yes" or "No" is ticked regarding the implementation status, an explanation should still be provided in the explanation column for each item.</td></tr>
</table>

(VII) If the Corporation has adopted corporate governance best-practice principles or related bylaws, disclose how these are to be searched:

The Corporation has established rules and regulations relating to the corporate governance best-practice principles and discloses the principles on MOPS and the company website for inquiry.

(VIII) Other important information to facilitate a better understanding of the status of operation of the Corporation's corporate governance: None.

(IX) Status of Internal Control System

1. Statement on Internal Control:

XAC Automation Corp.

Statement on Internal Control

Date: March 15, 2023

According to the self-evaluation results of internal control system by the Corporation in 2022, we hereby state as follows:

I. The Corporation acknowledges that it is the responsibility of the Board of Directors and managerial officers to establish, implement, and maintain the established internal control system. The purpose of establishing the internal control system is to reasonably assure the following objectives: (a) The effectiveness and efficiency of business operation (including earnings, operation performance and the safeguard of company assets); (b) the reliability, timeliness, transparency of report; and (c) Achieve compliance objectives according to the relevant laws and regulations in order to provide reasonable assurances.

II. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its 3 stated objectives above. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond control. Nevertheless, the internal control system contains self-monitoring mechanisms, and the Corporation takes immediate remedial actions in response to any identified deficiencies.

III. The Corporation evaluates the design and operating effectiveness of the internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (herein below, the "Regulations"). The Regulations are made to examine the following five factors during the management and control process: (1) control environment, (2) risk assessment and response, (3) control activities, (4) information and communication, and (5) supervision. Each key component includes several items. Please refer to the Regulations for the aforementioned items.

IV. The Corporation has evaluated the design and operating effectiveness of the internal control system according to the Regulations.

V. In accordance with the aforementioned evaluation, the Corporation has found that the design and implementation of the internal control system (including the assessment and management of subsidiaries), as of December 31, 2022, including the efficacy of understanding operations, the efficiency of achievement of objectives, reliability in reporting, timeliness, and compliance with the relevant guidelines and laws, are effective and can reasonably provide assurance of the aforesaid goals.

VI. This statement is an integral part of the Corporation's annual report and prospectus and will be made public. If any of the contents disclosed above is found to be falsehood, concealment, or other illegality will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.

VII. This statement has been approved on March 15, 2023, by the Board of Directors, and out of the 7 Board members in attendance, none has objected to this statement and all consented to the content expressed herein.

XAC Automation Corp.

Chairman and General Manager: Chang,Yung-Ming

2. If a CPA has been hired to carry out a special audit of the internal control system, the CPA audit report shall be disclosed: Not applicable.

(X) For the Most Recent Fiscal Year or during the Current Fiscal Year up to the Date of Publication of the Annual Report, Disclose Any Sanctions Imposed in Accordance with the Law upon the Corporation or Its Internal Personnel, Any Sanctions Imposed by the Corporation upon Its Internal Personnel for Violations of Internal Control System Provisions, Principal Deficiencies, and the State of Any Efforts to Make Improvements: None.

(XI) Material Resolutions of A Shareholders Meeting or A Board of Directors Meeting During the Most Recent Fiscal Year or During the Current Fiscal Year up to the Date of Publication Date of the Annual report:

1. Material resolutions of the Board of Shareholders and state of implementation

Date of Convening	Material Resolutions	Implementation Status
June 14, 2022	1. Adoption on the Corporation's Business Report and Financial Statements for 2021.	It has become effective upon resolution of the general shareholders' meeting and has been posted on MOPS as required.
	2. Adoption on the 2021 Earnings Distribution Plan.	The base date for the ex-dividend is set on July 10, 2022, and the date of distribution is July 27, 2022. (A cash dividend of NT$1.25 per share was distributed)
	3. Election of the 10th Directors. (1) Elected directors: Chang,Yung-Ming, Teng,Wan-Sheng, Tseng,Tsung-Lin, Fuli Investment Co., Ltd. (2) Elected independent directors: Huang,Hsu-Nan, Hsueh,Jung-Yin, Tseng,Ching-Yi.	It has been published on the MOPS and the company website on June 14, 2022.
	4. Adopted the release of new directors and their representatives from the restrictions on non-competition.	It has been published on the MOPS and the company website on June 14, 2022.

2. Material Resolutions of Board Meetings

Date of Convening	Material Resolutions
January 26, 2022	1. Adopted the independence evaluation report of the Corporation's CPAs. 2. Adopted the proposal to enter into forward exchange contracts with banks for the purpose of engaging in forward exchange business. 3. Adopted the amendment to and ratification of rules on transfer of shares to employees by buy-back. 4. Adopted the budgeted profit and loss for 2021. 5. Adopted the appointment of the Corporation's Chief Finance Officer. 6. Adopted Deputy Assistant General Manager Lo,Su-Chu's retirement application and the report on pension payment due. 7. Adopted the amendment to the Corporation's Employee Bonus Distribution Methods and XAC Manager Performance Appraisal and Remuneration Policy Management Methods. 8. Adopted the ratification of the Corporation's 2020 directors' remuneration details. 9. Adopted the employee dividend of managerial officers for 2020.

Date of Convening	Material Resolutions
March 16, 2022	1. Adopted the Corporation's 2021 Annual Business Report and financial report. 2. Adopted of the Corporation's Statement on Internal Control for the Year 2021. 3. Adopted the distribution of remuneration to employee and directors of the Corporation for 2021. 4. Adopted the Corporation's 2021 Earning Distribution Plan. 5. Adopted the Corporation's proposal for private placement of common shares. 6. Adopted the convention of the 2022 general shareholders' meeting of the Corporation.
April 27, 2022	1. Adopted the proposal for hearing shareholders. 2. Adopted the candidates list of nominated directors (including independent directors) submitted to the Board of Directors for review. 3. Adopted the release of directors from the restrictions on non-competition. 4. Adopted the credit line of the Corporation.
June 14, 2022	1. Adopted the election of Chang,Yung-Ming as the chairman and general manager. 2. Adopted the establishment of the audit committee and the appointment of committee members. 3. Adopted the establishment of the remuneration committee and the appointment of committee members. 4. Adopted the Corporation's distribution of cash dividends to shareholders, setting of the base date of ex-dividend, and authorization of the chairman to propose the number of outstanding shares on the base date of ex-dividend, the proportion of shares held by each shareholder for distribution and adjustment of ex-dividend. 5. Adopted the renewal of liability insurance for directors and key staffs.
August 10, 2022	1. Adopted the credit line of the Corporation.
November 9, 2022	1. Adopted the 2023 Internal Audit Plan. 2. Adopted the recovery and cancellation of the new restricted employee shares, and capital reduction. 3. Adopted the credit line of the Corporation. 4. Adopted the formulation of the Corporation's Internal Material Information Processing Procedures. 5. Adopted the amendment to the Corporation's Procedures for Preventing Insider Trading. 6. Adopted the discussion on resolutions of the Remuneration Committee dated October 31, 2022.

(XII) Where, During the Most Recent Fiscal Year or During the Current Fiscal Year up to the Date of Publication of the Annual Report, A Director or Supervisor Has Expressed A Dissenting Opinion with Respect to A Material Resolution Passed by the Board of Directors, and Said Dissenting Opinion Has Been Recorded or Prepared as A Written Declaration, the Principal Content Thereof: None.

(XIII) A Summary of Resignations and Dismissals of the Chairman, General Manager, Chief Accounting Officer, Chief Financial Officer, Chief Internal Auditor, Chief Corporate Governance Officer and Chief Research and Development Officer During the Most Recent Fiscal Year and During the Current Fiscal Year Up to the Date of Publication of the Annual Report:

Summary of Resignations and Dismissals of Key Personnel of the Corporation

Title	Name	Date of appointment	Date of dismissal	Reasons for resignation or dismissal
Chief Accounting Officer	Lo,Su-Chu	2017/02/01	2022/01/26	Retirement

V. Disclosure of CPAs' remuneration

(I) CPA Professional Fees:

Information on CPA Professional Fees

Unit: NT$ thousand

Name of CPA Firm	Name of CPA	Audit Period	Audit Fees	Non-audit Fees (Note)	Total	Remark
KPMG Taiwan	Huang, Hai-Ning	2022.01.01~ 2022.12.31	2,620	831	3,451	The Corporation has no replacement of CPA during the most recent fiscal year.
	Tseng,Mei-Yu					

Note:

1. The fee for tax compliance audit is NT$380 thousand.
2. The fee for transfer of pricing report is NT$300 thousand.
3. The service fee for application for applying the recognition principle of income from Taiwan as provided in Article 8 of the Income Tax Act is NT$100 thousand.
4. The fee for capital compliance audit is NT$35 thousand.
5. The fee for the 2022 audit of the 2021 financial report is NT$16 thousand.

(II) When the Corporation changes its accounting firm and the audit fees paid for the fiscal year in which such change took place are lower than those for the previous fiscal year, the amounts of the audit fees before and after the change and the reasons shall be disclosed: N/A.

(III) When the audit fees paid for the current fiscal year are lower than those for the previous fiscal year by 10 percent or more, the reduction in the amount of audit fees, reduction percentage, and reason(s) therefor shall be disclosed: None.

VI. Information on replacement of CPA:

(I) Former CPA

<table>
<tr><td>Date of replacement</td><td colspan="4">Passed by the Board of Directors on January 31, 2023</td></tr>
<tr><td>Replacement reasons and explanations</td><td colspan="4">The CPAs are changed from Huang, Hai-Ning and Tseng,Mei-Yu to Cheng, An-Chih and Tseng,Mei-Yu due to the internal adjustment from the accounting firms.</td></tr>
<tr><td rowspan="3">Describe whether the Company is terminated or the CPA did not accept the appointment</td><td colspan="2">Party
Condition</td><td>CPA</td><td>Consignor</td></tr>
<tr><td colspan="2">Engagement terminated automatically</td><td>Not applicable</td><td>Not applicable</td></tr>
<tr><td colspan="2">Engagement discontinued</td><td>Not applicable</td><td>Not applicable</td></tr>
<tr><td>The Opinions other than Unmodified Opinion Issued within the last 2 years and the reason for the Said Opinion (Note)</td><td colspan="4">Not applicable</td></tr>
<tr><td rowspan="7">Any disagreement in Opinion with the issuer</td><td rowspan="5">Yes</td><td></td><td colspan="2">Accounting principles or practices</td></tr>
<tr><td></td><td colspan="2">Disclosure of financial report</td></tr>
<tr><td></td><td colspan="2">Scope or procedure of auditing</td></tr>
<tr><td></td><td colspan="2">Others</td></tr>
<tr><td></td><td colspan="2"></td></tr>
<tr><td>None</td><td colspan="3">V</td></tr>
<tr><td colspan="4">Explanation</td></tr>
<tr><td>Supplementary Disclosure (Specific Disclosures mentioned in Article 10.6.1.4~7 of the Regulation)</td><td colspan="4">Not applicable</td></tr>
</table>

(II) Succeeding CPA

Name of the firm	KPMG Certificated Public Accountants
Name of CPA	Cheng, An-Chih and Tseng,Mei-Yu
Date of appointment	Passed by the Board of Directors on January 31, 2023
Prior to the Formal Engagement, Any Inquiry or Consultation on the Accounting Treatment or Accounting Principles for Specific Transactions, and the Type of Audit Opinion that Might be Rendered on the Financial Report	Not applicable
Written Opinions from the Successor CPA that are Different from the Former CPA Opinions	Not applicable

(III) The Reply of Former CPAs on Article 10.6.1 and Article 10.6.2.3 of the Regulations Governing Information to be Published in Annual Reports of Public Companies: Not applicable.

VII. Company Chairperson, President, or any Managerial Officer in Charge of Finance or Accounting Matters in the Most Recent Year Holding a Position at the Company's CPA Accounting Firm or at an Affiliated Enterprise of Such Accounting Firm: None.

VIII. Any Transfer of Equity Interests and/or Pledge of or Change in Equity Interests by a Director, Supervisor, Managerial Officer, or Shareholder with a Stake of More Than 10 Percent During the Most Recent Fiscal Year or During the Current Fiscal Year up to the printing Date of the Annual Report

(I) Changes in Shareholding of Directors, Supervisors, Managerial Officers, and Major Shareholders

Title	Name (Note 1)	2022 Fiscal Year (Note 2)		Current Fiscal Year as of March 31, 2023 (Note 3)	
		Shareholding Increase (or Decrease)	Pledged Shareholding Increase (or Decrease)	Shareholding Increase (or Decrease)	Pledged Shareholding Increase (or Decrease)
Chairman and General Manager	Chang,Yung-Ming	0	0	0	0
Director	Teng,Wan-Sheng	0	0	0	0
Director	Fuli Investment Co., Ltd.	0	0	0	0
Legal Representative of Director	Chuang,Yung-Shun	0	0	0	0
Director	Tseng,Tsung-Lin	0	0	0	0
Independent Director	Huang,Hsu-Nan	0	0	0	0
Independent Director	Hsueh,Jung-Yin	0	0	0	0
Independent Director	Tseng,Ching-Yi	0	0	(40,000)	0
Vice President of HW PPM Division	Chin,Yung-Hui	12,900	0	0	0
Senior Vice President of XAC USA	Ni,Chu-Ching	0	0	0	0
Vice President of XAC USA	Cha,Erh-Ssu	0	0	0	0
Deputy Assistant Finance Manager	Lo,Su-Chu (Note 4)	0	0	N/A	N/A
Chief Strategy Officer and Chief Security Officer	Hu,Hsuan-Tsung	13,500	0	0	0
Chief Operating Officer	Liu,Yun	60,000	0	0	0
Deputy Assistant General Manager, System Design Division	Shen,Pao-Hui	60,000	0	0	0
Deputy Assistant General Manager, Product R&D Division	Tsai,Hsin-Liang	13,500	0	0	0
Deputy Assistant General Manager, Channel Division and Customer Service Division	Kuo,Hui-Ling	0	0	0	0
Chief Corporate Governance Officer and Accounting Officer	Hsu,Jen-Chien	10,000	0	0	0
Chief Finance Officer and Manager	Chang,Meng-Yi (Note 5)	0	0	0	0

Note 1: Any shareholder holding more than 10 percent of the Corporation's total share capital shall be noted as a major shareholder, and such shareholders shall be listed individually.
Note 2: The number declared in 2022 is the shareholding increase (decrease) of the above insiders declared in December 2021 and December 2022.
Note 3: The number declared as of March 31, 2023 is the shareholding increase (decrease) of the above insiders declared in March 2023 and December 2022.
Note 4: The Deputy Assistant General Manager Lo,Su-Chu retired on January 26, 2022.
Note 5: The Chief Finance Officer and Manager Chang,Meng-Yi assumed office on January 26, 2022.

(II) Information on Transfers and Pledges of Shareholding: None.

IX. Relationship Information, if Among the Corporation's 10 Largest Shareholders Any One is A Related Party or Relative Within the Second Degree of Kinship of Another

Data as of April 15, 2023

No.	Name (Note 1)	Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominees		Name and Relationships of the Top 10 Shareholders Where They are Related Parties, Spouses, or Relatives within the Second Degree of Kinship to Another (Note 3)		Remark
		Number of Shares	Shareholding Ratio (Note 2)	Number of Shares	Shareholding Ratio (Note 2)	Number of Shares	Shareholding Ratio (Note 2)	Name	Relationship	
1	Chang,Jui-Min	5,060,000	5.26%	-	-	-	-	None	None	
2	Henry Investment Co., Ltd. (Representative: Chuang,Yung-Shun)	4,626,254	4.81%	-	-	-	-	Chang,Yung-Ming	The Chairman of Henry Investment Co., Ltd. is the General Manager of the Corporation	
	Chang,Yung-Ming	3,417,036	3.55%	-	-	-	-	Henry Investment Co., Ltd.	The General Manager of the Corporation is the Chairman of Henry Investment Co., Ltd.	
3	Chang,Yung-Ming	3,417,036	3.55%	-	-	-	-	Henry Investment Co., Ltd.	The General Manager of the Corporation is the Chairman of Henry Investment Co., Ltd.	
4	XAC Automation Corp.	3,000,000	3.12%					Chang,Yung-Ming	Chairman	
5	Yu,Mei-Ling	2,810,000	2.92%	2,213,000	2.30%	-	-	Tai,Cheng-Chih	Spouse	
6	Tai,Cheng-Chih	2,213,000	2.30%	2,810,000	2.92%	-	-	Yu,Mei-Ling	Spouse	
7	Fuli Investment Co., Ltd. (Representative: Chuang,Yung-Shun)	2,050,000	2.13%	-	-	-	-	None	None	
	Chuang,Yung-Shun	-	-	-	-	-	-	None	None	
8	Teng,Wan-Sheng	1,850,111	1.92%	236,438	0.25%	-	-	None	None	
9	Yuanqing Investment Co., Ltd. (Representative: Chang,Jung-Chin)	1,430,479	1.49%	-	-	-	-	None	None	

No.	Name (Note 1)	Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominees		Name and Relationships of the Top 10 Shareholders Where They are Related Parties, Spouses, or Relatives within the Second Degree of Kinship to Another (Note 3)		Remark
		Number of Shares	Shareholding Ratio (Note 2)	Number of Shares	Shareholding Ratio (Note 2)	Number of Shares	Shareholding Ratio (Note 2)	Name	Relationship	
	Chang,Jung-Chin	-	-	-	-	-	-	None	None	
10	Lai,Li-Kai	861,000	0.90%	-	-	-	-	None	None	

Note 1: All of the top 10 shareholders should be listed, and the names of corporate/juristic person shareholders and their representatives should be listed separately.
Note 2: The shareholding ratio (%) is calculated as the total numbers of shares respectively held by the shareholder, their spouse and minor children, or through nominees.
Note 3: Disclose the relationships among the above-listed shareholders, including corporate/juristic person shareholders and natural person shareholders, in accordance with the provisions of the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

X. Total Number of Shares and Total Equity Stake Held in Any Single Enterprise by the Corporation, Its Directors, Managerial Officers, and Any Companies Controlled Directly or Indirectly by the Corporation

As of March 31, 2023; Unit: shares; %

Investee Enterprise (Note 1)	Investment by the Corporation		Investment by Directors, Managerial Officers, and Entities either Directly or Indirectly Controlled by the Corporation		Total Investment	
	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio
Value Investment Ltd.	(Note 2)	100%	0	0	(Note 2)	100%
XAC Suzhou	(Note 2)	100%	0	0	(Note 2)	100%
Zakus, Inc.	200	100%	0	0	200	100%

Note 1: Investments by the Corporation using the equity method.
Note 2: It is a limited company.

Chapter 4. Funding Status

I. Capital and Shares

(I) Source of Capital

Year/ Month	Issue Price	Authorized Capital		Paid-in Capital		Remark		
		Number of Shares	Amount	Number of Shares	Amount	Source of Capital	Capital Paid in by Assets Other than Cash	Others
1997.04	10	19,000,000	190,000,000	6,000,000	60,000,000	Incorporation of NT$60,000,000	None	Hsinchu Science Park Bureau, National Science and Technology Council (86) YSZ No. 6449 Letter
1997.12	10	19,000,000	190,000,000	10,500,000	105,000,000	Capital increase by cash of NT$45,000,000	None	Hsinchu Science Park Bureau, National Science and Technology Council (87) YSZ No. 000169 Letter
1998.12	10	19,000,000	190,000,000	19,000,000	190,000,000	Capital increase by cash of NT$85,000,000	None	Hsinchu Science Park Bureau, National Science and Technology Council (87) YSZ No. 029857 Letter
1999.08	10	50,000,000	500,000,000	28,615,000	286,150,000	Capital increase from earnings of NT$96,150,000 (including employee bonus of NT$4,000,000)	None	The Ministry of Finance Securities & Futures Commission Letter No. (88) Tai-Cai-Zheng-(1)-Zi No.54854 Letter
2000.12	10	50,000,000	500,000,000	35,263,000	352,630,000	Capital increase from earnings of NT$66,480,000 (including employee bonus of NT$9,250,000)	None	The Ministry of Finance Securities & Futures Commission Letter No. (89) Tai-Cai-Zheng-(1)-Zi No.100077 Letter
2001.09	10	50,000,000	500,000,000	47,000,000	470,000,000	Capital increase from earnings of NT$117,370,000 (including employee bonus of NT$11,581,000)	None	The Ministry of Finance Securities & Futures Commission Letter No. (90) Tai-Cai-Zheng-(1)-Zi No.154529 Letter
2002.08	10	80,000,000	800,000,000	62,000,000	620,000,000	Capital increase from earnings of NT$150,000,000 (including employee bonus of NT$9,000,000)	None	The Ministry of Finance Securities & Futures Commission Letter No. (91) Tai-Cai-Zheng-(1)-Zi No. 0910136217 Letter

Year/ Month	Issue Price	Authorized Capital		Paid-in Capital		Remark		
		Number of Shares	Amount	Number of Shares	Amount	Source of Capital	Capital Paid in by Assets Other than Cash	Others
2003.08	10	85,600,000	856,000,000	76,400,000	764,000,000	Capital increase from earnings of NT$144,000,000 (including employee bonus of NT$20,000,000)	None	The Ministry of Finance Securities & Futures Commission Letter No. (92) Tai-Cai-Zheng-(1)-Zi No. 0920130819 Letter
2004.08	10	120,000,000	1,200,000,000	89,460,000	894,600,000	Capital increase from earnings of NT$130,600,000 (including employee bonus of NT$16,000,000)	None	Jin-Guan-Zheng-(1)-Zi No. 0930130759 Letter
2005.08	10	120,000,000	1,200,000,000	94,700,000	947,000,000	Capital increase from earnings of NT$52,400,000 (including employee bonus of NT$7,670,000)	None	Jin-Guan-Zheng-(1)-Zi No. 0940126692 Letter
2006.09	10	120,000,000	1,200,000,000	91,704,000	917,040,000	Cancellation of treasury shares of NT$299,600,000	None	Hsinchu Science Park Bureau, National Science and Technology Council YSZ No. 0950024374 Letter
2006.12	10	120,000,000	1,200,000,000	91,987,000	919,870,000	Capital increase from employee stock options of NT$2,830,000	None	Hsinchu Science Park Bureau, National Science and Technology Council YSZ No. 0960001194 Letter
2007.08	10	120,000,000	1,200,000,000	103,129,250	1,031,292,500	Capital increase from earnings of NT$104,300,000 (including employee bonus of NT$9,300,000) Capital increase from employee stock options of NT$7,122,500	None	Hsinchu Science Park Bureau, National Science and Technology Council YSZ No. 0960024708 Letter
2008.01	10	120,000,000	1,200,000,000	103,192,500	1,031,925,000	Capital increase from employee stock options of NT$632,500	None	Hsinchu Science Park Bureau, National Science and Technology Council YSZ No. 0970003862 Letter
2008.09	10	120,000,000	1,200,000,000	100,747,000	1,007,470,000	Capital increase from employee stock options of NT$120,000; Cancellation of treasury shares of NT$25,900,000	None	Hsinchu Science Park Bureau, National Science and Technology Council YSZ No. 0970024528 Letter
2008.12	10	120,000,000	1,200,000,000	95,747,000	957,470,000	Cancellation of treasury shares of NT$50,000,000	None	Hsinchu Science Park Bureau, National Science and Technology Council YSZ No. 0970033866 Letter

Year/ Month	Issue Price	Authorized Capital		Paid-in Capital		Remark		
		Number of Shares	Amount	Number of Shares	Amount	Source of Capital	Capital Paid in by Assets Other than Cash	Others
2009.03	10	120,000,000	1,200,000,000	94,847,000	948,470,000	Cancellation of treasury shares of NT$9,000,000	None	Hsinchu Science Park Bureau, National Science and Technology Council YSZ No. 0980008847 Letter
2009.11	10	120,000,000	1,200,000,000	94,350,100	943,501,000	Capital increase from employee stock options of NT$450,000; Cancellation of treasury shares of NT$5,419,000	None	Hsinchu Science Park Bureau, National Science and Technology Council YSZ No. 0980033492 Letter
2010.03	10	120,000,000	1,200,000,000	94,365,100	943,651,000	Capital increase from employee stock options of NT$150,000	None	Hsinchu Science Park Bureau, National Science and Technology Council YSZ No. 0990006098 Letter
2010.06	10	120,000,000	1,200,000,000	94,375,100	943,751,000	Capital increase from employee stock options of NT$100,000	None	Hsinchu Science Park Bureau, National Science and Technology Council YSZ No. 0990017453 Letter
2010.11	10	120,000,000	1,200,000,000	94,451,601	944,516,010	Conversion of corporate bonds in the amount of NT$765,010	None	Hsinchu Science Park Bureau, National Science and Technology Council YSZ No. 0990033744 Letter
2011.04	10	120,000,000	1,200,000,000	94,396,601	943,966,010	Cancellation of treasury shares of NT$550,000	None	Hsinchu Science Park Bureau, National Science and Technology Council YSZ No. 1000010609 Letter
2019.02	10	120,000,000	1,200,000,000	94,746,601	947,466,010	Issuance of new restricted employee shares of NT$3,500,000 (grants issue)	None	Reported to be effective according to the Financial Supervisory Commission Order No. Jin-Guan-Zheng-Fa-Zi No.1070327095, ZSZ No. 1080005393 Letter
2020.02	10	120,000,000	1,200,000,000	95,826,601	958,266,010	Issuance of new restricted employee shares of NT$10,800,000 (grants issue)	None	Reported to be effective according to the Financial Supervisory Commission Order No. Jin-Guan-Zheng-Fa-Zi No.1080325893, ZSZ No. 1090005852 Letter

Year/ Month	Issue Price	Authorized Capital		Paid-in Capital		Remark		
		Number of Shares	Amount	Number of Shares	Amount	Source of Capital	Capital Paid in by Assets Other than Cash	Others
2020.07	10	120,000,000	1,200,000,000	96,396,601	963,966,010	Issuance of new restricted employee shares of NT$5,700,000 (grants issue)	None	Reported to be effective according to the Financial Supervisory Commission Order No. Jin-Guan-Zheng-Fa-Zi No.1080325893, ZSZ No.1090020793 Letter
2020.11	10	120,000,000	1,200,000,000	96,283,601	962,836,010	Cancellation of new restricted employee shares of NT$1,130,000	None	ZSZ No.1090033379 Letter
2021.11	10	120,000,000	1,200,000,000	96,213,101	962,131,010	Cancellation of new restricted employee shares of NT$705,000	None	ZSZ No. 1100034113 Letter
2022.11	10	120,000,000	1,200,000,000	96,156,201	961,562,010	Cancellation of new restricted employee shares of NT$569,000	None	ZSZ No. 1110037542 Letter

(II) Type of Stock

Unit: thousand shares

Type of Stock	Authorized Capital			(I) Remark
	Outstanding Shares (Note)	Unissued Shares	Total	
Common stock	96,157	23,843	120,000	TPEx listed shares

The outstanding shares are 96,157 thousand paid-in capital shares, including 176,8 thousand unvested new restricted employee shares.

(III) Structure

As of April 15, 2023

Structure / Item	Government Agencies	Financial Institutions	Persons in Mainland China	Other Legal Entities	Individual	Foreign Institutions and Persons	Total
Number of Shareholders	0	0	4	251	44,776	60	45,091
Number of Shares Held	0	0	547,001	11,515,793	81,195,463	2,897,944	96,156,201
Shareholding Ratio	0.00%	0.00%	0.57%	11.98%	84.44%	3.01%	100.00%

(IV) Distribution of Shares

1. Common stock

As of April 15, 2023

Range of Number of Shares Held	Number of Shareholders	Number of Shares Held	Shareholding Ratio
1 to 999	35,268	1.281,959	1.33%
1,000 to 5,000	7,756	15,793,211	16.43%
5,001 to 10,000	1,037	8,173,628	8.50%
10,001 to 15,000	340	4,370,456	4.55%
15,001 to 20,000	186	3,428,640	3.57%
20,001 to 30,000	159	4,109,030	4.27%
30,001 to 40,000	94	3,363,459	3.50%
40,001 to 50,000	55	2,546,333	2.65%
50,001 to 100,000	107	7,675,527	7.98%
100,001 to 200,000	43	6,077,355	6.32%
200,001 to 400,000	28	7,984,081	8.30%
400,001 to 600,000	8	4,034,642	4.20%
600,001 to 800,000	0	0	0.00%
800,001 to 1,000,000	1	861,000	0.90%
1,000,001 to 1,200,000	0	0	0.00%
1,200,001 to 1,400,000	0	0	0.00%
1,400,001 to 1,600,000	1	1,430,479	1.49%
1,600,001 to 1,800,000	0	0	0.00%
1,800,001 to 2,000,000	1	1,850,111	1.92%
2,000,001 above	7	23,176,290	24.10%
Total	45,091	96,156,201	100.00%

(V) List of Major Shareholders

As of April 15, 2023

Shares / Name of Major Shareholders	Number of Shares Held (share)	Shareholding Ratio (%)
Chang,Jui-Min	5,060,000	5.26%
Hengli Investment Co., Ltd.	4,626,254	4.81%
Chang,Yung-Ming	3,417,036	3.55%
Recovery and repurchase account of XAC Automation Corp.	3,000,000	3.12%
Yu,Mei-Ling	2,810,000	2.92%
Tai,Cheng-Chih	2,213,000	2.30%
Fuli Investment Co., Ltd.	2,050,000	2.13%
Teng,Wan-Sheng	1,850,111	1.92%
Yuanqing Investment Co., Ltd.	1,430,479	1.49%
Lai,Li-Kai	861,000	0.90%

Note: In this table, the information is about the name, number of shares held, and shareholding ratio of the top 10 shareholders.

Share Price for the Past 2 Fiscal Years, with Net Worth per Share, Earnings per Share, Dividends per Share, and Related Information

Fiscal Year / Item			2021	2022	Current Fiscal Year as of March 31, 2023 (Note 8)
Market Price Per Share (Note 1)	Highest		34.10	29.00	26.95
	Lowest		23.85	20.75	21.75
	Average		29.27	25.64	23.41
Net Worth Per Share (Note 2)	Before Distribution		16.75	14.05	13.46
	After Distribution		15.55	14.05	13.46
Earnings per Share	Weighted Average Number of Shares (thousand shares)		94,817	92,600	92,973
	Earnings per Share (Note 3)		1.41	(1.79)	(0.64)
Dividends per Share	Cash		1.25	—	Not yet distributed
	Stock Dividends	—	—	—	Not yet distributed
		—	—	—	Not yet distributed
	Accumulated Undistributed Dividends (Note 4)		—	—	Not yet distributed
Return on Investment	Price/earnings Ratio (Note 5)		20.76	(14.32)	Not yet distributed
	Price/dividend Ratio (Note 6)		23.42	—	Not yet distributed
	Cash Dividends Yield (Note 7)		4.27	—	Not yet distributed

Note 1: Data source: Taipei Exchange.

Note 2: Calculate the net worth per share based on the number of outstanding shares at year-end. Calculate the amount of distribution based on the amount resolved by the board of directors or resolved in the next year's shareholders meeting.

Note 3: If retrospective adjustments are required because of issuance of stock dividends, the earnings per share should be disclosed in the amounts before and after the retrospective adjustments.

Note 4: If equity securities are issued with terms that allow undistributed dividends to be accrued and accumulated until the year the Corporation makes profit, the amount of cumulative undistributed dividends up until the current year should be disclosed separately.

Note 5: Price/earnings ratio = Average closing price per share for the year/Earnings per share.

Note 6: Price-to-dividend ratio = Average closing price per share for the year/Cash dividends per share.

Note 7: Cash dividend yield = Cash dividends per share/Average closing price per share for the year.

Note 8: Net worth per share and earnings per share are based on auditor-reviewed consolidated financial statements as at the latest quarter before the publication date of the annual report. For all other fields, calculations are based on the data for the current year as of the date of publication of the annual report.

(VI) Dividend Policy and Implementation Status:

1. Dividend Policy

1-1. The dividend is set based on the principle of considering the Corporation's actual profit level, expansion plan and ability to cope with economic fluctuations.

1-2. The dividend distribution is specified by the Board of Directors in accordance with the Company Act and the Articles of Incorporation of the Corporation:

If the Corporation has gained profits within a fiscal year, 3% to 12% of the profits shall be allocated as the employees' compensation, and 3% or less as the remuneration to directors and supervisors.

However, in case of the accumulated losses, certain profits shall first be reserved to cover them. Qualification requirements of employees entitled to receive stock or cash set out in the preceding paragraph include the employees of parents, controlled enterprises or subsidiaries of the Corporation meeting certain specific requirements.

Any earnings after the Corporation's annual final accounting, it shall be first used to pay all taxes and dues and cover accumulated losses, then 10% of the earnings shall be reserved as the statutory surplus reserve; provided that this restriction shall not apply to the circumstances that the statutory surplus reserve has reached the paid-in capital of the Corporation. Provision for special surplus reserve shall be retained by the Board of Directors according to the operation needs and as required by law, which. If there is still a balance, the Board of Directors shall draw up an earnings distribution plan for the balance and the undistributed retained earnings at the beginning of period, and submit it to the board of shareholders for a resolution on distribution. The Corporation may authorize the Board of Directors to distribute dividends and bonuses payable in cash in whole or in part by a resolution of a majority vote at a meeting of the Board of Directors attended by two-thirds or more of the total number of directors, and report to the shareholders' meeting.

1-3. The Corporation's dividend policy is determined by its capital and financial structure, operating status, earnings, industrial nature and cycle, and the earnings after deducting legal reserves according to law and the Corporation's Articles of Incorporation. Earnings are distributed preferentially as cash dividends, or as stock dividends, provided that the proportion of stock dividends shall not exceed 50% of the total dividends for the year.

1-4. When there is no loss, the Corporation shall, in accordance with Article 241 of the Company Act, issue new shares or distribute in cash in proportion to the shareholders' original shares held by all or part of the statutory surplus reserve and capital reserve. If the distribution is made in the form of cash, the Corporation shall authorize the Board of Directors to distribute by a resolution of a majority vote at a board meeting attended by two-thirds or more of the total number of directors, and report to the shareholders' meeting. If the distribution is made in the form of new shares to be issued by the Corporation, it shall be submitted to the shareholders' meeting for resolution.

2. Distribution of dividends proposed in the shareholders' meeting:

Not applicable (as the Board of Directors of the Corporation adopted by resolution on March 15, 2023 that no dividends will be distributed for 2022)

(VII) Effect on Business Performance and Earnings per Share of Distribution of Stock Dividends Proposed or Adopted at the Most Recent Shareholders' Meeting:

Not applicable. There are no stock dividends.

(VIII) Remuneration of Employees, Directors, and Supervisors:

1. Percentage or range of the remuneration of employees and directors as set forth in the Articles of Incorporation:

In accordance with the Corporation's Articles of Incorporation, if the Corporation has gained profits within a fiscal year, 3% to 12% of the profits shall be allocated as the employees' compensation, and 3% or less as the directors' remuneration. However, in case of the accumulated losses, certain profits shall first be reserved to cover them.

Qualification requirements of employees entitled to receive stock or cash set out in the preceding paragraph include the employees of parents, controlled enterprises or subsidiaries of the Corporation meeting certain specific requirements.

Any earnings after the Corporation's annual final accounting, it shall be first used to pay all taxes and dues and cover accumulated losses, then 10% of the earnings shall be reserved as the statutory surplus reserve; provided that this restriction shall not apply to the circumstances that the statutory surplus reserve has reached the paid-in capital of the Corporation. Provision for special surplus reserve shall be retained by the Board of Directors according to the operation needs and as required by law, which. If there is still a balance, the Board of Directors shall draw up an earnings distribution plan for the balance and the undistributed retained earnings at the beginning of period, and submit it to the board of shareholders for a resolution on distribution. Among them, the proportion of stock dividends shall not exceed 50% of the total dividends for the year.

2. The basis for estimating the amount of employee, director, and supervisor remuneration, for calculating the number of shares to be distributed as employee remuneration, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period:

   If the actual distributed amount subsequently resolved by the shareholders' meeting is different from the estimated amount, it shall be regarded as the change of accounting estimate and shall be classified as the profit and loss for the following year.

3. Distribution of remuneration approved by the Board of Directors:

   (1) For the amount of any employee compensation distributed in cash or stocks and remuneration to directors, if there is any discrepancy between such amount and the estimated figure for the fiscal year when expenses are recognized, the deviation, its cause, and the status of treatment shall be disclosed:

   The Corporation's Board of Directors adopted by resolution the remuneration distribution plan for employees and directors on March 15, 2023: the proposed remuneration distributed is NT$0 for both employees and directors. There is no difference between the proposed distribution amount above and the estimated amount of the recognized expenses in the year.

   (2) The amount of any employee remuneration distributed in stocks, and the size of that amount as a percentage of the sum of the after-tax net income stated in the parent company only financial statements or individual financial statements for the current period and the total employee remuneration: The Corporation did not propose to pay remuneration to employees in stock and therefore it is not applicable.

4. The actual distribution remuneration of employees, directors, and supervisors for the previous fiscal year (including the distributed number, amount and shares price), and where there is any discrepancy between the actual distribution and the recognized remunerations for employees, directors and supervisors, the discrepancy, cause, and how it is treated shall be stated:

   There is no difference between the actual remuneration paid to employees, directors and supervisors from earnings in 2021 from the distribution amount resolved by the shareholders' meeting and the Board of Directors. The remuneration paid to employees was NT$14,639,878 and that paid to directors and supervisors was NT$3,659,970.

(IX) Share Repurchases by the Corporation:

March 31, 2023

Repurchase No.	The 9th time
Purpose of repurchase	Transfer to employees
Repurchase period	From November 9, 2021 to January 8, 2022
Repurchase price range NT$	19.00~38.00
Types and numbers of shares bought back (shares)	3,000,000
Amount of shares bought back (NT$)	82,817,683
Ratio of the number of shares already repurchased to the number of shares intended to be repurchased (%)	100%
The number of repurchased shares that have been canceled or transferred (shares)	0
Accumulated number of the Corporation's shares held by the Corporation	0
Ratio of the accumulated number of the Corporation's shares held by the Corporation to the total number of issued shares (%)	3.12%

II. Corporate Bonds: None.

III. Preferred Shares: None.

IV. Global Depository Receipts: None.

V. Employee Stock Options

(I) The status of the Corporation's outstanding employee share subscription warrants and its impact on shareholders' equity: The Corporation has no outstanding employee share subscription warrants.

(II) Acquisition and subscription of employee share subscription warrants obtained by managerial officer: None.

(III) Acquisition and subscription of employee share subscription warrants available obtained by the ten employees holding employee subscription warrants authorizing purchase of the most shares, along with the cumulative number of warrants exercised by these ten employees: None.

VI. Employee Stock Options Restriction

(I) For all new restricted employee shares for which the vesting conditions have not yet been met by the Corporation for the full number of shares, the annual report shall disclose the status up to the date of publication of the prospectus and the effect on shareholders' equity:

(II) As of April 15, 2023

Types of New Restricted Employee Shares	1st New Restricted Employee Shares in 2018	1st New Restricted Employee Shares in 2019	2nd New Restricted Employee Shares in 2019
Date of Effective Registration	July 31, 2018	August 14, 2019	
Date of Issue	February 15, 2019 (base date)	February 17, 2020 (base date)	July 14, 2020 (base date)
Number of New Restricted Employee Shares Granted	350,000 shares	1,080,000 shares	570,000 shares
Issue Price	NT$0 (free issue)	NT$0 (free issue)	NT$0 (free issue)
Ratio of New Restricted Employee Shares Issued to Total Issued Shares	0.37%	1.14%	0.59%
Vesting Conditions for New Restricted Employee Shares Issued	After an employee is granted new restricted employee shares under this rules, the proportion of shares to which the vested conditions are met at the expiration of each of the following vesting periods from the date of grant is as follows: Vesting conditions: Before expiration of each vesting period, the employee is still in office and has not violated the labor contract, work rules or company regulations of the Corporation. Vesting term and proportion of shares subject to vesting conditions: 30% upon expiration of one year; 30% at the end of the 2nd year; 40 % at the end of the 3rd year		
Restricted Rights on New Restricted Employee Shares	Restrictions on shares before the vesting conditions are met: (attendance, voting rights, no rights to stocks and dividends) 1. Employees shall not sell, pledge, transfer, donate, set up, or otherwise dispose of the restricted employee shares before the vesting conditions set forth in the preceding article are met. 2. The attendance, proposal, speech and voting rights at shareholders' meetings shall be handled in accordance with relevant laws and regulations. 3. Restrictions on shareholders' rights to allocation (subscription) of shares and dividends: There is no right in the original shareholders' rights to allocation (subscription) of shares and dividends. 4. During the period from the closing date of the Corporation's paid stock grants, the closing date of cash dividends, the closing date of cash subscription for capital increase, the share transfer registration suspension period of shareholders' meeting as stipulated in Article 165, Item 3 of the Company Act, or any other transfer closing period as a matter of fact to the base date of rights allotment, the shares of employees who meet vesting conditions during such period that are released from the restriction are still not entitled to voting rights, earnings distribution rights, rights to allocation (subscription) of shares and dividends. 5. During the period of delivery of the new shares to the trust, the Corporation shall, on behalf of its employees, to (including but not limited to) negotiate, sign, amend, extend, dissolve and terminate trust covenants with stock trusts, and to direct the delivery, use and disposal of trust properties.		
Custody of New Restricted Employee Shares	The new restricted employee shares are handed over to trust immediately after they are issued. The shares are held in stock trust by the Corporation or a person designated by the Corporation until the vesting conditions are met.		
Handling Methods if the Employee has Not Met the Vesting Conditions after Being Allocated or Subscribed for New Shares	1. For employees who voluntarily resign, dismiss, dispatch, retire, die due to non-occupational disaster, apply for retention and suspension of pay, or transfer to affiliates within three years from the date of grant, the Corporation shall recover the shares not yet acquired by the employees free of charge. 2. If the employee terminates or rescinds the agency authorization of the Corporation in violation of the provisions of Paragraph 7 and Paragraph 8 of		

	this Article before the vesting conditions are met, the Corporation shall recover the shares without compensation.		
Number of New Restricted Employee Shares Recovered or Bought Back	None	Recovered 124,400 shares	Recovered 116,000 shares
Number of New Restricted Shares with Restriction Lifted	350,000	955,600	277,200
Number of New Restricted Shares with Restriction not Lifted	0	0	176,800
Number of New Restricted Shares with Restriction not Lifted as a Percentage of Total Shares Issued (%)	0	0%	0.18%
Impact on Shareholders' Equity	The dilution of earnings per share of the Corporation is limited, so there is no significant impact on shareholders' equity.		

(II) Acquisition Status of Managers and Top 10 Employees Who Acquired New Restricted Employee Shares:

	Title	Name	Number of New Restricted Employee Shares Acquired (shares)	Number of New Restricted Employee Shares Acquired as a Percentage of Total Shares Issued (Note 1)	With Restriction Lifted				With Restriction not Lifted			
					Number of Shares with Restriction Lifted	Issue Price	Issue Amount	Number of Shares with Restriction Lifted as a Percentage of Total Shares Issued (Note 1)	Number of Shares with Restriction not Lifted (shares)	Issue Price	Issue Amount	Number of Shares with Restriction not Lifted as a Percentage of Total Shares Issued (Note 1)
Managerial Officer	Vice President	Chin,Yung-Hui	808,000	0.84%	754,800	0	0	0.78%	53,200	0	0	0.06%
	Senior Deputy Assistant General Manager	Liu,Yun										
	Senior Deputy Assistant General Manager	Shen,Pao-Hui										
	Deputy Assistant General Manager	Hu,Hsuan-Tsung										
	Deputy Assistant General Manager	Tsai,Hsin-Liang										
	Deputy Assistant General Manager	Kuo,Hui-Ling										
	Senior Manager	Hsu,Jen-Chien										
Employee (Note 2)	Senior Manager	Liu,Shih-Wang	318,000	0.33%	278,000	0	0	0.29%	40,000	0	0	0.29%
	Senior Manager	Yu,Wei-Fang										
	Manager	Chen,Li-Te										
	Manager	Cheng,An-Ting										
	Deputy Manager	Tai,Yung										
	Deputy Manager	Chen,Ssu-Jui										
	Deputy Manager	Chang,Chun-Chen										
	Deputy Manager	Liu,Wei-Le										
	Senior Engineer	Chou,Fa-Hung										
	Engineer	Chiu,Ting-Wei										

Note 1: The total number of shares issued refers to the number of shares listed in the alteration registration data of the Hsinchu Science Park Bureau, National Science and Technology Council.

Note 2: The top ten employees who have acquired new restricted employee shares refer to employees other than managers.

VII. Status of New Share Issuance in Connection with Mergers and Acquisitions:

None.

VIII. Financing Plans and Implementation

The Corporation does not have any issuance that have not been completed or completed issuance without demonstrable benefits within the past three years.

Chapter 5. Business Performance

I. Content OF Business

(I) Scope of Business

1. Major lines of business

   (1) Research, development, production, manufacturing process, sales of the following products:

   1) Electronic fund transaction terminal and its components.

   2) Transaction data security protection equipment and its components.

   3) Multifunctional card reader/writer for contactless card, smart card, magnetic stripe card and its components.

   (2) Software and hardware system integration, technical consulting and maintenance of the aforementioned products.

   (3) Import and export business of the aforementioned products.

2. Weight of lines of business:

Unit: NT$ thousand; %

Products	2021		2022	
	Amount	Percentage (%)	Amount	Percentage (%)
Card reader/writer	124,775	7.90	99,236	7.07
Transaction data security protection equipment	153,816	9.74	175,453	12.49
Fund transaction terminal and its peripherals	832,520	52.73	748,958	53.33
Other products	467,615	29.63	380,779	27.11
Total	1,578,726	100	1,404,426	100

3. Current products (services)

Products	Applications
Card reader/writer	It can support card data reading and processing in a variety of card in different formats such as magnetic stripe card, chip card or contactless card.
Transaction data security protection equipment	Protect the security of data transactions through hardware data protection and data encryption algorithms.
Electronic fund transaction terminal	Provide a terminal device for fund transactions, supporting a variety of communication interfaces and a multi-application software environment.
Self-service fund transaction terminal	Provide self-service fund transaction terminals (self-refueling, food ordering system, parking booth... payment device).

4. Company plan and New Products (Services) Planned for Development

   (1) Continue to develop the desktop and handheld and outdoor self-service terminal solutions supported the new generation:

   ＊ Built-in integrated card reading function (MSR, SCR, Contactless).

   ＊ Conform to the latest global financial security related design (PCI, CC, GBIC, APCA, INTERAC...). , and support PCI PTS, PIN, P2PE and other security requirements.

* Support the latest financial contact/contactless payment transaction regulations (EMV Contact/Contactless, PayWave, PayPass, ExpressPay, DPAS, Quick Pass, JSpeedy, Interac Flash, Mifare, Felica…).
* Support the NFC applications and add-on services (ApplePay, Google Pay, Samsung Pay, Apple VAS, Google SmartTap…).
* Support QR Payment (Alipay, WeChat pay..).
* In addition to the traditional communication interface, we also provide wireless communication solutions for customers.

(2) Develop an efficient and secure Android 12 application platform to support cloud payment application with strong demand in the future.

(3) Develop secure payment solutions for the increasingly popular tablet computers and smart phones. In addition to providing corresponding handheld terminals, we also provide PCI SPoC/CPoC compliant background monitoring system to ensure that handheld terminals, tablets or smart phones, as well as the entire Payment APP system can operate in a safe and continuous manner.

(4) Continue to develop the Commerce Enabling Platform (CE Platform) and related application systems and services, including Cloud DMS (TMSII/RKI/Remote Diag)/App Store/PCI CPoC/Cloud Gateway and other applications and services to meet the needs of all the payment and logistics flow systems and devices used in the operation of merchants.

(5) Continue to provide customers with solutions for waterproof, dustproof and explosion-proof outdoor and self-service transaction terminals of high weather resistance and security modules.

(II) Overview of the Industry

1. Current status and Development of the Industry

(1) In terms of products, we have transformed from the development of traditional desk-based magnetic stripe card reader to the development of handheld card reader that transmits through 3G, 4G, blue bud or WIFI in a wireless way. In addition, chip cards and contactless cards have been more widely used around the world. Therefore, the integrated terminal with multiple functions has become the mainstream in the market. The Corporation's new generation of products have been in line with these requirements, the performance of which has been well recognized by customers.

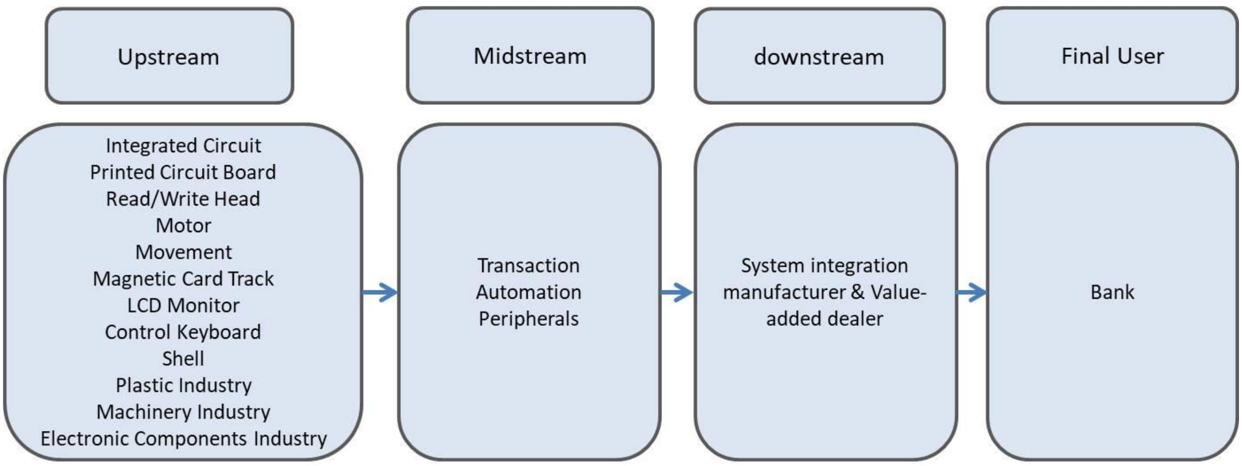
(2) In the form of NFC and QR Code, mobile credit card issuance and mobile transaction platform that can integrate multiple credit cards will gradually replace physical credit cards as the future trend of credit card issuance. In response to this new industry change, the Corporation has developed relevant products to cope with the new wave of terminal replacement.

(3) With the popularity of mobile phones and tablets, EMV and PCI are also developing client-side mobile devices with background security monitoring systems to conduct credit card transactions in response to this trend. The Corporation has products and systems in place to address the business opportunities arising from the new generation of transaction modes.

(4) In addition, data security and friendly user interface have become the basic requirements of POS terminals. The new generation of efficient Android platform that the Corporation developed in recent years, which integrates the user interface of mobile and tablet while providing a secure payment mechanism, has been well received by the market since its launch a few years ago. It is expected that the demand for cloud POS terminals will continue to grow rapidly from this year. In response to this trend, the Corporation will continuously develop cloud-based POS terminals with more functions to meet the likely market demand for this product in the next few years. In addition, in response to the impact of the epidemic, more stores will consider providing UPT devices for customers in self-checkout. The Corporation is also planning to provide more UPT devices as well as indoor and outdoor Android KIOSK this year in response to customer demand for UPT devices.

2. Links between Upstream, Midstream, and Downstream Segments of the Industry Supply Chain

The upstream components of fund transaction automation products produced by XAC can be roughly divided into magnetic head, integrated circuit, printed circuit board, liquid crystal display, control keyboard and related components. The process is to arrange related components on the printed circuit board, and then assemble and test the reading and writing magnetic head, magnetic card track, motor, liquid crystal display, control keyboard step by step to ensure the quality of the product. The downstream sales target is mainly system integration manufacturers, and the final users are banks and stores, etc. The products can be used in bank trading systems, store cash register systems, video game consoles, vending machines, online trading and data processing systems.



Future product development will focus on transaction data security products, multifunctional IC card reader and writer and electronic fund transaction terminals. The key technologies of transaction data security products are Data Encryption, Key Management and Physical Security Protection. The design of multifunctional IC card reader and writer focuses on that the connection device driven by the mechanism should reach the service life of more than 500,000 times. Security, reliability, privacy and convenience are the primary requirements of an electronic fund transaction terminal, while applying around the world and connection through various networks are also important requirements. This kind of product has a wide range of applications, which can be roughly divided into Banking, POS and Gaming.

3. Product Development Trend:

(1) Transaction data security and confidentiality products

The key technologies affecting such products include Data Encryption, Key Management and Physical Security Protection.

Data encryption technology can be divided into symmetric and asymmetric. After the data is encrypted, the overall encryption security depends on the storage of the Key. For the Key Management, it is necessary to have a corresponding operation mode in place to protect the security of the system. For example, MK/SK and DUKPT are common key management modes.

In addition, in order to prevent the key or verification and transaction information stored in electronic memory from being measured by hackers with advanced electronic equipment, Physical Security Protection technology therefore has been developed to prevent such attacks, detecting whether the shell of the product is damaged by using different sensor monitoring components. Once the shell is detected to be invaded, the system will clean up information such as keys, preventing hackers from doing so. The Corporation has patented inventions in terms of Physical Security Protection, which has passed the major global security verification.

Smart tablets and smartphones have become more and more popular in recent years. Mobile payment solutions (Square, Paypal, Verifone, Ingenico...). for these products are constantly introduced to the market. The Corporation is also launching product development projects to take advantage of the new payment APP.

(2) Multifunctional card reading integration platform

With the progress of science and technology, in addition to issuing traditional magnetic stripe cards, chip cards and contactless cards, some issuing banks at home and abroad have tried to issue mobile credit cards through the NFC function and the display of QR code on the screen on mobile phones in recent years. In response to this trend, the Corporation also quickly adjusted its product platform planning, with development focusing on software integration and reading rate besides hardware development.

(3) High-weather-resistance trading module for outdoor application

Self-service trading applications are very popular in foreign countries. However, since the products must not only support the latest transaction specifications, but must be equipped with the capacity of operation in harsh environments, there are not so many manufacturers that can provide relevant solutions. With our trading security product platform and the design capabilities of our electronics and structure design team, the Corporation is one of the few manufacturers capable of providing high-weather-resistance trading modules for outdoor use. In 2016, the Corporation cooperated with Wayne, a leading manufacturer of gas station equipment in North America, to supply all the payment-related modules needed for refueling machines, becoming one of Wayne's major suppliers.

(4) Electronic fund transaction terminal

Security, reliability, privacy and convenience are the most important conditions of a financial automation system, while applying around the world and connection through various networks are also important conditions. Particularly, the O2O (Online To Offline) business model is becoming more and more common at present, and the demand for Cloud POS/Terminal and self-service payment devices is becoming more and more significant, which is in line with XAC's goal of continuous development in this field in recent years.

4. Product Competition

The transaction automation industry is a niche product in the whole information industry and its competition is not as fierce as the mainstream information products. At present, XAC mostly develops in cooperation with system integration manufacturers (SI) or value-added resellers (VAR), attaches great importance to the long-term partnership with high quality and reliability for supply and demand, and has maintained a relatively stable supply chain. Therefore, XAC has fewer competitors.

The main products of electronic fund transaction terminals include card authorization terminal and POS Key Board, etc., which can be divided into (1) Payment flow processing fund transactions, such as: paying by card, by which the data is transmitted to the issuing bank through POS to make the deduction, (2) POS system and peripheral products used in logistics stores.

Trading automation related peripherals on the market are almost all supplied by American manufacturers, besides some Japanese manufacturers involved. XAC is one of the few professional manufacturers engaged in the manufacture of electronic fund transaction terminals and related equipment in Taiwan. Its main products include Pin Pad and Kiosk for the security protection of transaction data, POS and

POS keyboard control panel for electronic fund transaction and the assembly of video game machine. According to the final place of use, XAC's product market can be divided into the following categories:

(1) System integrators of payment and logistics flow in hypermarket such as IBM, Wincor Nixdorf, NCR, Toshiba and other big manufacturers.
XAC was used to be the sole supplier of IBM point-of-sale terminal device, including reading cards, keyboards and other input terminal device. After Toshiba acquired IBM's POS terminal business in 2012, XAC is currently one of Toshiba's suppliers.

(2) The main manufacturers in the market of stand-alone credit card terminal used in general restaurants and stores include Verifone, Ingenico and so on. POS machine manufacturing is a closed oligopolic market. The entry threshold to the industry is to obtain the payment flow security certification from main credit card centers in various countries. XAC has bypassed Verifone and directly partnered with Fiserv, the largest credit card center in North America, and become its supplier.

(III) Overview of Technologies and R&D Work

1. R&D expenditures during the most recent fiscal year or during the current fiscalyear up to the date of publication of the annual report
The Group's R&D expenditure and its proportion to turnover during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report are shown in the table below. The estimated R&D expenditure in 2023 is NT$367,181 thousand.

Unit: NT$ thousand, %

Fiscal Year / Item	2022	Current fiscal year as of March 31, 2023
R&D Expenditures	239,134	70,490
Operating Revenue	1,404,426	157,659
Proportion (%)	17	45

2. Technologies or products successfully developed during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report

Fiscal Year	Main R&D Results
2011	1. Contactless card reader: — Embed contactless card reading function in terminal and password input device. — The Corporation developed a new generation of contactless reader platforms to support a variety of contactless specifications such as NFC, Felica, etc. — The Corporation developed a new generation of contactless antenna modules and hardware platforms to provide better card reading and processing performance. 2. In addition to PCI PTS v3.0, the Corporation planned for the development and establishment of global transaction security platforms (OSeC, ZKA, INTERAC, APCA...). 3. The Corporation developed a new generation of self-service transaction security modules for outdoor use (EPP, Secure Hybrid Reader, Contactless reader...) and a self-service transaction Terminal & Kiosk.

Fiscal Year	Main R&D Results
2012	1. With PCI3.0+EMV Contact & Contactless as the main axis, the Corporation developed a series of Desktop, Portable and self-service payment terminal devices. 2. Development of payment system and software: including Payment Application and TMS System (Terminal Management system). 3. Development of high-environmental-tolerance (Rugged) product: used for outdoor and gas station environment. 4. Payment application security solutions for tablets and smart phones.
2013	1. Development of a new generation of integrated transaction terminals (PED+MSR+SCR+Contactless+QR code). 2. Payment application security solutions for tablets and smart phones. 3. Development of a new generation of high-performance hardware platforms. 4. Development of payment system and software: including Payment Application and TMS System (Terminal Management system). 5. Continued to provide customers with solutions for highly tolerated self-service transaction security modules.
2014	1. Development of PCI3.1+EMV 4.3 version, a series of Desktop, Portable and self-service payment terminal devices. 2. Development of payment system and software: including Payment Application and TMS System (Terminal Management system). 3. Development of a new generation of high-performance hardware platforms - Secure Cloud Based POS system. 4. Payment application security solutions for tablets and smart phones.
2015	1. Continuously developed a new generation of high-performance hardware platforms - Secure Cloud Based POS system. 2. The Corporation developed a new generation of integrated micropayment products (mPOS). 3. PCI 4.0 self-service payment terminal device and related security modules. 4. Development of payment system and software: including Payment Application and TMS System (Terminal Management system).
2016	1. Developed a new generation of high-performance Cloud POS and payment terminal system platform and products (Secure Cloud Based POS/Payment Terminal). 2. Developed platform and products for PCI5.0 Desktop, Portable and self-service payment terminal devices. 3. Developed Payment Gateway system, Mobile Device Management system and Remote Key Injection system to provide customers with overall solutions.
2017	1. Continuously developed the new generation of high-performance Cloud POS and payment terminal system platform and products (Secure Cloud Based POS/Payment Terminal). 2. Developed a new generation of indoor and outdoor cloud payment device platform and products of high performance. 3. Continuously developed payment platform related software systems (Gateway, Remote Key Injection, Mobile Device Management) to provide customers with overall solutions. 4. Continuously updated PCI and EMV design of payment terminal system, and introduced all products and obtained certification.
2018	1. Continuously optimized the new generation of high-performance Cloud POS and payment terminal system platform and products (Secure Cloud Based POS/Payment Terminal), such as adding 4G and WiFi dual band communication, upgrading the operating system to Android 8... and so on.

Fiscal Year	Main R&D Results
	2. Continuously developed the new generation of outdoor cloud payment device platform, modules and products of high performance. 3. Continuously updated PCI and EMV design of payment terminal system, and introduced all products and obtained certification. 4. Committed to the planning of merchant solutions, developed TMSII/RKL/Payment APP... and other software and systems.
2019	1. Continuously developed products in various forms based on the new generation of high-performance Cloud POS and payment terminal system platform, developed payment applications and obtained certification from banks and operators. 2. Continuously updated PCI and EMV design of payment terminal system, and introduced all products and obtained certification. 3. Continuously improved the planning of merchant solutions, developed the Commerce Enabling CE Platform and related application systems and services, including TMSII/MDM/RKL/App Store/PCI SPoC&CPoC/ Cloud Logistics Service.
2020	1. Continuously optimized the new generation of high-performance Android POS/Terminal product platform and continuously developed products in various forms. Developed payment applications and obtained certification from banks and operators. 2. Continuously updated PCI and EMV design of payment terminal system, and introduced all products and obtained certification. 3. Continuously optimized the merchant solutions and Commerce Enabling platform, providing tools and services needed for hardware products at various stages of development, installation and maintenance while providing application systems and services such as TMSII/RKL/App Store.
2021	1. Continuously developed the new generation of high-performance Android 9 POS/Terminal product platform and continuously developed products in various forms. Developed payment applications and obtained certification from banks and operators. 2. Continuously updated PCI and EMV design of payment terminal system, and introduced all products and obtained certification. 3. Continuously developed and optimized the merchant solutions and Commerce Enabling platform, providing cloud systems and services for hardware products in various stages of development, installation, maintenance and repair while providing application systems and services such as TMSII/RKL/ Cloud RMA.
2022	1. Continuously developed the new generation of high-performance Android 12 Smart POS Terminal product platform and developed products in various forms based on different use cases. Developed payment applications and obtained certification from banks and operators. 2. Continuously updated PCI and EMV design of payment terminal system, and introduced all products and obtained certification. 3. Continuously optimized the merchant solutions and Commerce Enabling platform, providing cloud systems and services for hardware products in various stages of development, installation, maintenance and repair while providing application systems and services such as Cloud DMS (TMSII/RKI/Remote Diag).

3. Future R&D Plans

In view of the rapid development of mobile payment applications in the next few years, in addition to the technology development of the original payment security and multi-application SAIO hardware development platform, we will invest more research and development resources in mobile payment application-centered products and cloud service application system technology. The main products completed and in progress:

(1) Continuously develop a new generation of high-performance terminal device platform: Based on the core operating system of the latest smart mobile device, we provide multimedia capabilities and improved hardware processing efficiency for high - level terminals.

(2) Terminal management system: We develop terminal management system enable customers abroad to manage the installed terminal device through network. The design of this management system is based on the concept of cloud service, which can be used as an internal service of customers or converted to SaaS architecture.

(3) We continuously develop the new generation of self-service transaction security modules for outdoor use (EPP, Secure Hybrid Reader, Contactless reader...) and terminal (Self service Terminal & Kiosk in response to the rapid growth of self-service payment applications in Europe. Research and develop product technology that conforms to transaction security standards and specifications. In addition to the published PCI PTS v6.0, new products must conform to the global and regional transaction security standards (PCI PTS 6.0, CC, GBIC, INTERAC, APCA, PNC...), to realize that the safety technology of the Corporation's products is in the global leading position.

(4) Contactless transaction application products: In view of the rapid adoption of NFC applications around the world, there is great potential for new generation of contactless trading equipment. New product development focuses on:

＊ The contactless card reading function is fully built into all terminals and password input products.

＊ Develop a new generation of contact reader platforms to support a variety of contactless specifications such as NFC, Felica, etc.

＊ Develop a new generation of contactless antenna modules and hardware platforms to provide better card reading and processing performance.

(5) Continuously develop a new generation of high-performance hardware platforms - Secure Cloud Based POS system. In addition to integrating the existing transaction terminal functions (PED+MSR+SCR+Contactless), we also develop the payment application program of cloud POS system products and the corresponding Terminal Management System (TMS) to provide customers with more diverse choices and meet the comprehensive needs of customers.

(6) Provide customers with overall solutions, optimize the Commerce Enabling Platform (XCE Platform), including Cloud DMS Terminal Management System, Remote Key Injection System, Remote Diagnostic System, APP Store, PCI SPoC/CPoC Backend System and Cloud Gateway, and pass the certification of PCI DSS, PCI P2PE, PCI PIN and PCI CPoC.

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

1. Development Strategies

Under the trend of popularization of Mobile internet and cloud system, it is XAC's future development direction to develop cloud POS system on the basis of transaction automation products. The specific strategies are as follows:

(1) Product R&D
- Development of critical components.
- Payment software system technology: Based on ZAKUS, we accelerate the establishment of payment system and solution development capabilities through strategic alliances (Fiserv, DFS).
- Cloud commerce operation platform and required security control software system (including cloud host software).
- Product design techniques for outdoor specifications.

(2) Flexible commercial product manufacturing system with high quality and lower cost
- RMA system is established to provide rapid after-sales service and product quality improvement feedback.
- Market share lies in quality.
- Flexible delivery system is built to meet customer needs.

(3) Establish sales channels to world markets
- Establishment of strategic partnership (VAR/SI/SO) in Europe, America, Japan and all over the world.
- Market development in all regions of the world.
- Establish trust relationships with large corporate users.

2. Short-term Business Development Plans

(1) Demand for EMV equipment from the "Counterfeit loss Liability Conversion" at gas stations starting in 2020.

(2) Bidding of Commerce Enabling platform/solution.

(3) Build Android product lines in the market of Middle East, Latin America, Britain, France, the United States, Asia and Africa, actively promote through established channels.

3. Long-term Business Development Plans

It is an urgent trend for retail industry to integrate Omni channel system data to face the competition of e-commerce. XAC formally develop its business model of "providing systems and solutions" on the "Cloud-based Transaction Facilitation Platform". Through this platform, small and medium-sized retails is able to implement and optimize their management system (PAYMENT/CRM/ INVENTORY) by SAAS, and achieve multi-channel sales model through Omni channel integration.

II. Overview of Market, Production and Sale

(I) Market Analysis

1. Sales Area of Major Products

Unit: NT$ thousand

Sales Area \ Fiscal Year		2021		2022	
		Amount	%	Amount	%
Domestic Sales		7,940	0.50	1,228	0.09
Foreign Sales	Americas	1,158,535	73.38	1,007,922	71.77
	Europe	183,518	11.62	217,369	15.48
	Asia	228,733	14.50	173,768	12.37
	Others	-	-	4,139	0.29
Total		1,578,726	100.00	1,404,426	100.00

2. Market Share

(III) The Corporation is mainly engaged in R&D, manufacturing and sales of card reader and writer and financial electronic transactions related equipment. The market demand of related products has high potential for growth. At present, there is no professional organization to conduct market share survey in Taiwan. In the same type of products, for ECR POS, XAC has maintained a long-term and close supply partnership with larger system integration manufacturers such as IBM, which has contributed to the steady growth of XAC in financial electronic transaction terminals. In recent years, the Corporation has been cooperating with Fiserv and DFS (Dover Fueling Solutions) to develop new products based on its own core technology module in terms of Payment POS. Although there are still international well-known players such as Verifone and Ingenico in the Payment POS industry, our early entry into the market with the competitive niche mastered of our own core technology modules and our ability to develop new product projects that have been recognized by clients, enable us to promote new applications, business in new areas according to different customers, thus increasing our market share.

(IV) As for smart card and transaction data security module related products, due to the joint development of VISA and other card issuers, we remain bullish on opportunities that the products will trigger a substantial growth in related products over the next few years. The world's three largest card issuing organizations, VISA, Master Card and JCB require their members, banks, and stores to use PCI-certified products only. The Corporation has successively passed PCI certification. And in recent years, besides the existing main customers, we also reach some customers in Japan, Central and South America, Europe, Australia and South Africa. We have maintained a steady growth in sales.

3. Supply and Demand in the Market and Possible Future Growth

(1) Multifunctional card reading integration platform

There is no professional organization in Taiwan to investigate and study card reading/writing equipment, so there are no objective statistics to describe the development of the industry. However, such electronic trading products are the terminal of various application systems, hence the market demand and future development will depend on the effectiveness of various application systems. At present, the mature application fields in the market include: e-commerce, Taipei Bus Metro Ticket System, access control, bank fund transaction system, credit card transaction system, health care card which are strongly promoted by the government and electronic payment system, all of which should be equipped with contactless card, IC card or magnetic card transaction system.

Global IC card usage continues to grow every year. The growth of smart card application mainly lies in finance, telecommunications, public transportation, health care, identity authentication. The growth of card reading and writing devices required by IC card also increased at a considerable rate.

As the IC card capacity of anti-counterfeiting and powerful computing and storage can improve additional functions for stores in terms of payment and logistics flow, and the three major credit card issuers such as VISA is working together to develop specifications, it is currently widely expected to be successfully introduced, which will also bring substantial business opportunities for related products.

In recent years, because of the convenient use of contactless cards, the issue of contact card continues to rise. Meanwhile, banks at home and abroad are planning to issue credit cards through the NFC function built in mobile phones. It is believed that huge business opportunities will be created in the near future for contactless transactions.

(2) Transaction data security protection equipment

Both automated trading systems and e-commerce rely on the communication network to transmit transaction data. Therefore, the main function of this product is to ensure that the transaction data is not stolen during the online transaction.

IC card is currently known as the best security storage media, and is the most applicable for general users in terms of security, and is applied in the current popular e-commerce market. There should be huge potential for development.

Major international card issuers have found that security data of cardholders has been stolen in the past few years, leading to a spate of fraudulent card payment incidents. Therefore, they have specially formulated strict test security specifications for machines with the function of providing password security input, so as to prevent malicious theft of cardholder data. They also made it mandatory for stores with acquiring services to use authenticated password-input devices to verify the identity of cardholders if they needed to provide password-input confirmation services. In case of fraudulent credit card payment caused by non-compliance of the store, the card issuer has the right not to be responsible for the loss of such act.

At present, PCI SSC is the main unit that is developing the security protection standards of financial payment data in the world. The security standards that have been developed include PCI DSS, PCI PA DSS and PCI PED.

The world's three largest card issuing organizations, VISA, Master Card and JCB require their members, banks, and stores to use PCI-certified products only. The transaction security platform adopted by the Corporation's products has passed PCI certification and other regional transaction security standards (CC, OSeC, GBIC, INTERAC, APCA, PNC...), which is an important achievement of our R&D team in recent years.

(3) Electronic fund transaction terminal and its peripherals

An electronic fund transaction terminal is a terminal device that supports fund transactions by transmitting data to the host computer, which is also functions as a card reader. Financial automation systems require security, reliability, privacy and convenience, they must be applicable around the world and connected through various networks This kind of product can be roughly divided into Banking and Gaming.

In terms of banking use, electronic fund transaction terminal is the front end of banking business, which is an environment for customers to complete fund transactions according to his/her requirements; It is also a business tool that allows banks to tap into markets beyond the reach of branch resources. For example, credit card authorization terminal.

In terms of store use (P.O.S), the transfer card business has been growing rapidly all over the world in recent years, laying the foundation for the future development of point-of-sale terminals. MasterCard's Maestro and VISA's Interlink systems have been developed in foreign countries, and Taiwan, while starting out, has one of the highest ATM penetration rates in the Asia-Pacific region.

The payment flow automation industry is a niche product in the whole information industry and its competition is not as fierce as information products. The core of this industry is system integration companies, which mostly focus on computer systems and application software, peripherals, and seek cooperation through ODM. The application of payment flow automation is of diversity, and most of the system manufacturers have their own system standards. As a result, the peripheral equipment must be characterized by small volume and wide variety, and the supply and demand is based on the long-term partnership maintaining high quality and reliability, long product life cycle and relatively low price sensitivity. It is different from the competition mode of information products based on quantity. The Smart Card terminal related products will grow rapidly in the environment with counterfeit cards and other transaction risks. There are considerable business opportunities. XAC is positioned in this industry opportunity to develop all kinds of new technology and new products, so as to grab new customers and new markets.

4. Competitive Niche, Positive and Negative Factors for Future Development and Responses

(1) Positive Factors

1) Master the market demand and marketing channel of products

The management team has accumulated many years of experience in financial automation product marketing and market development related to this industry. Customer dynamics can be fully mastered. And the planning ability of forward-looking product is an important factor for the Corporation to seize business opportunities. In addition to having established quite good relationship with Toshiba and Fiserv, the Corporation will develop more partners in the future to reduce risks.

2) Master key components

Include the development of specialized IC(ASIC), key components and precision mechanism components, the next generation of trading automation platform technology, trading security technology. The Corporation makes good use of the technology of infrastructure and precision machining of the information electronics industry in Taiwan and Suzhou, and maintains high profitability and competitiveness with a high percentage of self-manufacturing.

3) Long product life cycle

The life cycle of products related to financial or store automated trading is usually more than three years. The product appeal focuses on quality of security and reliability. Comparatively, the product is less sensitive to price with less operation risk of product or inventory falling price, and the profit margin is easier to master compared with general consumer products.

4) High-quality manufacturing technology and quality assurance system to meet customer needs

   Since both hardware and software products related to financial automation are used in fund transactions with high requirements for security and reliability, any error may cause great losses, so product quality is an extremely important competitive condition in this industry. The quality system of the Corporation passed ISO9001 certification by the Bureau of Standards, Metrology and Inspection, M.O.E.A. in March 1998. The management team has been cooperating with world-class companies such as IBM and Fiserv for many years to develop manufacturing technology for high-quality product. The Corporation will continue to work on this basis to improve product quality to always keep customers satisfied.

5) R&D team has been long studying the core technology in the field of transaction automation, and is able to master the product development progress

   The management team has accumulated many years of research and development experience of financial automation products. In particular, we have mastered the technology of electromechanical integration and fully understood the world standards related to products and the requirements of product specifications of large system companies, which enable the Corporation to take a considerable advantage in the progress and cost of product development. In the future, we will strengthen the development and promotion of our own products to meet the needs of more customers and wider applications.

(2) Positive Factors

1) Some components are imported, such as magnetic heads from Japan.

   Response:

   A. Maintain good relationship with suppliers to stabilize supply.
   B. Find alternative suppliers and diversify sources of supply to reduce risk.

2) It is not easy to get talents

   As Taiwan's industrial development in the past focused on the mainstream electronic products of computer and IC industry, domestic academic or research institutions mostly developed in this way, which also attracted a large number of talents competing to participate in, resulting in the crowding out of the talent inflow to the financial automation industry. As a result, it was difficult to get talents in this industry in the past.

   Response:

A. Recruit talents through all kinds of channels. Since 2004, the Corporation has set up a subsidiary (R&D base) in the United States, to engage in a technology platform that is more closely related to customer needs and industry trends.

B. Implement the policy of employee dividend investment. After listing on TPEx, the Corporation has also been using incentive tools such as employee stock options and treasury shares to attract new talents.

C. The Corporation has introduced PLM system to accumulate technical data, experience and knowledge management with more efficient tools

3) Exchange rate risk

The main demander of financial automation products is system integration manufacturers. In most cases, the OEM/ ODM orders are placed by the major foreign manufacturers to the upstream card reader manufacturers, and the terminal device suppliers then make the orders for export. The export (mainly in US dollars) accounts for a large proportion. As a result, the Corporation is usually exposed to considerable exchange rate risk.

Response: Strengthen the management of foreign exchange hedging.

At present, the Corporation strictly implements the management according to relevant procedures and strengthens the focus on the forward exchange rate hedging of the Corporation's net position of assets in US dollar, so as to reduce the impact of exchange rate fluctuations on profit and loss.

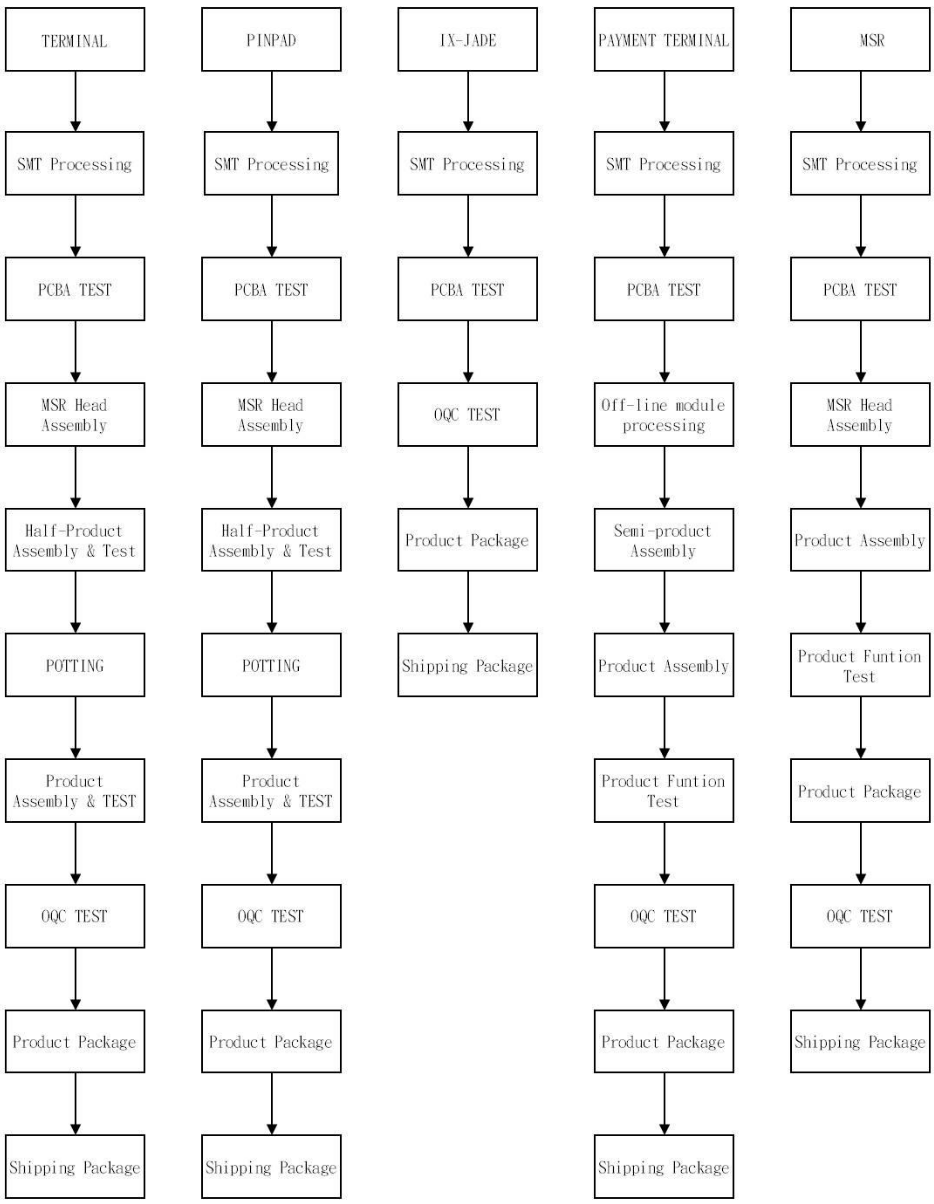
(II) Usage and Manufacturing Processes for Main Products

1. Usage for Main Products

Category	Main Products	Applications
Card reader/writer	Magnetic card reader/writer (TTL Reader)	For writing, reading and confirming passbook and magnetic card. Credit card authorization terminal and password input.
	Motorized Hybrid Reader and Terminal	Read/write financial card, IC card and security data processing, used for fund transactions, access control and password input device.
	Manual Insertion Reader for IC card	Read/write IC card, used for identity authentication and payment of public phones, refueling machines, network terminals, etc.
	Multifunctional IC Card reader/writer (SCR: Smart Card Reader)	Read/write data on magnetic strips of IC card, ATM card, credit card and passbook, and transmit the read data to the host computer for processing and application.
Transaction data security protection equipment	ATM (Kiosk)	For non-cash fund transactions, use passbook, ATM card, IC card or electronic wallet for transfer.
	Transaction data security system products (TSP: Transaction Security Product)	Both automated trading systems and Electronic Commerce systems rely on the communication network to transmit transaction data. Therefore, the main function of this product is to ensure that the transaction data is not stolen during the online transaction. Encrypt the input personal password according to the DES/RSA standard and transmit it

Category	Main Products	Applications
		to the host computer to prevent the personal password from being stolen.
Electronic fund transaction terminal and its peripherals	POS terminal P.O.S.Keyboard Card	Keyboard for point-of-sale terminals, which can be connected to external magnetic card and IC card readers to accept credit and financial cards.
	Credit card authorization terminal	Used for credit card investigation and authorized procurement finance
	EFTT: Electronic Fund Transaction Terminal	An electronic fund transaction terminal is a terminal device that supports fund transactions by transmitting data to the host computer, processing and application as a card reader.

2. Manufacturing Processes for Main Products



(III) Supply Situation for Major Raw Materials

Major Raw Materials	Supply Status
Wireless Module	Good
IC	Good

(IV) Names of Customers Who Have Accounted for More Than 10% of the Total and Amount of Goods Purchased (Sold) in Any of the Most Recent Two Years and the Amount and Proportion of the Goods Purchased (Sold) (since the Corporation has signed a confidentiality agreement with customers, it is disclosed by code only)

1. List of Major Suppliers: None.
2. List of Major Customers

Unit: NT$ thousand; %

	2021				2022				Up to the Previous Quarter of 2023 (Note 2)			
Item	Name	Amount	Percentage of Annual Net Sales〔%〕	Relationship with the Issuer	Name	Amount	Percentage of Annual Net Sales〔%〕	Relationship with the Issuer	Name	Amount	Percentage of Annual Net Sales up to the Previous Quarter of the Current Fiscal Year〔%)	Relationship with the Issuer
1	A	513,772	33	None	A	379,326	27	None	A	36,067	23	None
2	B	385,166	24	None	B	345,941	25	None	B	59,709	38	None
3	C	222,874	14	None	C	153,849	11	None	C	985	1	None
4	D	83,416	5	None	D	142,500	10	None	D	-	-	None
5	Others	373,498	24	None	Others	382,810	27	None	Others	60,898	38	None
	Net sales	1,578,726	100		Net sales	1,404,426	100		Net sales	157,659	100	

Note 1: Reasons for changes: The revenue to Customers A and C increased due to the poor overall economic environment; The revenue to customer D decreased due to launching of new products in 2022.

Note 2: As of the date of publication of the Annual Report, if financial information of the Corporation that are publicly listed or whose shares are traded over the counter has recently been audited or reviewed by CPAs, such information shall be disclosed.

(V) Production Volume and Value for the Most Recent Two Fiscal Years

Unit: sets, NT$ thousand

Fiscal Year / Production Volume and Value / Main Products	2021		2022	
	Production Volume	Production Value	Production Volume	Production Value
Card reader/writer	50,874	68,845	48,658	67,031
Transaction data security protection equipment	74,870	119,299	51,797	101,175
Fund transaction terminal and its peripherals	354,342	824,953	280,313	524,652
Other products	446,854	236,071	225,851	168,143
Total	926,940	1,249,168	606,619	861,001

(VI) Sales Volume and Value for the Most Recent Two Fiscal Years

Unit: sets, NT$ thousand

Fiscal Year / Sales Volume / Main Products	2021				2022			
	Domestic Sales		Foreign Sales		Domestic Sales		Foreign Sales	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Card reader/writer	-	-	63,174	124,775	3	13	51,306	99,223
Transaction data security protection equipment	-	-	65,734	153,816	1	5	67,473	175,447
Fund transaction terminal and its peripherals	6,453	4,637	326,523	827,883	-	-	358,506	748,958
Other products	1,282	3,303	509,308	464,312	701	1,210	314,778	379,570
Total	7,735	7,940	964,739	1,570,786	705	1,228	792,063	1,403,198

Note 1: The sales volume listed in the table above includes the sales volume of the triangular trade with orders received in Taiwan and shipped from mainland China.

III. Employees

Information on Employees for the Most Recent Two Fiscal Years and During the Current Fiscal Year Up to the Date of Publication of the Annual Report

Item / Fiscal Year		2021	2022	Current Fiscal Year as of March 31, 2023
Number of Employees	Direct labor	92	88	87
	Indirect labor	289	289	288
	Total	381	376	375
Average Age		36	38	38.5
Average Years of Services		5.8	8.2	8.3
Educational Distribution Ratio	PhD	0%	0%	0%
	Master's Degree	14%	14%	14%
	College	55%	55%	55%
	Senior High School	18%	17%	17%
	Below High School	13%	14%	14%

IV. Environmental Protection Expenditure

(V) Any Losses Suffered by the Corporation in 2022 and up to the Annual Report Publication Date due to Environmental Pollution Incidents (Including Any Compensation Paid and Any Violations of Environmental Protection Laws or Regulations Found in Environmental Inspection, Specifying the Disposition Dates, Disposition Reference Numbers, the Articles of Law Violated, and the Content of the Dispositions), and Disclosing an Estimate of Possible Expenses that Could be Incurred Currently and in the Future and Measures Being or to be Taken. If a Reasonable Estimate Cannot be Made, an Explanation of the Facts of Why It Cannot Be Made Shall be Provided: The Corporation did not suffer from any losses and disposition in 2022 and up to the publication date of the Annual Report resulting from environmental pollution incidents.

(VI) The impacts of current pollution and related improvements on the Corporation's earnings, competitive position and capital expenditure and the material environmental protection capital expenditure expected in the coming two fiscal years:

(VII) There is no environmental pollution incident in the Corporation in 2022 and up to the publication date of the Annual Report.

(VIII) Under the EU Environmental Directives (ROHS), does the Corporation directly or indirectly export to Europe or does not involve the EU Environmental Directives:

(IX) In response to the EU Environmental Directives (ROHS), the Corporation has introduced lead-free raw materials and lead-free products for mass production.

(X) The Corporation is a high-tech industry with low pollution level, and the Science Park has a number of environmental protection and pollution control equipment in line with the standard such as sewage treatment plant, thus the Corporation has a good living and working environment.

V. Labor Relations

(I) Employee benefit plans:

The Corporation has always maintained a harmonious labor relation. We have developed comprehensive measures on motivation, communication, training, benefits and retirement of employees, integrating the interests of employees and the Corporation.

(II) Continuing education and training of employees:

All operations of the Corporation can be performed by well-trained and specialized personnel to ensure the quality of work and improve work efficiency. In accordance with the spirit of ISO, the Corporation formulates methods for continuing education and training of employees, and makes staff training plans accordingly and reviews the training results.

1. Annual training plan and expenditure

   After the accumulation of education and training or work experience, the employee meets the qualification standards of the relevant expertise. The employee shall be examined by the direct supervisor and approved by the supervisor of the relevant department for granting the expertise. At the end of each year, in accordance with the business requirements of the next year, the department heads make the annual training plan for employees, and compile various training courses and training funds, including the technical training arranged by each business department and the management courses arranged by the human resources department. The implementation of all kinds of education and training is mainly divided into pre-service training and in-service training.

2. Review of training results

   After the end of each quarter, the Corporation will conduct the quarterly training results review of each department, which will serve as the basis for the arrangement and adjustment of the next quarterly training courses, and as a reference for the next year's training plan preparation during the annual training outcome review at the end of the year.

3. Employee training expenditure in 2022

   In 2022, the Corporation actually spent about 3,103 training hours for employees, and the annual expense was about NT$320,000.

4. Estimated employee training budget for 2023

(III) The Corporation has budgeted an annual employee training expense of about NT$400,000 in 2023. which is comparable to actual expenditure in the previous year.

Whether there are cases when company personnel, whose work is related to transparency of financial information, have obtained relevant professional certification specified by competent authorities:

The basic competence test certificate of internal control conducted by the Securities & Futures Institute: Chief Corporate Governance Officer and Accounting Officer Hsu,Jen-Chien.

(IV) Retirement System and Its Implementation:

The Corporation has a retirement system and allocates the pension fund at 2.5% of the total salary of the employees in accordance with Article 2 of the Regulations for the Allocation and Management of the Workers' Retirement Reserve Funds of the Ministry of the Interior and deposits the fund in a special account with the Bank of Taiwan. In addition, since July 1, 2005, in accordance with the provisions of the Labor Pension Act, the Corporation pays pension to employees who adopt the defined contribution system, at 6% of monthly salary to the Bureau of Labor Insurance, Ministry of Labor.

(V) Any Losses Suffered by the Corporation in the Most Recent Fiscal Year and up to the Annual Report Publication Date due to Labor Disputes (Including Any Violations of the Labor Standards Act Found In Labor Inspection, Specifying the Disposition Dates, Disposition Reference Numbers, the Articles of Law Violated, the Substance of the Legal Violations, and the Content of the Dispositions), and Disclosing an Estimate of Possible Expenses that could be Incurred Currently and in the Future and Measures Being or to be Taken. If a Reasonable Estimate Cannot Be Made, an Explanation of the Facts of Why It Cannot Be Made Shall be Provided. No labor disputes, no violation of the Labor Standards Act.

(VI) Continuing education and training of managerial officers involve in corporate governance:

Title	Name	Date	Training Institution	Course Name	Training Hours
Chief Corporate Governance Officer and Accounting Officer	Hsu,Jen-Chien	2022/ 08/29- 2022/ 08/30	Accounting Research and Development Foundation	Continuing Training Class for Principal Accounting Officers of Issuers, Securities Firms, and Securities Exchanges /Corporate Governance	12
	Hsu,Jen-Chien	2022/ 11/28- 2022 /11/29	Accounting Research and Development Foundation	Continuing Training Class for Principal Accounting Officers of Issuers, Securities Firms, and Securities Exchanges	12
Chief Finance Officer	Chang,Meng-Yi	2022/ 08/18- 2022/ 08/19	Accounting Research and Development Foundation	Continuing Training Class for Principal Accounting Officers of Issuers, Securities Firms, and Securities Exchanges	12
	Chang,Meng-Yi	2022/11/ 14	KPMG Taiwan	2022 Tax Annual Meeting - Sharing of New Tax Issues and Global Tax Reform and Practices	3.5

(VII) Agreements between Labor and Management:

The Corporation protects the rights and interests of employees in accordance with labor laws and relevant regulations, and upholds the spirit of integrity and practicality, implements humanized management, and maintains a good labor-management relationship based on the common concept of mutual trust and mutual respect between the Corporation and employees. Therefore, no major labor disputes have occurred. In addition, the Corporation has set up an employee welfare committee, which is responsible for handling various employee benefit matters and organizing various activities from time to time to enhance the harmonious working atmosphere and cohesion between the Corporation and employees.

(VIII) Measures aimed at preserving the rights and interests of employees:

The Corporation has a sound policy to protect the rights and interests of employees, and regularly review and improve various benefits to ensure that the rights and interests of employees are preserved to the highest degree.

(IX) Protection measures for work environment and employees' personal safety:

Item	Contents
Access safety	1. Strict access control monitoring system is set in the daytime and nighttime. 2. Contract with security company to maintain office safety in the daytime and during holidays.
Maintenance and inspection of all equipment	1. entrust professional companies to carry out security checks every two years according to the building public safety inspection, audit and declaration regulations. 2. Fire security checks are commissioned every year according to the Fire Services Act. 3. Maintenance and inspection are carried out for electrical, air conditioning,

Item	Contents
	fire, lift, air compressor and other equipment daily, monthly, every three months, every half year and every year according to the Corporation's labor safety and health code of practice. 4. Implement operating environment inspection every six months. 5. An electrical equipment maintenance and rescue contract has been signed with outsourced professional manufacturers.
Disaster prevention measures and response	1. The Corporation has set up a fire protection team, and carries out fire fighting formation, and implements fire drill once every six months. 2. The Corporation joins the civil defense protection group and sends its staff to participate in the annual training. 3. Disaster prevention and rescue precautions and incident reporting procedures such as the Fire Protection Plan, Hazard Awareness Raising Program, Disaster Emergency Response Plan, Labor Safety and Health Code of Practice Environmental Measurement Plan are in place to cope with major disasters and emergencies.
Physical hygiene	1. Health examination: Carry out physical examination for new recruits, and arrange regular health examination for in-service personnel according to Occupational Safety and Health Act. 2. Hygiene of the working environment: In accordance with regulations, the business premises are completely smokefree, health lectures are held, CPR first aid training is conducted, and the office environment is cleaned every day and disinfected regularly.
Mental health	1. Education and training: Provide internal and external training lectures and courses on psychological adjustment, communication skills and knowledge strengthening. 2. Community activities: Subsidize community activities fund every year, encourage colleagues to participate in community activities to improve physical and mental health. 3. Opinion expression: Set up a suggestion box, provide channels for employees to express their opinions and vent their emotions, and conduct care interviews for new colleagues to help them go through the adaptation period. 4. Sexual harassment prevention: Implement in accordance with the laws and regulations of the Ministry of Health and Welfare, and conduct discussion and announcement in the labor and management meeting.
Insurance and medical support	Insure labor insurance (including occupational disaster insurance) and health insurance in accordance with the law, consult insurance companies to underwrite life insurance, accident insurance, medical insurance and cancer insurance for colleagues, and provide employees' dependents to underwrite accident insurance, medical insurance and cancer insurance at preferential rates.

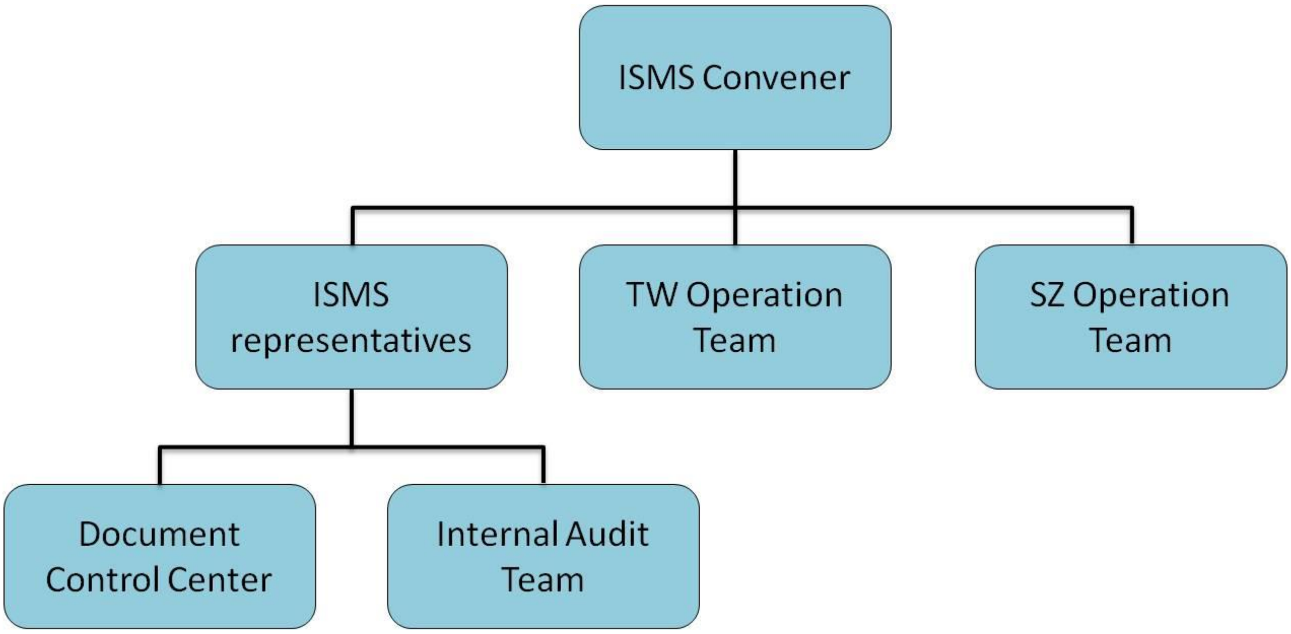
VI. Information Security Management

(I) Policies and Framework of Cyber Security Management:

In order to maintain the effective implementation of the cyber security management system, ensure the continuous and steady operation of the information security management and enhance the overall information security, the Corporation has set up an information security management organization to guide the development of the information security of the Corporation showing the support from the management, and formulates the information security organization structure and the information security responsibility of the relevant personnel for compliance.

To establish a complete Information Security Management System (ISMS), promote each factory to pass the international cyber security management system certification, the Corporation has introduced ISO27001 in 2014 and obtained the certificate in 2015, and continuously maintain it to make it effective.

1. Information Security Management Organization Chart



2. Information Security Responsibility Table

Role	Responsibility
Convener	1) Guide the direction of information security policy. 2) Assess and identify information security risks facing the Corporation. 3) Discuss the information security organization and its responsibilities and assign relevant members. 4) Review and supervise the scope and operation of the information security management system. 5) Coordinate and communicate information security related matters. 6) Review information security internal audit report. 7) Review the business sustainability plan. 8) Review documents of the information security management system. 9) Review information security risk management reports. 10) Maintain appropriate channels of communication with external organizations. 11) Make decision on other information security management related matters.
ISMS representative	1) Develop information security measures. 2) Develop protection measures for information assets.

Role	Responsibility
	3) Develop information security training and promotion program. 4) Supervise and review the implementation and results of risk assessment. 5) Revise and issue documents of the information security management system. 6) Review the appropriateness of contents and test results of business sustainability plan. 7) Recommend whether to initiate a business sustainability plan depending on the situation of an incident. 8) Be responsible for emergency response, taking rescue and reporting when disaster occurs. 9) Perform emergency response for information security incident. 10) Act as the window of information security event reporting. Notify the convener of major cyber security incidents. 11) Maintain information security records. 12) Review and track the record preservation and management. 13) Identify regulatory and contractual requirements to be followed by the Corporation and maintain a "List of Information Security Acts and Regulations".
TW Operation Team SZ Operation Team	1) Implement and assist in the development of information security measures. 2) Implement and assist in the development of protection measures for information assets. 3) Implement and assist staff information security training and promotion. 4) Implement and assist in the supervision and review of the implementation and results of risk assessment. 5) Assist in the revision and issuance of documents of the information security management system. 6) Implement and assist in the assessment of business risks and threats, and develop business sustainability plan. 7) Be responsible for emergency response, taking rescue and reporting when disaster occurs. 8) Assist in the performance of emergency response for information security incident. 9) Assess business risks and threats, and develop business sustainability plan. 10) Be responsible for updating and maintaining the business sustainability plan. 11) Assist in the maintenance of information security records. 12) Assist in the maintenance and tracking of record preservation and management. 13) Assist in identifying regulatory and contractual requirements to be followed by the Corporation and maintaining a "List of Information Security Acts and Regulations".
Internal Audit Team	1) Be responsible for the implementation of information security audit and provide audit report. 2) Check and verify the implementation of corrective and preventive measures for audit. 3) Provide status of corrective and preventive measures for audit and report to the representative and convener for cyber security.

Role	Responsibility
	4) Follow up the implementation status of corrective and preventive measures on a regular basis and make records. 5) Conduct internal information security audit as appointed by the convener.
Document Control Center	1) Handle according to the provisions of "120-0004 Document Management Procedures". 2) Assist in the management, numbering, distribution, preservation and cancellation of documents. 3) Archiving and management of document control records. 4)
Supervisors and employees of each unit	1) Coordinate to the operation according to the responsibilities as defined in the Information Security Responsibility Table.

(II) Significant Cyber Security Incidents in the Most Recent Fiscal Year and up to the Publication Date of the Annual Report: None.

VII. Important Contracts

None.

Chapter 6. Financial Standing

I. Condensed Balance Sheets and Income Statements for the Past Five Fiscal Years

(I) Condensed Balance Sheet and Income Statement

1. Condensed Balance Sheet - Based on IFRS (Parent Company Only)

Unit: NT$ thousand

Item \ Fiscal Year		Financial Information in the Most Recent Five Fiscal Years					Financial Information as of March 31, 2023
		2018	2019	2020	2021	2022	
Current Assets		1,243,193	1,687,712	1,736,516	1,559,901	1,370,759	
Property, Plant, and Equipment		86,082	80,015	77,182	71,414	65,803	
Intangible Assets		2,278	531	49	191	3,149	
Other Assets		380,200	440,190	473,396	512,915	555,219	
Total Assets		1,711,753	2,208,448	2,287,143	2,144,421	1,994,930	
Current Liabilities	Before Distribution	220,525	486,858	477,626	449,578	228,961	
	After Distribution	267,723	628,610	667,487	565,177	228,961	
Non-current Liabilities		54,695	71,561	74,269	82,880	415,096	
Total Liabilities	Before distribution	275,220	558,419	551,895	532,458	644,057	
	After distribution	322,418	700,171	741,756	648,057	644,057	
Equity Attributable to Owners of the Parent		1,436,533	1,650,029	1,735,248	1,611,963	1,350,873	
Capital Stock		943,966	947,466	962,836	962,131	961,562	
Capital Surplus		60,295	86,364	84,723	85,428	85,997	
Retained Earnings	Before Distribution	445,478	664,085	729,232	674,805	397,922	
	After Distribution	398,280	522,333	539,371	559,206	397,922	
Other Equity		(13,206)	(47,886)	(41,543)	(27,554)	(11,790)	
Treasury Shares		0	0	0	(82,847)	(82,818)	
Non-controlling Interests		0	0	0	0	0	
Total Equity	Before Distribution	1,436,533	1,650,029	1,735,248	1,611,963	1,350,873	
	After Distribution	1,389,335	1,508,277	1,545,387	1,496,364	1,350,873	

2. Condensed Balance Sheet- Based on IFRS (Consolidated)

Unit: NT$ thousand

Item \ Fiscal Year		Financial Information in the Most Recent Five Fiscal Years					Financial Information as of March 31, 2023 (Note 1)
		2018	2019	2020	2021	2022	
Current Assets		1,628,342	2,020,701	2,135,127	2,073,939	1,843,726	1,735,256
Property, Plant, and Equipment		90,611	83,298	80,903	75,599	69,175	68,210
Intangible Assets		18,033	11,963	7,240	4,016	3,411	3,170
Other Assets		30,861	67,123	75,288	102,635	123,957	130,415
Total Assets		1,767,847	2,183,085	2,298,558	2,256,189	2,040,269	1,937,051
Current Liabilities	Before distribution	274,351	448,033	472,649	529,028	249,219	210,144
	After distribution	321,549	589,785	662,510	644,627	249,219	210,144
Non-current Liabilities		56,963	85,023	90,661	115,198	440,177	432,877
Total Liabilities	Before distribution	331,314	533,056	563,310	644,226	689,396	643,021
	After distribution	378,512	674,808	753,171	759,825	689,396	643,021
Equity Attributable to Owners of the Parent		1,436,533	1,650,029	1,735,248	1,611,963	1,350,873	1,294,030
Capital Stock		943,966	947,466	962,836	962,131	961,562	961,562
Capital Surplus		60,295	86,364	84,723	85,428	85,997	85,997
Retained Earnings	Before distribution	445,478	664,085	729,232	674,805	397,922	338,762
	After distribution	398,280	522,333	539,371	559,206	397,922	338,762
Other Equity		(13,206)	(47,886)	(41,543)	(27,554)	(11,790)	(9,473)
Treasury Shares		0	0	0	(82,847)	(82,818)	(82,818)
Non-controlling Interests		0	0	0	0	0	0
Total Equity	Before distribution	1,436,533	1,650,029	1,735,248	1,611,963	1,350,873	1,294,030
	After distribution	1,389,335	1,508,277	1,545,387	1,496,364	1,350,873	1,294,030

Note 1: Consolidated financial statements for the first quarter of 2023 has been reviewed by CPAs.

3. Condensed Statement of Comprehensive Income - Based on IFRS (Parent Company Only)

Unit: NT$ thousand

Item \ Fiscal Year	Financial Information in the Most Recent Five Fiscal Years					Financial Information as ofMarch 31, 2023
	2018	2019	2020	2021	2022	
Operating Revenue	1,776,817	2,024,230	1,707,564	1,578,931	1,404,417	
Gross Profit	423,397	630,712	602,951	467,516	415,134	
Operating Income	26,600	274,848	227,095	132,244	107,079	
Non-operating Income and Expenses	10,376	52,610	36,840	34,322	(318,890)	
Profit Before Income Tax	36,976	327,458	263,935	166,566	(206,811)	
Net income from continuing operations in current period	28,676	263,391	207,153	133,260	(165,474)	
Loss from Discontinued Operations	0	0	0	0	0	
Net Income (Loss) for the Period	28,676	263,391	207,153	133,260	(165,474)	
Other Comprehensive Income (Loss) for the Period (Net of Income Tax)	(2,788)	(10,399)	(1,631)	3,754	14,173	
Total Comprehensive Income	25,888	252,992	205,522	137,014	(151,301)	
Net Income Attributable to Owners of the Parent	28,676	263,391	207,153	133,260	(165,474)	
Net Income Attributable to Non-controlling Interests	0	0	0	0	0	
Comprehensive Income Attributable to Owners of the Parent	25,888	252,992	205,522	137,014	(151,301)	
Comprehensive Income Attributable to Non-controlling Interests	0	0	0	0	0	
Earnings per Share	0.30	2.79	2.19	1.41	(1.79)	

4. Condensed Statement of Comprehensive Income- Based on IFRS(Consolidated)

Unit: NT$ thousand

Item \ Fiscal Year	Financial Information in the Most Recent Five Fiscal Years					Financial Information as of March 31, 2023 (Note 1)
	2018	2019	2020	2021	2022	
Operating Revenue	1,776,817	2,024,230	1,707,564	1,578,726	1,404,426	157,659
Gross Profit	540,396	769,466	711,411	578,159	490,913	41,229
Operating Income	45,687	337,242	263,427	169,534	108,528	(64,006)
Non-operating Income and Expenses	4,094	3,203	9,863	5,667	(314,495)	1,614
Profit Before Income Tax	49,781	340,445	273,290	175,201	(205,967)	(62,392)
Net income from continuing operations in current period	28,676	263,391	207,153	133,260	(165,474)	(59,160)
Loss from Discontinued Operations	0	0	0	0	0	0
Net Income (Loss) for the Period	28,676	263,391	207,153	133,260	(165,474)	(59,160)
Other Comprehensive Income (Loss) for the Period (Net of Income Tax)	(2,788)	(10,399)	(1,631)	3,754	14,173	1,845
Total Comprehensive Income	25,888	252,992	205,522	137,014	(151,301)	(57,315)
Net Income Attributable to Owners of the Parent	28,676	263,391	207,153	133,260	(165,474)	(59,160)
Net Income Attributable to Non-controlling Interests	0	0	0	0	0	0
Comprehensive Income Attributable to Owners of the Parent	25,888	252,992	205,522	137,014	(151,301)	(57,315)
Comprehensive Income Attributable to Non-controlling Interests	0	0	0	0	0	0
Earnings per Share	0.30	2.79	2.19	1.41	(1.79)	(0.64)

Note 1: The financial statements for the first quarter of 2023 has been reviewed by CPAs.

(II) Name of CPAs and Audit Opinions for the Most Recent Five Fiscal Years

Fiscal Year	Name of CPA Firm	CPA	Opinions	Description
2018	KPMG Taiwan	Tseng,Mei-Yu, Huang, Hai-Ning	Unqualified opinion	—
2019	KPMG Taiwan	Tseng,Mei-Yu, Huang, Hai-Ning	Unqualified opinion	—
2020	KPMG Taiwan	Tseng,Mei-Yu, Huang, Hai-Ning	Unqualified opinion	—
2021	KPMG Taiwan	Huang, Hai-Ning, Tseng,Mei-Yu	Unqualified opinion	—
2022	KPMG Taiwan	Huang, Hai-Ning, Tseng,Mei-Yu	Unqualified opinion	—

II. Financial Analyses for the Past Five Years

(I) Financial Analysis- Based on IFRS (Parent Company Only)

Analysis Item	Fiscal Year	Financial Analyses for the Past Five Fiscal Years				
		2018	2019	2020	2021	2022
Financial Structure (%)	Debt-to-assets ratio	16	25	24.13	25	32.28
	Ratio of long-term capital to property, plant, and equipment	1,732	2,152	2,344	2,373	2,683.72
Solvency (%)	Current ratio	564	347	364	347	598.69
	Quick ratio	518	338	348	310	518.67
	Times interest earned	8,052	91,569	92,063	60,891	(78,835.50)
Operating ability	Accounts receivable turnover (times)	5.77	4.23	3.11	3.00	3.48
	Average collection days	63	86	117	122	104.88
	Inventory turnover (times)	32.22	25.14	18.97	9.11	5.48
	Accounts payable turnover (times)	13.62	6.11	3.48	3.76	4.85
	Average days in sale	11	15	19	40	66.60
	Property, plant, and equipment turnover (times)	20.64	25.30	22.12	22.11	21.34
	Total asset turnover (times)	1.04	0.92	0.75	0.74	0.70
Profitability	Return on total assets (%)	2	13	9	6	(7.99)
	Return on equity (%)	2	17	12	8	(11.17)
	Ratio of income before tax to paid-in capital (%) (Note 6)	4	35	27	17	(21.51)
	Net profit margin (%)	2	13	12	8	(11.78)
	Earnings per share (NT$)	0.30	2.79	2.19	1.41	(1.79)
Cash flow	Cash flow ratio (%)	3	43	75	(37)	123.78
	Cash flow adequacy ratio (%)	79	112	93	67	85.99
	Cash reinvestment ratio (%)	(6)	9	11	(20)	8.88
Leverage	Operating leverage	1.37	1.05	1.05	1.09	1.11
	Financial leverage	1.02	1.00	1.00	1.00	1.00

Please explain the causes of changes in the financial ratios in the most recent 2 fiscal years. (Analysis is not required if the increase or decrease is less than 20%.)

1. The increase in the ratio of liabilities to assets was mainly due to the decrease in accounts receivable.
2. The increase in the current ratio, quick ratio, accounts payable turnover (times) was mainly due to the decrease in accounts payable.
3. The decrease in times interest earned, return on assets, return on equity, ratio of income before tax to paid-in capital, net profit margin and earnings per share (NT$) was mainly caused by the net loss of the current period.
4. The decrease in inventory turnover (times) and increase in average days in sale were mainly due to the increase in average inventory balance.
5. The increase in cash flow ratio and cash reinvestment ratio was mainly due to the increase in cash flow from operating activities.
6. The increase in cash flow adequacy ratio was mainly due to the decrease in average cash dividends in the last five fiscal years.

(II) Financial Analysis-Based on IFRS (Consolidated)

Analysis Item		Financial Analysis for the Most Recent Five Fiscal Years 2018	2019	2020	2021	2022	Current Fiscal Year as of March 31, 2023 (Note 1)
Financial Structure (%)	Debt-to-assets ratio	19	24	25	29	33.79	33.20
	Ratio of long-term capital to property, plant, and equipment	1,648	2,083	2,257	2,285	2,589.16	2,531.75
Solvency (%)	Current ratio	594	451	452	392	739.80	825.75
	Quick ratio	459	393	397	280	512.72	546.85
	Times interest earned	9,138	48,655	49,609	20,982	(17,519.11)	(24,757.29)
Operating ability	Accounts receivable turnover (times)	5.81	4.23	3.11	3.00	3.48	3.49
	Average collection days	63	86	117	122	104.88	104.58
	Inventory turnover (times)	2.95	3.17	3.07	2.05	1.42	0.70
	Accounts payable turnover (times)	10.78	7.80	5.02	4.58	6.01	7.51
	Average days in sale	124	115	119	178	257.04	521.42
	Property, plant, and equipment turnover (times)	19.61	24.30	21.11	20.88	20.30	9.25
	Total asset turnover (times)	1.01	0.93	0.74	0.70	0.69	0.33
Profitability	Return on total assets (%)	2	13	9	6	(7.66)	(11.86)
	Return on equity (%)	2	17	12	8	(11.17)	(17.89)
	Ratio of income before tax to paid-in capital (%) (Note 6)	5	36	28	18	(21.42)	(25.95)
	Net profit margin (%)	2	13	12	8	(11.78)	(37.52)
	Earnings per share (NT$)	0.30	2.79	2.19	1.41	(1.79)	(0.64)
Cash flow	Cash flow ratio (%)	(19)	48	96	(50)	124.57	(99.46)
	Cash flow adequacy ratio (%)	69	108	94	47	62.49	73.75
	Cash reinvestment ratio (%)	(9)	9	16	(24)	9.97	(2.76)
Leverage	Operating leverage	1.35	1.07	1.09	1.17	1.31	0.88
	Financial leverage	1.01	1.00	1.00	1.00	1.01	1.00

Please explain the causes of changes in the financial ratios in the most recent 2 fiscal years. (Analysis is not required if the increase or decrease is less than 20%.)

1. The increase in the current ratio, quick ratio, accounts payable turnover (times) was mainly due to the decrease in accounts payable.
2. decreased The decrease in times interest earned, return on assets, return on equity, ratio of income before tax to paid-in capital, net profit margin and earnings per share (NT$) was mainly due to the decrease in net loss before tax.
3. The decrease in inventory turnover (times) and increase in average days in sale were mainly due to the increase in average inventory balance.
4. The increase in cash flow adequacy ratio was mainly due to the decrease in average cash dividends in the last five fiscal years.

Note 1: The financial statements for the first quarter of 2023 has been reviewed by CPAs.

1. Financial structure
   (1) Debt to assets ratio = Total liabilities / Total assets.
   (2) Ratio of long-term capital to property, plant, and equipment = (Total equity + Non-current liabilities)/Net value of property, plant, and equipment.
2. Solvency
   (1) Current ratio = Current assets/Current liabilities.
   (2) Quick ratio = (Current assets - Inventories - Prepaid expenses)/Current liabilities.
   (3) Times interest earned = Income before tax and interest expenses/Interest expenses.
3. Operating ability
   (1) Accounts receivable (including accounts receivable and notes receivable generated from operations) turnover rate = Net sales/Average balance of accounts receivable (including accounts receivable and notes receivable generated from operations) for each period.

(2) Average days for cash receipts = 365/Accounts receivable turnover rate.
(3) Inventory turnover rate = Cost of goods sold/Average inventories.
(4) Accounts payable (including accounts payable and notes payable generated from operations) turnover rate = Cost of goods sold/Average balance of accounts payable (including accounts payable and notes payable generated from operations) for each period.
(5) Average days for sale of goods = 365/Inventory turnover rate.
(6) Property, plant, and equipment turnover rate = Net sales/Average net property, plant, and equipment.
(7) Total assets turnover rate = Net sales/Average total assets.

4. Profitability
   (1) Return on assets = [Income after tax + Interest expenses x (1 - Tax rate)]/Average total assets.
   (2) Return on equity = Income after tax/Average total equity.
   (3) Net profit margin = Income after tax/Net sales.
   (4) Earnings per share = (Income attributable to owners of the parent - Preferred stock dividends)/Weighted average number of shares issued. (Note 4)
5. Cash flow
   (1) Cash flow ratio = Net cash flows generated from operating activities/Current liabilities.
   (2) Cash flow adequacy ratio = Five-year sum of net cash flows generated from operating activities/Five-year sum of capital expenditure, inventory additions and cash dividends).
   (3) Cash reinvestment ratio = (Net cash flows from operating - cash dividends)/(Gross amount of property, plant, and equipment + Long term investment + Other non-current assets + Working capital). (Note 5)
6. Leverage:
   (1) Operating leverage = (Net operating revenue - Variable operating costs & expenses)/Operating income (Note 6).
   (2) Financial leverage = Operating income/(Operating income - Interest expenses).

Note 4: Special attention should be paid to the following when calculating earnings per share by the above equation:

1. The weighted average quantity of outstanding common shares shall be taken as the standard, not the quantity of outstanding shares at the end of the year.
2. If there is any cash capital increase or treasury stock transaction, take the circulation periods into account when calculating the weighted average quantity of outstanding shares.
3. If there is any capitalization of retained earnings or capital surplus, the annual and semi-annual earnings per share of past years shall be retrospectively adjusted pro rata to the size of the capital increase, without considering the issuance period of the capital increase.
4. If the preferred shares are non-convertible cumulative preferred shares, the dividend for the fiscal year (whether it has been distributed or not) shall be deducted from the net income after tax or added to the net loss after tax. If the preferred shares are non-cumulative, the dividend shall be deducted from the net income after tax if there is net income after tax and no adjustment is required in case there is loss.

Note 5: Special attention shall be paid to the following when making the calculations for cash flow analysis:

1. Net cash flow from operating activities refers to the net cash inflow from operating activities in the cash flow statement.
2. Capital expenditures refers to the annual cash outflow used in capital investment.
3. Increase in inventory is counted only when the balance at the end of the period is greater than the balance at the beginning of the period. If the inventory has decreased at the end of the year, it is counted as zero.
4. Cash dividends include the cash dividends of common stock and preferred stock.
5. Gross property, plant and equipment refers to the total property, plant and equipment without deduction of accumulated depreciation.

Note 6: The issuer shall categorize the operating costs and operating expenses into fixed ones and variable ones in accordance with their properties. If the categorization is subject to estimation or subjective judgment, attention shall be paid to ensure that it is done rationally and consistently.

Note 7: If the Corporation's shares have no par value or the par value per share is not NT$10, the paid-in capital involved in the calculation of the above ratio shall be replaced by the equity attributable to owners of the parent company on the balance sheet.

III. Audit Committee's Report in the Most Recent l Year

XAC Automation Corp.

Audit Committee's Review Report

The Board of Directors has prepared the Company’s 2022 Business Report, Financial Statements, and proposal of the deficit compensation. The 2022 Financial Statements were audited by independent auditors, Huang, Hai-Ning and Tseng, Mei-Yu, of KPMG and issued an Independent Audit Report. The Business Report, Financial Statements and proposal of the deficit compensation have been reviewed and determined to be correct and accurate by the Audit Committee. According to relevant requirements of the Securities and Exchange Act and the Company Law, we hereby submit this Report.

XAC Automation Corp.

Chairman of the Audit Committee: Huang, Hsu-Nan

March 15, 2023

IV. Financial Statements for the Most Recent Fiscal Year, Including An Auditor's Report Prepared by A Certified Public Accountant, and Two-Year Comparative Balance Sheet, Statement of Comprehensive Income, Statement of Changes in Equity, Cash Flow Statement, and Any Related Footnotes or Attached Appendices:

Please refer to pages 118-187 of the Annual Report.

V. Parent Company Only Financial Statements for the Most Recent Fiscal Year, Certified by CPAs, But not Including the Statements of Major Accounting Items:

Please refer to pages 188-268 of the Annual Report.

VI. If the company or its affiliates have experienced financial difficulties, the annual report shall explain how said difficulties will affect the company's financial situation:

None.

Chapter 7. Review and Analysis of Financial Position and Financial Performance, and Listing of Risks

I. Financial Analysis

Comparative Analysis of Financial Position

Unit: NT$ thousand

Item \ Year	2021	2022	Difference	
			Amount	%
Current Assets	2,073,936	1,843,726	(230,210)	(11,10)
Current Assets	182,253	196,543	14,290	7.84
Total Assets	2,256,189	2,040,269	(215,920)	(9.57)
Current Liabilities	529,028	249,219	(279,809)	(52.89)
Non-current Liabilities	115,198	440,177	324,979	282.10
Total Liabilities	644,226	689,396	45,170	7.01
Share Capital - Common Stock	962,131	961,562	(569)	(0.06)
Capital Surplus	85,428	85,997	569	0.67
Retained Earnings	674,805	397,922	(276,883)	(41.03)
Other Equity	(27,554)	(11,790)	15,764	57.21
Treasury Shares	(82,847)	(82,818)	29	0.04
Total Shareholders' Equity	1,611,963	1,350,873	(261,090)	(16.20)

Main reasons for material changes in the Corporation's consolidated assets, liabilities and shareholders' equity for the most recent two fiscal years (changes of 20% or more, and reaching NT$10 million) and their impacts as well as measures to be taken in response:

(1) Current liabilities: mainly due to the decrease in accounts payable.
(2) Non-current liabilities: mainly due to the increase in liability provision- non-current.
(3) Retained earnings: mainly due to net loss before tax.
(4) Other equity mainly due to the increase in employee remuneration.
(5) The remaining items will be exempted from analysis if the change amount is less than 20% and reaching NT$10 million.

II. Financial Performance

(I) Comparative Analysis of Financial Performance

Unit: NT$ thousand

Item \ Fiscal Year	2021	2022	Amount of Increase (Decrease)	Rate of Change %
Net Operating Revenue	1,578,726	1,404,426	(174,300)	(11.04)
Operating Costs	1,000,567	913,513	(87,054)	(8.70)
Gross Profit	578,159	490,913	(87,246)	(15.09)
Operating Expenses	408,625	382,385	(26,240)	(6.42)
Income from Operations	169,534	108,528	(61,006)	(35.98)
Non-operating Income and Expenses	5,667	(314,495)	(320,162)	(5,649.59)
Profit Before Income Tax	175,201	(205,967)	(381,168)	(217.56)
Income Tax Expense	41,941	(40,493)	(82,434)	(196.55)
Net Income (Loss) for the Period	133,260	(165,474)	(298,734)	(244.17)
Other Comprehensive Income	3,754	14,173	10,419	277.54
Total Comprehensive Income	137,014	(151,301)	(288,315)	(210.43)

Analysis of changes in the proportion of increase and decrease in the most recent fiscal year:

(1) The decrease in income from operations was mainly due to lower operating income.

(2) The decrease in non-operating income and expense, net profit (loss) before tax and net income (loss) for the period (loss) was mainly due to the recognition of arbitration damages in accordance with the arbitration judgment.

(3) The increase in income tax expenses (benefit): mainly due to net loss before tax.

(4) The increase in other comprehensive income was mainly due to the increase in the translation difference of foreign operations.

(5) The remaining items will be exempted from analysis if the change is less than 20% .

(II) The sales volume forecast and the basis thereof, and the possible impacts on the Corporation's future financial operations as well as measures to be taken in response:

No public financial forecast is required. Not applicable.

III. Cash flow

(I) Analysis of changes in cash flow for the current year:

Unit: NT$ thousand

Cash at Beginning of Year	Net Cash Inflow from Operating Activities	Net Cash Outflows Used in Investing and Financing Activities	Effect of Exchange Rate Changes	Cash Surplus	Remedial Measures for Cash Inadequacy	
					Investment Plan	Financial Plan
498,507	310,446	(188,342)	1,941	622,552	—	—

- Analysis of changes in cash flow for the current year
  1. Cash inflow from operating activities of NT$310,446 thousand was mainly from decrease in accounts receivable.
  2. Cash outflow from investing activities of NT$52,704 thousand was mainly due to the increase in financial assets measured at amortized cost.
  3. Cash outflow from financing activities of NT$135,638 thousand was mainly due to the distribution of cash dividends.
  4. Effect of exchange rate changes: Net increase of NT$1,941 thousand.

(II) Cash liquidity analysis for the following year:

It is expected that the Corporation will continue to invest in research and development in 2023, and the net profit will still lead to the increase in net cash inflow from operating activities, which is sufficient to pay cash dividends, staff compensation, directors' remuneration, etc. In addition, accounts receivable and inventory turnover efficiency are well controlled so far, so there is no cash shortage in the coming year.

IV. Major Capital Expenditure Items: None.

V. Investment Policy in Last Year, Main Causes for Profits or Losses; Improvement Plans and the Investment Plans for the Coming Year

(I) Reinvestment policy: From the overall consideration of the Corporation, make good use of subsidiary resources, layout planning to pursue higher comprehensive benefits. The direction of management policy is the same as that set by the parent company, and the specific operation are authorized to the subsidiaries according to local conditions. However, those with authority and responsibility will play the role of integration. In terms of internal control, the Corporation has formulated the Procedures for Acquisition or Disposal of Assets, Subsidiary Supervision Rules, etc. as the basis for the management of the investee business.

(II) Main Causes for Profits or Losses from investee business for the Most Recent Year and the Improvement Plans:

Reinvestment Analysis Table

Description / Item	Amount	Policy	Main Reasons for Profit or Loss	Improvement Plan	Other Future Investment Plan
Value Investment Ltd.	168,889	Establish a second manufacturing base in mainland China through a holding company to reduce manufacturing costs.	The company made a profit of NT$3,599 thousand in 2022, and the Corporation recognized investment losses of NT$9,089 thousand.	None	None
XAC Suzhou	165,841	Establish a second manufacturing base in mainland China through a holding company to reduce manufacturing costs.	The company made a profit of NT$3,761 thousand in 2022, which has been recognized as an investment loss by its subsidiary (Value Investment Ltd.).	None	None
Zakus,Inc.	37,145	R&D center and market research related services.	The company made a profit of NT$4,696 thousand in 2022, and the Corporation recognized an investment profit of NT$4,696 thousand.	None	None

VI. Risk Management Analysis

(I) Effect on the Profit (Loss) of Interest and Exchange Rate Fluctuations and Changes in the Inflation Rate, and Response Measures to Be Taken in the Future:

1. Interest rate Change: If the Corporation takes cash and cash equivalent at variable interest rates, if the interest rate increases or decreases by 0.25%, with all other variables remain unchanged, the net profit before tax for 2022 would have increased or decreased by NT$1,000 thousand. The interest rate change has little impact on the Corporation.
2. Exchange rate fluctuations: The Corporation's purchases and sales are denominated primarily in foreign currencies, exposing the Corporation's existing assets and liabilities in foreign currency to market exchange rate fluctuations. Therefore, the Corporation engages in derivative trading to avoid the exchange rate risk of the assets and liabilities in foreign currency held by the Corporation to

avoid economic risk. The profit and loss caused by the exchange rate fluctuations will offset the hedging items, so the market risk is usually low.

3. Inflation: The Corporation has not been directly materially affected by inflation as of now in 2022.

(II) Policy regarding High-risk Investments, Highly Leveraged Investments, Loans to Other Parties, Endorsements/Guarantees, and Derivatives Transactions, Main Reasons for the Profit (Loss) Generated Thereby, and Response Measures to Be Taken in the Future:

1. High-risk and highly leveraged investments, The Corporation did not engage in high-risk or highly leveraged investments.
2. Lending funds to others: The Corporation has formulated the Procedures for Loaning Funds to Others, which has been adopted by the Board of Directors and shareholders' meeting. At present, the Corporation does not engage in any funds loaning to others.
3. Endorsement/guarantee rules: The Corporation has formulated the Procedures for Endorsement/Guarantee, which has been adopted by the Board of Directors and shareholders' meeting. At present, the Corporation does not provide endorsement/guarantee for others.
4. Derivatives trading: The Corporation has formulated the Procedures for Acquisition or Disposal of Assets, which have covered the relevant regulations for engaging in derivatives trading. Currently, the Corporation only engages in forward exchange trading for hedging purposes.

(III) R&D Work to Be Carried Out in the Future and Further Expenditures Expected for R&D Work:

Please refer to page 51 of this Annual report: (III) Overview of Technology and Research and Development in Chapter 5 Operational Highlights

(IV) Effect on the Financial Operations of Important Policies Adopted and Changes in the Legal Environment at Home and Abroad, and Mitigation Measures being or to be Taken:

Open trading system with internationalization and liberalization is an important trend that will help expand the international market, and the Corporation will strive to take advantage of the development opportunities in the industry.

The Corporation has applied the newly issued and amended IFRSs and interpretations.

(V) Effect on the Financial Operations of Developments in Science and Technology and Industrial Change, and Mitigation Measures being or to be Taken:

XAC is a knowledge-based enterprise, not capital-intensive or labor-intensive enterprise, and has established a sound information security structure, taken strict control of information and network security and contingency measures. Technological changes (including security risks) and industrial changes have no significant impact on the Corporation's financial business.

(VI) Effect on the Crisis Management of Changes in the Corporate Image, and Mitigation Measures being or to be Taken:

The Corporation adheres to consistent philosophy of getting to the bottom of all matters, team spirit, sustainable operation and sharing with XAC, and is committed to the industry. Although the Corporation has a good image, crisis management is still an important part of corporate risk management. We have a complete set of emergency response plans in place as the basis for effective response actions.

(VII) Expected Benefits and Possible Risks Associated with Any Mergers and Acquisitions, and Mitigation Measures being or to be Taken: Not applicable.

(VIII) Expected Benefits and Possible Risks Associated with Any Plant Expansion, and Mitigation Measures being or to be Taken: The Corporation did not expand any plant in 2022 and up to the publication date of the annual report, so it is not applicable.

(IX) Risks Associated with Any Consolidation of Sales or Purchasing Operations, and Mitigation Measures being or to be Taken: By diversifying its products and developing new sources of purchase, the Corporation makes good use of the favorable resources of the supply chain in the mainland China, Taiwan, and Hong Kong and Macao as well as the Taiwan Strait. As a result, the Corporation has not faced the concentration risk on purchase.

(X) Effect upon and Risk to the Corporation in the Event a Major Quantity of Shares Belonging to a Director, Supervisor, or Shareholder Holding Greater than a 10 Percent Stake in the Corporation has been Transferred or has otherwise Changed Hands, and Mitigation Measures being or to be Taken: The Corporation has no major shareholder holding more than 10% of its share, so it is not applicable.

(XI) Effect upon and Risk to Corporation Associated with Any Change in Governance Personnel or Top Management, and Mitigation Measures being or to be Taken: The Corporation has no such case, so it is not applicable.

(XII) Major Litigious, Non-Litigious or Administrative Disputes That: (1) Involve the Corporation and/or Any Company Director, the General Manager, Any Person with Actual Responsibility for the Firm, Any Major Shareholder Holding a Stake of Greater than 10 Percent, and/or Any Company or Companies Controlled by the Corporation; and (2) Have Been Concluded by Means of a Final and Unappealable Judgment, or are still under Litigation. Where Such a Dispute Could Materially Affect Shareholders' Equity or the Prices of the Corporation's Securities, the Facts of the Dispute, Amount of Money at Stake in the Dispute, the Date of Litigation Commencement, the Main Parties to the Dispute, and the Status of the Dispute as of the Date of Publication of the Annual Report, and Mitigation Measures being or to be Taken:

The Corporation received notice of the arbitration case from the Singapore International Arbitration Centre on April 12, 2021. The arbitration case is about the product development and design under the sales contract signed by and between the Corporation and ELA CARTE, INC., in October 2015. ELA CARTE, INC. requested US$35 million in damages from the Corporation, and the Corporation has engaged its attorneys to deal with the case and conduct any subsequent procedures necessary to defend the rights and interests of the Corporation. The hearing was held in April, 2022, and both parties pleaded in accordance with the evidence and statements provided to the arbitration tribunal. ELA CARTE, INC. requested that the amount of compensation be changed to NT$17.36 million. As per the result of the arbitration received on June 28, 2022, the Corporation should indemnify US$11.17 million and pay the arbitration fee S$187,000. The Corporation has recognized the relevant liability reserve. On August 12, 2022, the Corporation received the notice of the arbitration tribunal, which agreed to reduce the amount of compensation by US$70,000 according to the objection raised by the Corporation. The Corporation has reversed the amount of compensation to US$11.1 million.On April 11,2023, The Corporation was notified by the lawyer that the Singapore High Court rejected the Company’s application of the arbitration judgment filed on November 11,2023. The Corporation will discuss with its lawyers the relevant strategies to be taken in the future.

(XIII) Other Important Risks, and Mitigation Measures being or to be Taken:

The Corporation introduced ISO27001 in 2014, obtained the certificate in 2015, and continuously maintain it to make it effective. After the risk assessment and analysis of cyber security, there is no significant operational risk.

VII. Other Important Matters: None.

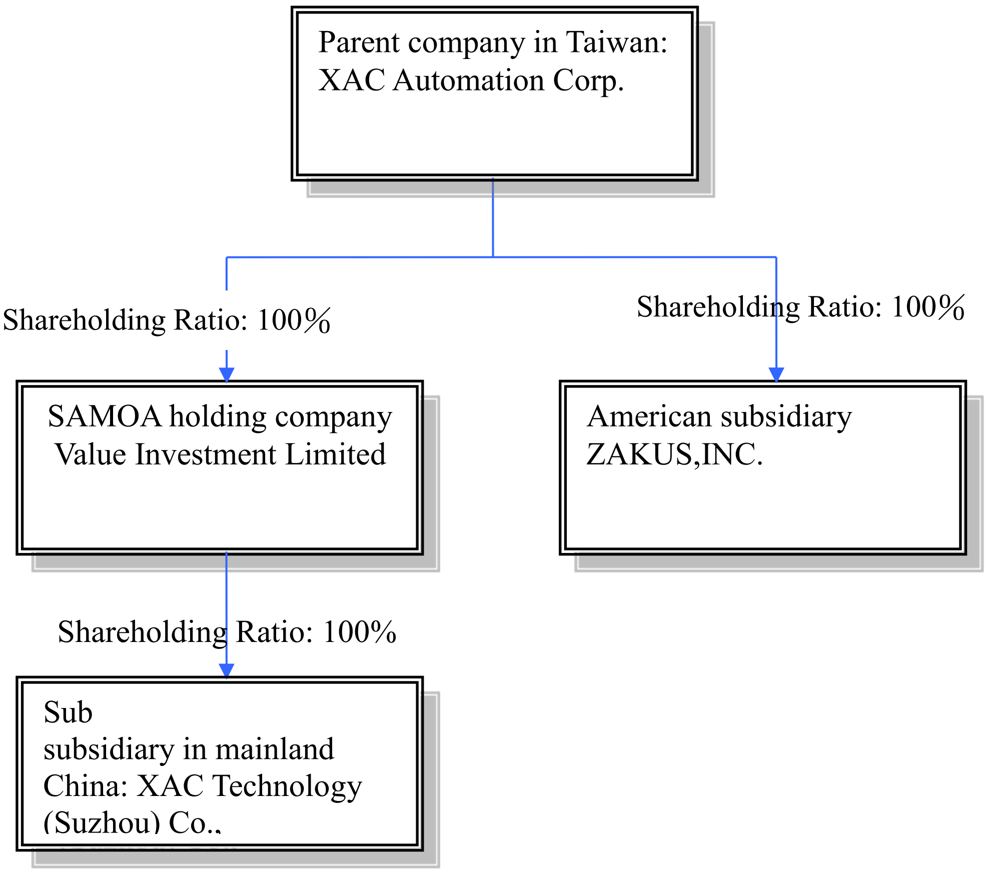
Chapter 8. Special Disclosure

I. Summary of Affiliated Companies

(I) Consolidated Business Report of Affiliates

1. Organizational chart of affiliates

As of December 31, 2022



2. Basic Information of Affiliates

As of December 31, 2022

Name of Affiliate	Date of Incorporation	Address	Paid-in Capital	Major Lines of Business/ Products
Value Investment Limited	2004/03/29	Vistra Corporate Services Centre,Ground Floor NPF Building, Beach Road,Apia,Samoa.	US$ 5,130 thousand	Overseas investment holding company.
XAC Technology (Suzhou) Co., Ltd.	June 17, 2004	No. 2 Standard Workshop, Fuyang Industrial Square, Fuyuan Road, Xiangcheng Economic Development Zone, Suzhou	US$ 6,800 thousand	Engaged in the production and marketing of electronic fund transaction terminal and its components, transaction data security protection equipment and its components, multifunctional smart card reader and writer and their components.
ZAKUS, INC.	2004/06/10	146 Main Street, Suite 208 Los Altos, CA 94022 , U.S.A	US$ 200 thousand	US R&D center and market research.

3. The Shareholders in Common of Companies Presumed to have a Relationship of Control and Subordination: None.

4. Businesses Engaged by Affiliates and Their Relationships

Name of Affiliate	Business Relationship with Other Affiliated Companies
Value Investment Limited	Overseas investment holding company.
XAC Technology (Suzhou) Co., Ltd.	Manufacturing base in mainland China.
ZAKUS, INC.	US R&D center and market research.

5. Directors and Supervisors of Affiliates

Name of Affiliate	Title	Name	Shareholding	
			Number of Shares	Shareholding Ratio
Value Investment Limited	Chairman	Chang,Yung-Ming	-	-
XAC Technology (Suzhou) Co., Ltd.	Chairman	Shen,Pao-Hui	-	-
ZAKUS, INC.	Director Director	Chang,Yung-Ming Ni,Chu-Ching	-	-

6. Operations Overview of Affiliates

Unit: NT$ thousand, earnings (loss) per share is in NT$

Name of Affiliate	Capital	Total Assets	Total Liabilities	Net Worth	Operating Revenue	Operating Income	Profit or Loss	Earnings (Loss) per Share
Value Investment Limited	168,889	433,400	6,464	426,936	0	(162)	3,599	–
XAC Technology (Suzhou) Co., Ltd.	224,042	588,160	140,697	447,463	823,679	10,972	3,761(Note 1)	–
ZAKUS, INC.	6,770	67,881	6,319	61,562	68,527	3,339	4,696	23.48

Note 1: The subsidiary Value Investment Limited recognized the relevant investment profit and loss.

(II) Consolidated Financial Statements of Affiliates:

Please refer to page 118 of the Annual Report.

(III) Affiliation Reports: Not applicable.

II. Private Placement of Securities in the Most Recent Years:

Item	2022 Private Placement
The type of securities Private Placement	Common shares
The date and amount of the Shareholders' Meeting resolution	Approved by the Shareholders' Meeting on Jun. 14, 2022 Amount: : It has been approved by the Annual Shareholders' Meeting held on Jun. 14, 2022 to authorize the Board of Directors depending on the principles approved by Annual General Shareholders' Meeting, within the limit of 9,600,000 common shares, and handle it once or in several closings (up to three closings), within one year from the date of the resolution of the shareholders' meeting.
Basis and reasonableness for determination of the subscription price	1. The issue price of the Private Placement Shares shall be no less than 80% of the reference price. It is proposed to authorize the Board to decide the actual issue price within the range approved by the shareholders meeting, depending on the status of finding specific investor(s) and market conditions. 2. The higher of (x) the simple average closing price of the Company's common shares for 1, 3 or 5 trading days prior to the pricing date, and (y) the simple average closing price of the Company's common shares for 30 trading days prior to the pricing date, after adjustment for shares issued as stock dividends, shares cancelled in connection with capital reduction and the cash dividends, as the reference subscription price of the Private Placement Shares. 3. As aforementioned, subscription price of the Private Placement Shares and issue price of Private Placement CB will be determined with reference to the price of the Company's common shares and the theoretical price in accordance with the Regulations Governing Public Companies Issuing Securities in Private Placement, thus, the price should be reasonable.

The method to determine specific investor(s)	1. As the placees for this private placement of ordinary shares shall comply with Article 43-6 of the Securities and Exchange Act and (91)-Tai-Cai-Zheng-Yi -Zi No. 0910003455 issued by the Financial Supervisory Commission of the Executive Yuan on June 13, 2002, the Company plans to introduce strategic investors considering the market conditions and the Company's deamds, but no placees have been determined yet. 2. The method and objectives of selecting a placee, the necessity for that selection, and the anticipated benefits if the placee is a strategic investor: (1)The method and objectives of selecting: the placee selected shall be a strategic investor who can help Company to further develop the market, expand the scale of operations and directly or indirectly facilitate the Company's future operations. The Company expects to introduce strategic investors in the industries related to payment system solutions. (2)Necessity: The Company is deeply engaged in payment system solutions, so considering the long-term development of the Company is necessary, it is proposed to introduce strategic partners in an alliance manner, and with the existing supply chain to enhance the overall production and sales capacity, and jointly promote the solutions to the world to achieve the long-term development goals of the Company, so it is necessary. (3)Anticipated benefits: By joining and forming alliances with strategic investors, we can strengthen the expansion of the company's operating scale and increase the growth of our channels, thereby increasing profits, which will be positive for shareholders' equity.
The necessary of issuance for private Placement	1. Reasons for not adopting public placements: In order to measure the market conditions and comparing the timeliness, feasibility and issuance cost for fund raising between private and public placements, the stipulation that privately placed securities may not be transferred freely within three years will better ensure the long-term cooperative relationship between the company and strategic investors. Therefore, the Company will not adopt the public placements and will handle private placements of ordinary shares in accordance with the Securities and Exchange Act and other relevant regulations. 2. The purpose of handling private placement in several times: to meet the needs of long-term strategic development, improve the Company's operational efficiency, and strengthen the Company's competitiveness. 3. Anticipated benefits for each closing: The implementation of this plan will strengthen the financial structure, improve operational efficiency, strengthen the Company's position in the industry, and enhance long-term competitiveness, which will be positive for shareholders' equity.

Payment completion date	Not applicable (Note)
The placee information	
Actual subscription price	
Actual subscription price and reference price difference	
Impact on shareholders' equity for conducting private placement	
The use of funds acquired from private placement and the implementation progress of the plan	
Benefits of private placement	

III. The shares in the Company Held or Disposed of by subsidiaries in the Most Recent Years: None.

IV. Other Supplementary Information: None.

V. Any Events in the most recent fiscal yearand as of the printing date of this annual report that had significant impacts on shareholders' right or security prices as stated in Item 3 Paragraph 2 of Article 36 of Securities and Exchange Law of Taiwan: None.

Independent Auditors' Report

To the Board of Directors of XAC Automation Corporation:

Opinion

We have audited the consolidated financial statements of XAC Automation Corporation and its subsidiaries ("the Group"), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended December 31, 2022 and 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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 with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), Interpretations developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audit 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 Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirement. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022. These matters were addressed in the contest 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 these matters. Based on our judgements, the key audit matters should be communicated in the audit report are as follows:

I. Revenue recognition

Please refer to Note 4 (14) revenue recognition for the accounting policy and Note 6 (17) Revenue of Customer Contracts for the explanation of revenue recognition to the consolidated financial statements.

Explanation of key audit matters:

Revenue is measured based on the consideration that the Group expects to be entitled in the transfer of goods or services to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring control over a good or service to a customer. Since revenue contracts with clients usually contain more than one performance obligation, in accordance with IFRS 15 "Revenue" is recognized when control of the promised goods or services has been transferred to the customer, it is highly probable that the consideration will be collected, the related costs and possible product returns can be reliably estimated, there is no continuing involvement in the management of the goods, and the revenue amount can be reliably measured. The timing of recognition must be assessed separately for each performance obligation in terms of when control over the goods or services is transferred. Due to the varying terms of each contract, it is possible that the transfer of control of goods or services stipulated in the contract has not been appropriately considered, resulting in the recognition of revenue at an inappropriate time. Therefore, this has been listed as a key audit matter for the auditor.

Auditing Procedures:

Our main audit procedures for the aforementioned key audit matters include understanding and testing the relevant internal control of the sales and collection cycle; understanding the form, contractual terms and transaction conditions of the main revenue to assess whether the revenue recognition point is appropriate; selecting and reviewing contracts to assess the impact of contractual terms and transaction conditions on revenue recognition and confirming whether the accounting treatment is appropriate.

II. Inventory valuation

Please refer to Note 4 (8) Inventory for the accounting policy and Note 6 (5) Inventory for the explanation of inventory valuation to the consolidated financial statements.

Explanation of key audit matters:

The Group's accounted inventory may be due to normal wear and tear, obsolescence or no market value of sales, and then offset the inventory cost to net realizable value. This valuation may be due to the introduction of new products in the market, the original product is obsolete or no longer meet the market demand, resulting in significant changes in product demand, and this may lead to a possible decrease in demand and price, which may, in turn, create a risk that the cost of inventory exceeds its net realizable value. Consequently, the inventory valuation tests are an important part of our assessment in performing our audit of the Group's financial statements.

Auditing Procedures:

Our principal audit procedures included: Obtaining the inventory aging report and checking the accuracy with the general ledger, and testing the accuracy of the aging of inventory based on the available documents of the last transaction; understanding the management's method of calculating the net realizable value, and to perform testing by vouching relevant documents to the testing samples; evaluating the reasonableness of the accounting policy for inventory write-down or slow-moving provision, and making an assessment of their adequacy for aging inventories ; as well as considering the appropriateness of the Group's disclosures in the accounts.

Other Matters

XAC Automation Corporation has prepared its parent-company-only financial statements as of and for the years ended December 31, 2022 and 2021, on which we have issued an unmodified opinions.

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 with the IFRSs, IASs interpretations as well as related guidance endorsed 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, the 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 the 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 members of 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 is free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high degree of assurance, but is not a guarantee that an audit misstatement when it exists. Misstatement 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 those consolidated financial statements.

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

I. Identify and assess 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 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.

II. Obtain an understanding of the internal controls relevant to the audit in order to design the 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 controls.

III. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and relevant disclosures made by management.

IV. 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.

V. Evaluated 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.

VI. 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 a statement 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.

For the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters 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 audit resulting in this independent auditors' report are Hai-Ning Huang and Mei-Yu Tseng.

KPMG

Taipei, Taiwan (Republic of China)
March 15, 2023

Notices 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.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

XAC Automation Corporation and Subsidiaries

Consolidated Balance Sheets

December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollar)

		2022.12.31		2021.12.31	
	Assets	**Amount**	**%**	**Amount**	**%**
	Current assets:				
1100	Cash and cash equivalents (Note 6 (1))	$ 622,552	32	498,507	22
1110	Financial assets at fair value through profit or loss - current (Note 6 (2))	-	-	1,400	-
1136	Financial assets at amortized cost- current (Note 6 (3))	354,629	17	304,456	13
1140	Contract assets - current (Note 6 (17))	44,418	2	23,977	1
1170	Accounts receivable, net (Notes 6 (4) and (17))	206,726	10	598,359	27
130X	Inventories (Note 6 (5))	565,934	28	591,806	26
1479	Other current assets	49,467	2	55,431	3
	Total current assets	1,843,726	91	2,073,936	92
	Non-current assets:				
1535	Financial assets at amortized cost – non-current (Note 8)	3,321	-	5,903	-
1600	Property, plant and equipment (Note 6 (6))	69,175	3	75,599	4
1755	Right-of-use assets (Note 6 (7))	56,139	3	66,075	3
1780	Intangible assets (Note 6 (8))	3,411	-	4,016	-
1840	Deferred tax assets (Note 6 (12))	60,999	3	27,219	1
1920	Refundable deposits	3,498	-	3,441	-
	Total non-current assets	196,543	9	182,253	8
	Total assets	**$ 2,040,269**	**100**	**2,256,189**	**100**

		2022.12.31		2021.12.31	
	Liabilities and Equity	**Amount**	**%**	**Amount**	**%**
	Current liabilities:				
2120	Financial liabilities at fair value through profit or loss - current (Note 6 (2))	$ 111	-	13	-
2170	Accounts payable	56,483	3	247,661	11
2201	Salaries and bonuses payable	95,468	5	127,183	5
2230	Current tax liabilities	4,470	-	40,854	2
2280	Lease liabilities - current (note 6 (9))	20,297	1	19,636	1
2300	Other current liabilities (Notes 6 (10) and (17))	72,390	4	93,681	4
	Total current liabilities	249,219	13	529,028	23
	Non-current liabilities:				
2550	Provision – non-current (Note 6 (10))	347,434	17	5,032	-
2570	Deferred tax liabilities (Note 6 (12))	41,829	2	44,141	2
2580	Lease liabilities – non-current (Note 6 (9))	36,233	2	46,806	2
2640	Net defined benefit liabilities – non-current (Note 6 (11))	14,681	1	19,219	1
	Total non-current liabilities	440,177	22	115,198	5
	Total liabilities	689,396	35	644,226	28
	Equity (Notes 6 (13) and (14)):				
3110	Common stock	961,562	47	962,131	43
3200	Capital surplus	85,997	4	85,428	4
	Retained earnings:				
3310	Legal reserve	430,820	21	417,277	18
3320	Special reserve	19,169	1	19,169	1
3350	Undistributed earnings (accumulated deficit)	(52,067)	(3)	238,359	11
		397,922	19	674,805	30
3400	Other Equity	(11,790)	(1)	(27,554)	(1)
3500	Treasury stock	(82,818)	(4)	(82,847)	(4)
	Total equity	1,350,873	65	1,611,963	72
	Total liabilities and equity	**$ 2,040,269**	**100**	**2,256,189**	**100**

(See accompanying notes to consolidated financial statement)

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

XAC Automation Corporation and Subsidiaries

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2022 and 2021

(Expressed in thousands of New Taiwan dollars, except for Earnings (loss) per share)

		2022		2021	
		Amount	**%**	**Amount**	**%**
4000	**Operating revenue** (Note 6 (17))	$ 1,404,426	100	1,578,726	100
5000	**Operating costs** (Notes 6 (5), (11), (16), 7 and 12)	913,513	65	1,000,567	63
	Gross profit	490,913	35	578,159	37
	Operating expenses (Notes 6 (11), (16), 7 and 12):				
6100	Selling and marketing expenses	41,164	3	35,868	2
6200	General and administrative expenses	102,254	7	116,776	7
6300	Research and development expenses	239,134	17	257,259	16
6450	Expected credit impairment gain (Note 6 (4))	(167)	-	(1,278)	-
	Total operating expenses	382,385	27	408,625	25
	Net operating profit	108,528	8	169,534	12
	Non-operating revenue and expenses:				
7020	Other gains and losses (Note 6 (18))	(318,089)	(23)	1,425	-
7100	Interest revenue (Note 6 (18))	4,763	-	5,081	-
7510	Interest expense (Notes 6 (9) and (18))	(1,169)	-	(839)	-
		(314,495)	(23)	5,667	-
	Net profit (loss) before tax	(205,967)	(15)	175,201	12
7950	**Income tax expense (gain)** (Note 6 (12))	(40,493)	(3)	41,941	3
	Profit (loss) for the year	(165,474)	(12)	133,260	9
8300	**Other comprehensive income:**				
8310	**Items that will not be reclassified subsequently to profit or loss**				
8311	Remeasurement of defined benefit plan (Note 6 (11))	5,238	-	2,717	-
8349	Income tax related to items that will not be reclassified subsequently (Note 6 (12))	(1,048)	-	(543)	-
		4,190	-	2,174	-
8360	**Items that may be reclassified subsequently to profit or loss**				
8361	Exchange differences on translation of foreign financial statements	12,478	1	1,975	-
8399	Income tax related to items that may be reclassified subsequently (Note 6 (12))	(2,495)	-	(395)	-
	Total items that may be reclassified subsequently to profit or loss	9,983	1	1,580	-
8300	**Other comprehensive income**	14,173	1	3,754	-
	Total comprehensive income	**$ (151,301)**	**(11)**	**137,014**	**9**
	Earnings per share (NT$)(Note 6 (15))				
	Basic earnings per share	**$ (1.79)**		**1.41**	
	Diluted earnings per share	**$ (1.79)**		**1.38**	

(See accompanying notes to consolidated financial statement)

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

XAC Automation Corporation and Subsidiaries
Consolidated Statements of Changes in Equity
For the years ended December 31, 2022 and 2021

(Expressed in thousands of New Taiwan dollars)

			Retained earnings				Other equity items				
	Common stock	Capital surplus	Legal reserve	Special reserve	Undistributed earnings (accumulated deficit)	Total	Exchange differences on translation of foreign operations	Unearned employee compensation	Total	Treasury stock	Total equity
Balance as of January 1, 2021	$ 962,836	84,723	396,587	17,793	314,852	729,232	(19,171)	(22,372)	(41,543)	-	1,735,248
Net profit	-	-	-	-	133,260	133,260	-	-	-	-	133,260
Other comprehensive income	-	-	-	-	2,174	2,174	1,580	-	1,580	-	3,754
Total comprehensive income	-	-	-	-	135,434	135,434	1,580	-	1,580	-	137,014
Appropriation and distribution of earnings:											
Legal reserve	-	-	20,690	-	(20,690)	-	-	-	-	-	-
Special reserve	-	-	-	1,376	(1,376)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(189,861)	(189,861)	-	-	-	-	(189,861)
Treasury stock acquired	-	-	-	-	-	-	-	-	-	(82,847)	(82,847)
Compensation costs of restricted stock award	-	-	-	-	-	-	-	12,409	12,409	-	12,409
Cancellation of restricted stock award	(705)	705	-	-	-	-	-	-	-	-	-
Balance as of December 31, 2021	962,131	85,428	417,277	19,169	238,359	674,805	(17,591)	(9,963)	(27,554)	(82,847)	1,611,963
Net loss	-	-	-	-	(165,474)	(165,474)	-	-	-	-	(165,474)
Other comprehensive income	-	-	-	-	4,190	4,190	9,983	-	9,983	-	14,173
Total comprehensive income	-	-	-	-	(161,284)	(161,284)	9,983	-	9,983	-	(151,301)
Appropriation and distribution of earnings:											
Legal reserve	-	-	13,543	-	(13,543)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(115,599)	(115,599)	-	-	-	-	(115,599)
Discounts on the acquisition of treasury shares	-	-	-	-	-	-	-	-	-	29	29
Compensation costs of restricted stock award	-	-	-	-	-	-	-	5,781	5,781	-	5,781
Cancellation of restricted stock award	(569)	569	-	-	-	-	-	-	-	-	-
Balance as of December 31, 2022	**$ 961,562**	**85,997**	**430,820**	**19,169**	**(52,067)**	**397,922**	**(7,608)**	**(4,182)**	**(11,790)**	**(82,818)**	**1,350,873**

(See accompanying notes to consolidated financial statement)

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

XAC Automation Corporation and Subsidiaries

Consolidated Statements of Cash Flows

For the years ended December 31, 2022 and 2021

(Expressed in thousands of New Taiwan dollars)

		2022	2021
Cash flows from operating activities:			
Net profit (loss) before income tax	$	(205,967)	175,201
Adjustments:			
Adjustments to reconcile loss (profit)			
Depreciation		29,217	24,651
Amortization		4,110	3,797
Expected credit impairment reversal gains		(167)	(1,278)
Interest expenses		1,169	839
Interest revenue		(4,763)	(5,081)
Compensation costs of share-based payment		5,781	12,409
Provision (reversal) for inventory valuation and obsolescence loss		35,015	(3,199)
Loss on disposal of property, plant, and equipment		1	171
Unrealized valuation loss on financial assets and liabilities		1,498	3,304
Other adjustments to reconcile profit, net		(640)	(441)
Total adjustment to reconcile profit		71,221	35,172
Changes in assets and liabilities:			
Increase in contract assets		(20,441)	(22,047)
Decrease (increase) in accounts receivable		391,800	(145,900)
Decrease (increase) in inventories		11,783	(326,672)
Decrease (increase) in other operating assets		5,964	(2,794)
Increase (decrease) in accounts payable		(191,178)	58,314
Increase (decrease) in provision		330,303	(5,592)
Increase (decrease) in net defined benefit liabilities		(348)	628
Increase (decrease) in other operating liabilities		(51,634)	20,117
Total changes in assets and liabilities		476,249	(423,946)
Cash generated from (used in) operations		341,503	(213,573)
Interest received		4,590	5,628
Interest paid		(1,169)	(839)
Income tax paid		(34,478)	(56,414)
Net cash generated from (used in) operating activities		310,446	(265,198)
Cash flows from investing activities:			
Acquisition of property, plant, and equipment		(4,994)	(4,130)
Acquisition of intangible assets		(235)	(649)
Increase in refundable deposits		(57)	(2,172)
(Increase) decrease in financial assets at amortized cost		(47,418)	68,681
Net cash generated from (used in) investing activities		(52,704)	61,730
Cash flows from financing activities:			
Cash dividends paid		(115,599)	(189,861)
Adjustment of the acquisition of treasury shares		29	(82,847)
Repayment of lease liabilities		(20,068)	(15,013)
Net cash flows used in financing activities		(135,638)	(287,721)
Effects of exchange rate changes on cash and cash equivalents		1,941	956
Net increase (decrease) in cash and cash equivalents		124,045	(490,233)
Cash and cash equivalents at the beginning of the period		498,507	988,740
Cash and cash equivalents at the end of the period	**$**	**622,552**	**498,507**

(See accompanying notes to consolidated financial statement)

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

XAC Automation Corporation and Subsidiaries

Notes to Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

(Unless otherwise stated, all amounts are in thousands of NTD)

I. Company history

XAC Automation Corporation (hereinafter referred to as "the Company") was founded in Hsinchu Science Park on April 8, 1997, with the registered address at 4th Floor, No. 30, Gongye East 9th Road, Hsinchu Science Park. The Company’s ordinary shares were publicly listed on the Taiwan Stock Exchange on May 14, 2001. The main business items of the Company and its subsidiaries (hereinafter referred to as “the Group”) are research, development, production, manufacture and sale of electronic financial transaction terminals and their components, transaction data security protection equipment and their components as well as multi-function smart cards, card readers and writers and their components.

II. The authorization of financial statements

The consolidated financial statements were approved and authorized for issue by the Board of Directors on March 15, 2023.

III. Application of new and revised standards and interpretations

(I) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. ("FSC") which have already been adopted.

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2022:

- Amendments to IAS 16 “Property, Plant and Equipment – Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contract – Cost of Fulfilling the Contract”
- Annual Improvements to IFRS Standards 2018-2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”

(II) The impact of IFRSs issued by the FSC but not yet effective

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2023, would not have a significant impact on its consolidated financial statements:

- Amendments to IAS 1 “Disclosure of Accounting Policies”

- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

(III) The impact of IFRSs issued by the International Accounting Standards Board (IASB) but not yet endorsed by the FSC

The Group does not expect the following new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its consolidated financial statements:

- Amendments to IFRS 10 and IAS 28 “Sales or Contributions of Assets Between an Investor and its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Non-current Liabilities with Covenants”
- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information”
- Amendments to IFRS 16 “Requirements for Sale and Leaseback Transactions”

IV. Summary of significant accounting policies

The summary of significant accounting policies used in the consolidated financial statements is as follows. Unless otherwise stated, the following accounting policies have been applied consistently for all periods of presentation of the consolidated financial statements.

(I) Compliance declaration

The consolidated financial statements have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” (hereinafter referred to as the Regulations) and the IFRSs endorsed by the FSC.

(II) Basis of preparation

1. Measurement bases

The consolidated financial statements have been prepared on a historical cost basis except for the following material items in the balance sheets:

(1) Financial assets at fair value through profit or loss are measured at fair value;

(2) The net defined benefit liabilities are measured as the fair value of the plan assets, less, the present value of the defined benefit obligation.

2. Functional and presentation currency

   The functional currency of each entity within the Group is the currency of the primary economic environment in which it operates. The consolidated financial statements are presented in New Taiwan Dollars (NTD), which is the Company's functional currency. Unless otherwise noted, all financial information presented in NTD has been rounded to the nearest thousand.

(III) Basis of consolidation

1. Principles of preparation of the consolidated financial statements

   The consolidated financial statements are prepared by the Company and entities controlled by the Company (its subsidiaries).

   The Company controls an invested entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

   From the date of acquisition of control over the subsidiary, its financial statement is included in the consolidated financial statement until the date when it no longer has control.

   Intra-group balances and transactions, and any unrealized income and expenses arising from Intra-group transactions are eliminated in the consolidated financial statements.

   Total comprehensive income of subsidiaries is attributed to the shareholders of the parent and to the non-controlling interests even if the results in the non-controlling interests having a deficit balance.

   The financial statements of the subsidiaries have been appropriately adjusted to align the accounting policies with those of the Group.

   Changes in the Group's ownership interest in a subsidiary that do not result in the loss of control are accounted as equity transactions.

   Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received will be directly recognized in equity, and the Group will attribute it to the owners of the parent.

2. Subsidiaries in the consolidated financial statements

   The subsidiaries in the consolidated financial statement include:

Name of Investor	Name of Subsidiary	Nature of Business	Percentage of Ownership		Instructions
			2022.12.31	2021.12.31	
The Company	Value Investment Ltd. (Value)	Investment Holding Company	100%	100%	
The Company	Zakus, Inc. (Zakus)	R&D Center and Market Research Related Services	100%	100%	
Value	XAC Automation (Suzhou) Co., Ltd. (XAC Suzhou)	Research, development, production, manufacture and sale of electronic financial transaction terminals and their components, transaction data security protection equipment and their components as well as multi-function smart cards, card readers and writers and their components	100%	100%	

3. Subsidiaries not included in the consolidated financial statement: None.

(IV) Foreign currencies

1. Foreign currency transactions

   Foreign currency transactions are converted into functional currencies at the exchange rate of the date of the transactions. At the end of subsequent period (hereinafter referred to as the reporting date), monetary items denominated in foreign currencies are retranslated at the rate prevailing at the date. 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. Non-monetary items measured at historical cost that are denominated in foreign currencies are retranslated at the rate prevailing at the transaction date.

   The foreign currency exchange differences arising from the conversion are usually recognized in profit or loss.

2. Foreign operation

   The assets and liabilities of foreign operations, including the goodwill and fair value adjustments arising at the time of acquisition, are translated into NTD at the exchange rate on the reporting date; income and expense items are translated at the average exchange rate for the period. Exchange differences arising on the translation are recognized in other comprehensive income.

When the disposal of a foreign operation results in loss of control, joint control or significant influence, the cumulative exchange difference associated with the foreign operation is reclassified as profit or loss. When partial disposal includes subsidiaries of the foreign operation, the cumulative exchange differences are proportionately re-attributed to non-controlling interests. When partial disposal includes associates or joint venture investment of foreign operations, the cumulative exchange differences are proportionately reclassified to profit or loss.

Foreign currency exchange gains or losses arising on monetary receivables or payables of foreign operations are considered to be part of the net investment in the foreign operations and are recognized in other comprehensive income if there is no repayment plan and it is not possible to repay it in the foreseeable future.

(V) Classification of current and non-current assets and liabilities

Assets that meet one of the following conditions are classified as current assets, and all other assets are classified as non-current assets:

1. It expects to realize the asset, or intends to sell or consume it, in its normal operating cycle.
2. It is held primarily for trading purposes.
3. It is expected to be realized within twelve months after the reporting period; or
4. The asset is cash or cash equivalents unless there are other limitations on the asset being exchanged or used to settle liabilities at least twelve months after the reporting period.

Liabilities that meet one of the following conditions are classified as current liabilities, and all other liabilities are classified as non-current liabilities:

1. It expects to settle the liability in its normal operating cycle.
2. It is held primarily for trading purposes.
3. It is due to be settled within twelve months after the reporting period; or
4. It does have an unconditional right to defer settlement for at least twelve months after the reporting period. The terms of the liability may, depending on the choice of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(VI) Cash and cash equivalents

Cash includes cash on hand and demand deposits. Cash equivalents are short-term and highly liquid investments that are readily convertible to known amount of cash and are subject to an insignificant risk of changes in value. Time deposits that meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes are recognized as cash equivalents.

(VII) Financial instruments

Accounts receivable and debt securities issued are initially recognized at the time of generation. All other financial assets and financial liabilities were initially recognized when the Group becomes a party to the contractual provisions of the instruments. A financial assets (unless it is an accounts receivable without significant financial components) or financial liability is initially measured at fair value plus, for an item not at fair value though profit or loss, transaction costs that are directly attributable to its acquisition or issue. Accounts receivable, excluding significant financial components, are initially measured at the transaction price.

1. Financial assets

For financial assets purchased or sold through the regular way purchase or sale, the Group uniformly applies the trade date or settlement date accounting treatment to all financial assets that are classified in the same manner.

On initial recognition, financial assets are measured as financial assets at amortized cost and financial assets at fair value through profit or loss. The Group will only reclassify all affected financial assets if it changes the business model of managing financial assets from the first day of the next reporting period.

(1) Financial assets at amortized cost

Financial assets are measured at amortized cost when they meet the following conditions and are not designated as measured at fair value through profit or loss:

- It is held within a business model objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows on specified dates to cash flows that are solely payments of principal and interest on the principal amounts outstanding.

These assets are subsequently measured at the original recognition amount plus or minus the accumulated amortization calculated using the effective interest method, and adjusted for the amortized cost measurement of any allowance for losses. Interest revenue, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

(2) Financial assets at fair value through profit or loss

Financial assets not measured at cost after amortization and measured at fair value through other comprehensive income described as above are measured at fair value through profit or loss, including derivative financial assets. In order to eliminate or significantly reduce accounting mismatch, at the time of original recognition, the Group may irrevocably designate financial assets that meet the criteria for measurement at amortized cost or fair value through other comprehensive income as financial assets at fair value through profit or loss.

These assets are subsequently measured at fair value. Net gains or losses are recognized in profit or loss.

(3) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses on financial assets measured at amortized cost (including cash and cash equivalents, accounts receivable, refundable deposits, and other financial assets) and contract assets.

The following financial assets are measured in terms of the amount of allowance for expected credit losses for 12 months, and the rest are measured in terms of the amount of expected credit losses during the holding period:

- Determine that the credit risk of debt securities is low on the reporting date; and
- The credit risk of other debt securities and bank deposits (i.e., the risk of default during the expected duration of the financial instrument) has not increased significantly since the initial recognition.

Loss allowance for accounts receivable and contract assets are recognized at an amount equal to expected credit loss resulting from all possible default events over the expected life of a financial instrument.

In determining whether there has been a significant increase in credit risk since the initial recognition, the Group considers reasonable and verifiable information (available without undue cost or input), including qualitative and quantitative information, and analysis based on the historical experience, credit assessment and forward-looking information of the Group.

If the credit risk rating of a financial instrument corresponds to, or is higher than, the globally defined "investment grade" (i.e., Standard & Poor's investment grade BBB-, Moody's investment grade Baa3, or Taiwan Ratings Corp.'s investment grade twA, or higher), the Group considers the credit risk of the debt security to be low.

The Group assumes that the credit risk of the financial assets has increased significantly if it is more than 90 days past due.

If the contractual payments are more than 180 days past due, or if the borrower is unlikely to fulfil his credit obligations to pay the full amount to the Group, the Group considers the financial asset to be in default.

Expected credit losses during the holding period refer to expected credit losses arising from all possible defaults during the expected holding period of a financial instrument.

Twelve-month expected credit loss is the expected credit loss (or a shorter period if the expected duration of the financial instrument is shorter than twelve months) arising from a potential default of the financial instrument within twelve months after the reporting date.

Expected credit losses are measured is the maximum contract period for which the Group is exposed to credit risk.

Expected credit losses are weighted estimates of the probability of credit losses during the expected holding period of the financial instrument. Credit losses are measured at the present value of all cash receipts, i.e., the difference between the Group can collect under the contract and the Group is expected to collect. Expected credit losses are discounted at the effective interest rate of financial assets.

At each reporting date, the Group assesses whether financial assets at amortized cost are credit-impaired. A financial asset is "credit-impaired" when one or more events that have a detrimental impact on the estimated future cash flows of a financial asset have occurred. Evidence of credit impairment of financial assets includes observable information on the following matters:

- Significant financial difficulties of the borrower or the issuer;

- Default, such as delay or overdue for more than 90 days;
- For economic or contractual reasons related to the borrower’s financial difficulties, the Group makes concessions to the borrower that it would not otherwise consider;
- The borrower is likely to file for bankruptcy or other financial restructurings; or
- Due to financial difficulties, the active market of the financial asset disappeared.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amounts of the assets.

The gross carrying amount of a financial asset is written off either partially or in full to the extent that there is no realistic prospect of recovery. The Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, the written-off financial assets can still be enforced to comply with the Group’s procedures for recovering overdue amounts.

(4) Derecognition of financial assets

The Group will derecognize financial assets when the contractual rights to the cash flows from the financial assets expire, or it transfers to the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all risks and rewards of ownership and it does not retain control over the financial asset.

2. Financial liabilities and equity instruments

(1) Classification of debt or equity

Debt and equity instruments issued by the Group are classified as financial liabilities or equity according to the substance of the contractual arrangement and the definition of financial liabilities and equity instruments.

(2) Equity Transactions

The equity instrument is any contract that recognizes the Group’s residual interest in the assets of an entity after deducting all of its liabilities. The equity instruments issued by the Group are recognized based on the amount obtained after deducting the direct issuance cost.

(3) Treasury shares

The consideration paid (including the direct attributable cost) is recognized as a decrease in equity when the Group repurchases the recognized equity instruments. Repurchased shares are classified as treasury shares. For subsequent sale or re-issuance of treasury shares, the amount received is recognized as an increase in equity, and the surplus or loss generated by the transaction is recognized as a capital surplus or retained earnings (if the capital surplus is insufficiently offset).

(4) Financial liabilities

Financial liabilities are classified as measured at amortized or measured at fair value through profit or loss. Financial liabilities held for trading, derivative instruments or designated at the time of initial recognition are classified as measured at fair value through profit or loss. Financial liabilities at fair value through profit or loss are measured at fair value, with the related net profits and losses, including any interest expenses, recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gains or losses on derecognition are also recognized in profit or loss.Derecognition of financial liabilities

The Group derecognizes financial liabilities when the contractual obligations have been fulfilled, cancelled or matured. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

When derecognizing financial liabilities, the difference between the carrying amount and the total consideration paid or payable (including any transferred non-cash assets or assumed liabilities) is recognized in profit or loss.

(5) Offseting of financial assets and liabilities

Financial assets and financial liabilities are only offset and expressed as net amounts in the statement of balance sheet if the Group has a legally enforceable right to offset and intends to do net settlement or simultaneously realize the assets and settle the liabilities.

3. Derivative financial instruments

   The Group holds derivative financial instruments to hedge its foreign currency and interest rate exposures.

   Derivatives are recognized initially at fair value. Subsequently to initial recognition, derivatives are measured at fair value, and changes therein are directly recognized in profit or loss.

(VIII) Inventories

Inventories are stated at the lower of cost or net realizable value. Costs include the acquisition, production or conversion costs and other costs incurred to make it available at the place and state where it is available, and are calculated using the weighted average method. In the case of manufactured inventories and work in progress, the cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value refers to the estimated selling price under normal operations, less the estimated cost of completion and the estimated costs necessary to make the sale.

(IX) Property, plant, and equipment

1. Recognition and Measurement

   Property, plant and equipment are measured at cost (including capitalized borrowing costs) less accumulated depreciation and any accumulated impairment.

   If significant components of property, plant and equipment have a different useful life, they are accounted for as separate items (major components) of property, plant and equipment."

   Gain or loss on disposal of property, plant and equipment is recognized in profit or loss.

2. Subsequent expenditure

   Subsequent expenditures are capitalized only when their future economic benefits are likely to flow into the Group.

3. Depreciation

   Depreciation is calculated based on the cost of assets less residual value and is recognized in profit or loss using a straight-line method within the estimated useful life of each component.

The estimated useful life for the current period and the comparison period is as follows:

(1) Buildings and ancillary equipment: 6-35 years

(2) Machinery and equipment: 5-8 years

(3) Office equipment: 3-5 years

(4) Lease improvement, research and development and other equipment: 3-9 years

(5) The major components of buildings and ancillary equipment mainly include factory buildings, mechanical and electrical equipment and engineering and office reconstruction projects, and are depreciated according to their useful life of 35 years, 9-10 years and 6-8 years, respectively.

The Group reviews depreciation methods, useful life and residual value at each reporting date and make adjustment as necessary.

(X) Leases

The Group assesses whether the contract is or contains a lease on the date of its formation and if the contract transfers control over the use of the identified assets for a period of time in exchange for consideration, the contract is or contains a lease.

Lessee

The Group recognizes the right-of-use assets and lease liabilities on the lease commencement date. The right-of-use assets are initially measured at cost, which includes the initial measured amount of the lease liabilities, adjusts any lease payments paid on or before the lease commencement date, and adds up the initial direct costs incurred and the estimated costs of dismantling, removing and restoring the underlying asset and its location or underlying asset, while subtracting any lease incentives collected.

The right-of-use asset is subsequently depreciated by the straight-line method from the commencement date to the earlier of the useful life of the right-of-use asset or the end of the lease terms. In addition, the Group regularly assesses whether the right-of-use assets are impaired and handles any impairment losses that have occurred, and adjusts the right-of-use assets in the event that the lease liabilities are re-measured.

Lease liabilities are initially measured at the present value of the unpaid lease payments as of the commencement date of the lease. If the interest rate implicit in the lease can be easily determined, the discount rate shall be that interest rate; if it is not, the incremental borrowing rate of the Group should be used. In general, the Group uses its incremental borrowing rate as the discount rate.

Lease payment measured by lease liabilities include:

1. Fixed payments, including substantive fixed payments;
2. Depending on the index or rate, the index or rate of the lease start date is used as the initial measurement;
3. Expected residual value guarantee amount to be paid; and
4. Payment for purchase or termination options that are reasonably certain to be exercised.

Lease liabilities are subsequently measured at amortized cost using the effective interest method and the amount is remeasured when:

1. Changes in future lease payments due to changes in the index or rate used to determine lease payments;
2. Changes in the expected residual value guarantee amount;
3. The valuation of the underlying asset purchase options has changed;
4. An estimate of whether the option to extend or terminate has been exercised has changed and an assessment of the lease term has been changed;
5. Modification of the subject, scope or other terms of the lease.

When the lease liability is remeasured due to changes in the index or rate used to determine the lease payment, changes in the residual value guarantee amount, and changes in the evaluation of the purchase, extension or termination of the options, the carrying amount of the right-of-use asset is adjusted accordingly, and the remaining re-measurement amount is recognized in profit or loss when the carrying amount of the right-of-use asset is reduced to zero.

For lease modifications that reduce the scope of the lease, the carrying amount of the right-of-use asset is reduced to reflect the partial or total termination of the lease, and the difference between it and the remeasurement amount of the lease liability is recognized in profit or loss.

The Group presents the right-of-use assets and lease liabilities that do not meet the definition of investment property in the balance sheet separately as line items.

For short-term leases and low-value targets such as leased motor vehicle parking spaces and Multi-Functional Photocopiers, the Group chose not to recognize the right-of-use assets and lease liabilities, but to recognize the relevant lease payments as expenses during the lease period on a straight-line basis.

(XI) Intangible assets

1. Recognition and measurement

   Expenditures related to research activities are recognized in profit or loss when incurred.

   Development expenditures are capitalized only if they are reliably measurable, the technical or commercial feasibility of the product or process has been achieved, future economic benefits are highly probable to flow to the Group, and the Group intends and has sufficient resources to complete the development and use or sell the asset. Otherwise, it is recognized in profit or loss as incurred. After initial recognition, capitalized development expenditure is measured at its cost less accumulated amortization and accumulated impairment.

   The acquisition of other intangible assets with a limited useful life by the Group is measured at cost less the amount of accumulated amortization and accumulated impairment.

2. Subsequent expenditures

   Subsequent expenditures are capitalized only to the extent that they increase the future economic benefits of the particular asset in question. All other expenses are recognized in profit or loss when incurred.

3. Amortization

   Amortization is calculated based on the asset cost less estimated residual value and is recognized in profit or loss on a straight-line method over the useful life of 3-5 years from the date when it is available for use.

   The Group reviews the amortization method, useful life and residual value of intangible assets at each reporting date and adjusts them as necessary.

(XII) Impairment of non-financial assets

At each reporting date, the Group assesses whether there are indications that the carrying amounts of non-financial assets (other than inventories, contract assets and deferred tax assets) may be impaired. If any such indication exists, then the recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating unit (CGU). The recoverable amount is the greater of the fair value of the individual asset or CGU less disposal costs, and its value in use. In assessing the value in use, the estimated future cash flows are converted to the present value at a pre-tax discount rate that reflects the current market's assessment of the time value of money and the specific risk to the asset or CGU.

Recoverable amounts of individual assets or CGU are recognized as impairment losses if they are less than the carrying amount.

Impairment losses are recognized immediately in profit or loss, and first, the carrying amount of the CGU is reduced by the carrying amount of the amortized goodwill, and then to reduce the carrying amount of the other assets in the CGU on a pro rata basis.

Non-financial assets other than goodwill are reversed only within the scope that does not exceed the carrying amount (less depreciation or amortization) determined when the asset is not recognized as an impairment loss in the previous year.

(XIII) Provision

The recognition of a provision for liabilities is a present obligation arising from past events, where it is probable that the Group will need to outflow economically beneficial resources in the future to settle the obligation, and the amount of that obligation can be reliably estimated. The provision is discounted based on the pre-tax discount rate that reflects the current market's view of the time value of money and the assessment of specific risks associated with the liability. The unwinding of the discount is recognized as interest expense.

1. Warranties

   The provision for warranties of the Group is estimated on the basis of historical warranty data of the merchandise, and the Group expects that most of the liabilities will occur in the year following the sale.

2. Site restoration

   The decommissioning obligation of the Group is estimated on the basis of the demolition cost quoted by the manufacturer, and the Group expects that the liability will occur at the expiration of the contract period.

3. Loss of arbitration claim

   Regularly evaluate the occurrence of legal litigation and other obligations and related legal costs, and if the present obligations are probable to be incurred and the amount can be reasonably estimated, recognize the provision for related legal matters.

(XIV) Recognition of revenue

1. Revenue from contracts with customers

Revenue is measured by the consideration to which the transfer of goods or services is expected to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring control of goods or services to a customer. The description of the Group according to major revenue items is as follows:

(1) Sale of goods

The Group mainly researches, develops, produces, manufactures and sells electronic financial transaction terminals and transaction data security protection equipment and other products. The Group recognizes revenue at the time of transfer of control over the products. The transfer of control of the product means that the product has been delivered to the customer, the customer can fully determine the sales channel and price of the product, and there is no longer any outstanding obligation that will affect the customer’s acceptance of the product. Delivery occurs when the product has been shipped to a specific location, the risk of obsolescence and loss has been transferred to the customer, and ether the customer has accepted the product based on a sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

Please refer to Note 6 (10) for details on the obligation of the Group to provide standard warranty and therefore is liable for a refund for defects, and the provision for warranty liabilities has been recognized in respect of the obligation.

The Group recognizes accounts receivable at the time of delivery of the goods because the Group has the right to receive consideration unconditionally at that time.

(2) Provision of technical services

The revenues generated by the Group from providing technical labor services to customers are recognized according to the degree of completion of the transaction on the reporting date. Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

Under a fixed-price contract, the customer pays a fixed amount according to the agreed time schedule. Contractual assets are recognized when the services rendered exceed the payments; contractual liabilities are recognized when the payments exceed the services rendered.

If it is not possible to reasonably measure the degree of completion of the performance obligations of the project contract, the contract revenue is recognized only within the scope of the expected recoverable cost.

A provision of onerous contract is recognized when the expected benefits derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

(3) Financial component

The Group expects all customer contracts will transfer goods or services to customer within one year after the customer pays for the goods or services. As a consequence, the Group does not adjust the transaction price for the monetary time.

(XV) Employee benefits

1. Defined contribution plans

The contribution obligation to defined contribution plans is recognized as an expense during the period of service provided by the employee.

2. Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that the amount and deducting the fair value of any plan assets.

The defined benefit obligation is actuarially performed annually by a qualified actuary using the projected unit credit method. When the results of the calculation may be beneficial to the Group, the recognized assets are limited to the present value of any economic benefits that can be obtained in the form of a refund of appropriations from the plan or reduction of future appropriations for the plan. When calculating the present value of economic benefits, any minimum funding requirements are considered.

Remeasurement of the net defined benefit liabilities, including actuarial gains and losses, the return on plan assets (excluding interest), and the effect of the asset ceiling(excluding interest) is immediately recognized in other comprehensive income and accrued in retained earnings. The net interest expense (revenue) of the net defined benefit liabilities (assets) determined by the Group is the net defined benefit liabilities (assets) and the discount rate determined at the beginning of the annual period. The net interest expense and other expenses of the defined benefit plan are recognized in profit or loss.

When the plan is amended or curtailed, any resulting benefit changes related to past service cost or curtailment gain or loss are recognized immediately in profit or loss. The Group recognizes the settlement gain or loss of a defined benefit plan when the settlement occurs.

3. Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are recognized as an expense when providing related services.

A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as result of past service provided by the employee and the obligation can be estimated reliably.

(XVI) Share-based payment transactions

Equity-settled share-based payment arrangements are recognized at the fair value on the grant date. The expense is recognized over the vesting period of the award, with a corresponding increase in equity. Expense recognition is adjusted based on the number of awards that are expected to meet the related service and non-market performance conditions, such that the amount ultimately is recognized as an expense is basis on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The grant date on which the Board of Directors approves the Subscription Price and approves the number of Subscribed Shares and the date on which a consensus is reached between the Group and the Employee on the terms and conditions of the Agreement shall be considered the date of payment of the Share-based payment to the Group.

(XVII) Income tax

Income taxes comprise current tax and deferred tax. Except for expenses related to business combination, direct recognition in equity or other comprehensive income, current tax and deferred tax should be recognized in profit or loss.

The Group has determined that the interest or penalties related to income tax (including those with indeterminate tax treatment) do not meet the definition of income tax and should therefore be accounted for in accordance with IAS 37.

Current tax comprise the expected tax payable or receivable on the taxable income (loss) for the year, and any adjustments to tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or collected that reflects uncertainty related to income tax, if any. It is measured using tax rate enacted or substantively enacted at the reporting date.

Deferred tax is recognized by measuring the temporary difference between the carrying amount of assets and liabilities for financial reporting purposes and their tax base. Temporary differences arising under the following circumstances are not recognized as deferred income tax:

1. Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects accounting or taxable profits (losses) at the time of the transaction;
2. Temporary differences arising from investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of temporary differences and it is probable that they will reverse in the foreseeable future.

Deferred tax is measured at the tax rate at the time of the expected reversal of the temporary difference, based on the tax rate enacted or substantively enacted at the reporting date, and reflects uncertainty related to income tax.

The Group will only offset deferred tax assets and liabilities when the following conditions are met simultaneously:

1. The Group has the legally enforceable right to offset the current tax assets and liabilities; and
2. Deferred tax assets and deferred tax liabilities are related to one of the following taxable entities subject to income tax levied by the same tax authority;

   (1) the same taxpayer; or

(2) Different taxpayers, except that each entity intends to settle current tax liabilities and assets on a net basis or to realize assets and liabilities simultaneously in each future period which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

The unused tax loss and unused tax credits carried forward, and deductible temporary differences, it is recognized as deferred tax assets to the extent that it is probable that there will be future taxable income available for utilization. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reduction are reversed when the probability of future taxable profits improves.

(XVIII) Earnings per share

The Group presents basic and diluted earnings per share attributable to the ordinary equity holders of the Company. The basic earnings per share of the Group are the profit or loss attributable to the ordinary equity holders of the Company, divided by the weighted average number of outstanding ordinary shares. Diluted earnings per share are calculated after adjusting respectively for the effect of all potentially diluted ordinary shares by the loss or gain attributable to holders of ordinary shares of the Company and the weighted average number of ordinary shares outstanding. Potentially diluted ordinary shares of the Group include employee remuneration through the issuance of shares and unvested restricted stock awards.

(XIX) Segment information

The operating segment is a component of the Group and engages in operating activities that may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). The operating results of all operating segments are reviewed periodically by the chief operating decision maker of the Group to make decisions on the allocation of resources to that segment and to evaluate its performance. Each operating segment consist of standalone financial information.

(XX) Government grants

The Group recognizes unconditional government grants related to the COVID--19 pandemic as non-operating income when the grants become receivable. Other government grants related to assets are initially recognized as deferred income at fair value if there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant; they are then recognized in profit or loss as other income on a systematic basis over the useful life of the asset. Government grants to compensate for expenses or losses incurred by the Group are recognized in profit or loss according to the basis of the system.

V. Critical accounting judgement and key sources of estimates and assumptions uncertainty

The preparation of the consolidated financial statements in conformity with the Regulations and the IFRSs endorsed by the FSC, the management needs to make judgements, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

Management continues to monitor the accounting estimations and assumptions. Management recognized the changes in accounting estimations during the period and the impact of those changes in accounting estimates in the following period.

Among the uncertainties in the estimates and assumptions, the information related to the significant risks that will cause material adjustments in the following year is as follows:

(I) Recognition of service revenue

Revenue from services rendered under the contract is recognized according to the degree of completion of the contract performance obligations. The degree of contract performance is measured by the proportion of the accumulated cost of inputs to the estimated total contract cost. Management will first estimate the total contract cost when the contract is signed, and review the progress of the contract performance obligations at the end of each month. If necessary, adjust the original estimated total cost. Any changes in the above basis may cause material adjustments to the estimated amount.

(II) Valuation of inventory

Inventories are measured at lower of cost or net realizable value. The Group assesses that the net realizable value of inventories for normal wear and tear, obsolescence, or unmarketable items at the end of the reporting period, and the cost is written down to the net realizable value. This inventory valuation may be due to the introduction of new products in the market, the original product is obsolete or no longer meet the market demand. This may result in significant changes in product demand and prices, potentially leading to a decline in demand and prices, and ultimately, the risk of the inventory cost exceeding its net realizable value.

The accounting policies and disclosures include the fair value to measure financial and non-financial assets and liabilities. The Finance Department of the Group is responsible for carrying out fair value verification, keeping the evaluation results in line with market conditions through independent source data, confirming that the data source is independent, reliable and representative of the executable prices, and periodically calibrate the evaluation model, performs retrospective test, updates inputs together with any necessary fair value adjustments to ensure that the valuation results are reasonable.

When measuring assets and liabilities, the Group uses market-observable inputs whenever possible. The fair value hierarchy depends on the valuation technique used and is categorized as follows:

Level 1: Quoted prices (unadjusted) in the active market for identified assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e., price) or indirectly (i.e., derived from price).

Level 3: Inputs for assets or liabilities that are not based on observable market data (non-observable inputs).

For any transfer within the fair value hierarchy, the Group recognizes the transfer on the reporting date. For the assumptions used to measure fair value, please refer to Note 6 (19) of the financial instruments.

VI. Details of significant accounts

(I) Cash and cash equivalents

	2022.12.31	2021.12.31
Cash, checking deposits and demand deposits	$ 319,251	172,418
Time deposits	303,301	326,089
	$ 622,552	498,507

Please refer to Note 6 (19) for the disclosure of interest rate risk and sensitivity analysis of the Group's financial assets and liabilities.

(II) Financial assets and liabilities at fair value through profit or loss

	2022.12.31	2021.12.31
Mandatory financial assets at fair value through profit or loss:		
Forward exchange contracts	$ -	1,400
Financial liabilities held for trading:		
Forward exchange contracts	$ 111	13

Engaging in derivative financial instruments transactions is used to avoid the exchange rate risk exposed by operating activities. The following derivatives instruments, which were no qualified for hedge accounting, held by the Group, were recognized as financial assets at fair value:

	2022.12.31			
	Notional principal (US $ in thousands)	**Currency**	**Maturity Date**	**Book value**
Derivative financial assets:				
Sell forward exchange	$ 250	USD to NTD	2023.02.06	$ -
Derivative financial liabilities:				
Sell forward exchange	$ 1,750	USD to NTD	2023.02.16~2023.03.20	$ 111

	2021.12.31			
	Notional principal (US $ in thousands)	**Currency**	**Maturity Date**	**Book value**
Derivative financial assets:				
Sell forward exchange	$ 4,500	USD to NTD	2022.01.10~2022.03.31	$ 338
Sell forward exchange	7,500	USD to RMB	2022.01.12~2022.06.30	1,062
				$ 1,400
Derivative financial liabilities:				
Sell forward exchange	$ 750	USD to NTD	2022.03.18	$ 13

(III) Financial assets at amortized cost - current

	2022.12.31	**2021.12.31**
Time deposits	$ 354,290	304,290
Others	339	166
	354,629	304,456
Less: allowance for impairment loss	-	-
	$ 354,629	304,456

The assessment of the Group is that the assets are held to the maturity to collect the contractual cash flows, which consist solely of payments of principal and interest on the amount of principal outstanding. Therefore, these financial assets are classified as financial assets measured at amortized cost.

1. The Group holds domestic and foreign time deposits with an annual interest rate of 0.190% to 1.215% in 2022 and matures from January 17, 2023 to June 30, 2023. The annual interest rate of 2021 was 0.490% to 0.585%, due from January 17, 2022 to June 30, 2022.

2. For credit risk information, please refer to Note 6 (19).

(IV) Accounts receivable

	2022.12.31	2021.12.31
Accounts receivable	$ 208,046	599,846
Less: allowance for doubtful accounts	(1,320)	(1,487)
	$ 206,726	598,359

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, accounts receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information. The loss allowance provision were determined as follows:

	2022.12.31		
	Carrying amount of accounts receivable	**Weighted average expected credit loss rate**	**Loss allowance for lifetime expected credit losses**
Not Past Due	$ 181,525	0.56%	1,015
Past due 1-30 days	13,450	1.64%	220
Past due 31-60 days	3,853	2.21%	85
Past due 61-90 days	582	-	-
Past due 91-180 days	8,636	-	-
Total	$ 208,046		1,320

	2021.12.31		
	Carrying amount of accounts receivable	**Weighted average expected credit loss rate**	**Loss allowance for lifetime expected credit losses**
Not Past Due	$ 473,966	0.07%	332
Past due 1-30 days	86,789	0.29%	249
Past due 31-60 days	38,823	2.19%	851
Past due 61-90 days	268	20.40%	55
Total	$ 599,846		1,487

The movements in the allowance for accounts receivable were as follows:

	For the years ended December 31,	
	2022	2021
Beginning balance	$ 1,487	2,765
Reversal impairment loss	(167)	(1,278)
Ending balance	$ 1,320	1,487

The allowance for accounts receivable is used to record the expense of bad debts. However, when the Group considers the receivables cannot be collected, it offsets directly offsetting allowance for doubtful accounts against financial assets.

The Group did not provide any accounts receivable as pledge collateral.

(V) Inventories

	2022.12.31	2021.12.31
Raw materials	$ 313,374	336,518
Work in process	13,436	-
Semi-finished products	70,533	82,547
Finished goods	168,591	172,741
	$ 565,934	591,806

For the years ended December 31, 2022 and 2021, the details of cost of sales were as follows:

	For the years ended December 31,	
	2022	2021
Cost of goods sold	$ 814,595	926,164
Allowance for inventory valuation loss (gain on recovery)	13,359	(4,717)
Labor cost	46,353	36,292
Obsolescence loss	21,656	1,518
Repairs and others	17,550	41,310
	$ 913,513	1,000,567

The inventories of the Group were not pledged.

(VI) Property, plant, and equipment

For the years ended December 31, 2022 and 2021, the details of the cost and depreciation of property, plant and equipment of the Group were as follows:

	Buildings and ancillary equipment	Machinery and equipment	Office Equipment	Lease improvement, Research & development and other equipment	Equipment to be inspected	Total
Cost:						
Balance as of January 1, 2022	$ 159,620	16,661	7,690	45,805	843	230,619
Addition	83	168	1,032	1,345	2,366	4,994
Disposal	-	-	(81)	(323)	-	(404)
Reclassifications	216	-	-	-	(3,209)	(2,993)
Effects of Changes in Exchange Rates	-	320	32	391	-	743
Balance as of December 31, 2022	**$ 159,919**	**17,149**	**8,673**	**47,218**	**-**	**232,959**
Balance as of January 1, 2021	$ 159,532	14,872	6,552	47,942	-	228,898
Addition	88	1,718	1,169	1,504	843	5,322
Disposal	-	-	(41)	(3,829)	-	(3,870)
Effects of Changes in Exchange Rates	-	71	10	188	-	269
Balance as of December 31, 2021	**$ 159,620**	**16,661**	**7,690**	**45,805**	**843**	**230,619**
Accumulated depreciation:						
Balance as of January 1, 2022	$ 93,301	12,888	5,669	43,162	-	155,020
Current year depreciation	4,932	1,148	1,211	1,209	-	8,500
Disposal	-	-	(80)	(323)	-	(403)
Effects of Changes in Exchange Rates	-	269	25	373	-	667
Balance as of December 31, 2022	**$ 98,233**	**14,305**	**6,825**	**44,421**	**-**	**163,784**
Balance as of January 1, 2021	$ 88,396	11,779	4,721	43,099	-	147,995
Current year depreciation	4,905	1,048	982	2,351	-	9,286
Disposal	-	-	(40)	(2,467)	-	(2,507)
Effects of Changes in Exchange Rates	-	61	6	179	-	246
Balance as of December 31, 2021	**$ 93,301**	**12,888**	**5,669**	**43,162**	**-**	**155,020**
Carrying value:						
Balance as of December 31, 2022	**$ 61,686**	**2,844**	**1,848**	**2,797**	**-**	**69,175**
Balance as of January 1, 2021	**$ 71,136**	**3,093**	**1,831**	**4,843**	**-**	**80,903**
Balance as of December 31, 2021	**$ 66,319**	**3,773**	**2,021**	**2,643**	**843**	**75,599**

The property, plant and equipment of the Group were not pledged.

(VII) Right-of-use assets

The Group leased many assets including land, housing and construction and transportation equipment were as follows:

	Land	Housing and Construction	Transportation Equipment	Total
Cost:				
Balance as of January 1, 2022	$ 17,371	54,527	3,729	75,627
Addition	640	802	-	1,442
Effects of Changes in Exchange Rates	-	800	-	800
Balance as of December 31, 2022	$ 18,011	56,129	3,729	77,869
Balance as of January 1, 2021	$ 17,371	37,425	1,652	56,448
Addition	-	36,818	3,729	40,547
Decrease	-	(5,334)	(1,652)	(6,986)
Reclassifications	-	(14,607)	-	(14,607)
Effects of Changes in Exchange Rates	-	225	-	225
Balance as of December 31, 2021	$ 17,371	54,527	3,729	75,627
Accumulated depreciation:				
Balance as of January 1, 2022	$ 2,992	5,835	725	9,552
Depreciation charges	1,042	18,432	1,243	20,717
Reclassifications	-	(8,532)	-	(8,532)
Effects of Changes in Exchange Rates	-	(7)	-	(7)
Balance as of December 31, 2022	$ 4,034	15,728	1,968	21,730
Balance as of January 1, 2021	$ 1,995	12,499	1,652	16,146
Depreciation charges	997	13,643	725	15,365
Decrease	-	(5,334)	(1,652)	(6,986)
Reclassifications	-	(15,048)	-	(15,048)
Effects of Changes in Exchange Rates	-	75	-	75
Balance as of December 31, 2021	$ 2,992	5,835	725	9,552
Carrying value:				
Balance as of December 31, 2022	$ 13,977	40,401	1,761	56,139
Balance as of January 1, 2021	$ 15,376	24,926	-	40,302
Balance as of December 31, 2021	$ 14,379	48,692	3,004	66,075

(VIII) Intangible assets

For the years ended December 31, 2022 and 2021, the details of the cost and amortization of intangible assets of the Group were as follows:

	Expertise	Computer Software	Others	Total
Cost:				
Balance as of January 1, 2022	$ 15,234	17,009	1,924	34,167
Additions	-	235	-	235
Reclassifications	-	2,993	-	2,993
Effects of Changes in Exchange Rates	1,668	(44)	211	1,835
Balance as of December 31, 2022	**$ 16,902**	**20,193**	**2,135**	**39,230**
Balance as of January 1, 2021	$ 15,482	16,462	1,955	33,899
Additions	-	649	-	649
Derecognition	-	(136)	-	(136)
Effects of Changes in Exchange Rates	(248)	34	(31)	(245)
Balance as of December 31, 2021	**$ 15,234**	**17,009**	**1,924**	**34,167**
Amortization:				
Balance as of January 1, 2022	$ 12,186	16,427	1,538	30,151
Amortization	3,286	409	415	4,110
Effects of Changes in Exchange Rates	1,430	(54)	182	1,558
Balance as of December 31, 2022	**$ 16,902**	**16,782**	**2,135**	**35,819**
Balance as of January 1, 2021	$ 9,288	16,199	1,172	26,659
Amortization	3,078	331	388	3,797
Derecognition	-	(136)	-	(136)
Effects of Changes in Exchange Rates	(180)	33	(22)	(169)
Balance as of December 31, 2021	**$ 12,186**	**16,427**	**1,538**	**30,151**
Carrying value:				
Balance as of December 31, 2022	**$ -**	**3,411**	**-**	**3,411**
Balance as of January 1, 2021	**$ 6,194**	**263**	**783**	**7,240**
Balance as of December 31, 2021	**$ 3,048**	**582**	**386**	**4,016**

The intangible assets of the Group were not pledged.

(IX) Lease liabilities

The carrying amount of the lease liabilities of the Group were as follows:

	2022.12.31	2021.12.31
Current	$ 20,297	19,636
Non-current	$ 36,233	46,806

The amounts recognized in profit or loss were as follows:

	For the years ended December 31,	
	2022	2021
Interest on lease liabilities	$ 1,156	839
Expenses relating to short-term leases	$ -	381
Expenses relating to low-value leased assets (excluding low-value leases for short-term leases)	$ 2,067	1,301
COVID-19-related lease reductions	$ -	1,152

The amounts recognized in the cash flow statement were as follows:

	For the years ended December 31,	
	2022	2022
Total cash flows on lease	$ 23,291	16,382

1. Lease of land, houses and buildings

   As of December 31, 2022 and 2021, the Group leased land, housing and construction as office space and factories. The leases typically ran for a period of 20 years, 2 years and 3 years, respectively. Some leases include the option to renew the same period as the original contract upon expiration of the lease period.

   The leasing payment of the land contract depends on the locally announced land price and is adjusted after the amortization of the public facilities' construction costs reinvested in each park, which are usually incurred once a year.

   Some lease contracts contain options for lease extensions, which are administered separately from each entity within the Group, so the individual terms and conditions are inconsistent. These options are only enforceable by the Group and not by the lessor. In which lessee is not reasonably certain to use an optional extended lease term, payments associated with the optional period are not included within lease liabilities.

2. Other leases

   The lease term of the transportation equipment leased by the Group is 3 years.

   In addition, the Group leases motor vehicle parking spaces and Multi-Functional Photocopiers for short-term leases and low-value leases, and the Group chooses to apply for the exemption instead of recognizing its relevant right-of-use assets and lease liabilities.

(X) Provision for liabilities

	Warranty	Site Restoration	Loss of Arbitration Claim	Total
Balance as of January 1, 2022	$ 5,131	2,504	-	7,635
Additions (reversals)	(1,352)	(75)	331,730	330,303
Reclassifications	(2,000)	-	2,000	-
Effects of changes in exchange rates	-	40	10,687	10,727
Balance as of December 31, 2022	$ 1,779	2,469	344,417	348,665
Current (accounted as other current liabilities)	$ 1,231	-	-	1,231
Non-current	548	2,469	344,417	347,434
Balance as of December 31, 2022	$ 1,779	2,469	344,417	348,665
Balance as of January 1, 2021	$ 10,841	2,370	-	13,211
Additions (reversals)	(3,214)	118	-	(3,096)
Usage	(2,496)	-	-	(2,496)
Effects of changes in exchange rates	-	16	-	16
Balance as of December 31, 2021	$ 5,131	2,504	-	7,635
Current (accounted as other current liabilities)	$ 2,603	-	-	2,603
Non-current	2,528	2,504	-	5,032
Balance as of December 31, 2021	$ 5,131	2,504	-	7,635

1. Warranty

   The provision for warranty liabilities of the Group is estimated on the basis of historical warranty data of the merchandise, and the Group expects that most of the liabilities will occur in the year following the sale.

2. Site Restoration

   The decommissioning obligation of the Group is estimated on the basis of the demolition cost quoted by the manufacturer, and the Group expects that the liability will occur at the expiration of the contract period.

3. Loss of arbitration claim

   The Company was notified of the arbitration case by the Singapore International Arbitration Centre on April 12, 2021. The arbitration case is related to the product development and design in the sales contract signed between E LA CARTE, INC. and the Company in October 2014. E LA CARTE, INC. has demanded the Company pay compensation of US$ 35 million. The Company has appointed a lawyer to handle the case and carry out the necessary subsequent procedures to protect the Company's rights and interests. The hearing was held in April 2022, and both parties provided evidence and written statements to the arbitration tribunal for defense. E LA CARTE, INC. has requested a change in the compensation amount to be paid by the Company to US$17.36 million. Received the arbitration result on June 28, 2022, the Company shall compensate US$11.17 million and pay the arbitration fee of SGD$187,000, and the Company has recognized the relevant provision for liabilities. On August 12, 2022, the Company was notified by the arbitral tribunal and agreed to reduce the amount of compensation by US$70,000 based on the objection raised by the Company, and the Company reversed the amount of compensation to US$11.1 million. The Company will discuss with the lawyer the next relevant countermeasures and possible strategies.

(XI) Employee benefits

1. Defined benefit plan

   The reconciliation between the present value of the defined benefit obligations and the fair value of plan assets of the Group were as follows:

	2022.12.31	2021.12.31
Present value of defined benefit obligation	$ 56,556	60,891
Fair value of plan assets	(41,875)	(41,672)
Net defined benefit liabilities	**$ 14,681**	**19,219**

   The defined benefit plan of the Group is allocated to the Labor Retirement Reserve Fund account of the Bank of Taiwan. Retirement payments for each employee under the Labor Standards Law are calculated based one years of service and average salary the six months prior to retirement.

(1) Component of plan asset

The retirement fund allocated by the Group in accordance with the Labor Standards Law is managed by the Bureau of Labor Fund of the Ministry of Labor (hereinafter referred to as the Labor Fund Bureau). In accordance with the provisions of the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, the minimum earnings shall be no less than the earnings attainable from two-year time deposit with interest rates offered by local bank.

As of December 31, 2022, the Group's Bank of Taiwan labor pension reserve account balance amounted to $41,875. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

(2) Movements in the present value of defined benefit obligation

The movements in the present value of the defined benefit obligations of the Group for the years ended December 31, 2022 and 2021 were as follows:

	For the years ended December 31,	
	2022	**2021**
Defined benefit obligations as of January 1	$ 60,891	68,865
Benefit paid by the plan	(3,556)	(6,714)
Current service cost and interests	978	770
Net remeasurements of defined benefit liability		
- Actuarial losses arising from changes in demographic assumptions	-	1,086
- Actuarial gain arising from changes in financial assumptions	(2,085)	(1,889)
- Actuarial losses (gains) arising from changes in experience	328	(1,227)
Defined benefit obligations as of December 31	**$ 56,556**	**60,891**

(3) Movements in the fair value of plan assets

The movements in the fair value of assets of the Group's defined benefit plan for the years ended December 31, 2022 and 2021 were as follows:

	For the years ended December 31,	
	2022	2021
Fair value of plan assets as of January 1	$ 41,672	47,556
Benefit paid by the plan	(3,556)	(6,714)
Expected return on plan assets	278	143
Net remeasurements of defined benefit assets (liabilities)		
- Return on plan asset (excluding current interest)	3,481	687
Fair value of plan assets as of December 31	**$ 41,875**	**41,672**

(4) Expenses recognized in profit or loss

The Group's expenses recognized in profit and loss for the years ended December 31, 2022 and 2021 were as follows:

	For the years ended December 31,	
	2022	2021
Current service costs	$ 566	564
Net interest on net defined benefit liabilities	134	64
	$ 700	**628**
Selling and marketing expenses	$ (2)	(1)
General and administrative expenses	737	638
Research and development expenses	(35)	(9)
	$ 700	**628**

(5) Actuarial assumptions

The significant actuarial assumptions used by the Grup to determine the present value of benefit obligations at the reporting date were as follows:

	2022.12.31	2021.12.31
Discount rate	1.20%	0.70%
Future salary increment	3.00%	3.00%

The Group expects to pay 0 thousand dollars towards the provision of the defined benefit plan for the one-year period after December 31, 2022.

The weighted average lifetime of the defined benefit plan is 7 years.

(6) Sensitivity analysis

The impact of changes in major actuarial assumptions adopted as of December 31, 2022 and 2021 on the determination of the present value of defined benefit obligations were as follows:

	Impact on defined benefit obligations	
	Increase 0.25%	**Decrease 0.25%**
December 31, 2022		
Discount rate	$ (984)	1,023
Future salary increment	$ 923	(895)
December 31, 2021		
Discount rate	$ (1,121)	1,166
Future salary increment	$ 1,046	(1,013)

There was no change in other assumptions when performing the aforementioned sensitivity analysis. In practice, many of the relevant actuarial assumptions are correlated to each other. Sensitivity analysis is consistent with the method used in calculating the net defined benefit liability on the balance sheet.

The methodology and assumptions used to compile the sensitivity analysis was the same as those of the prior year.

2. Defined contribution plans

The Company sets aside 6% of the contribution rate of the employee’s monthly wages to the labor pension personal account of the Labor Pension Fund of the Bureau of the Labor Insurance in accordance with the provisions of the Labor Pension Act. The Company shall have no statutory or constructive obligation to pay any additional amount after making a fixed contribution to the Bureau of the Labor Insurance under this defined contribution plan.

Companies such as XAC Suzhou and Zakus allocate pensions in accordance with local laws and regulations, and recognize the amount of pensions that should be contributed for each period as a current expense; Value does not have a retirement method because it does not actually employ employees.

The Group’s pension expenses under the defined contribution plan were $24,363 and $24,528 for the years ended December 31, 2022 and 2021, respectively.

(XII) Income tax

1. Income tax expense (gain)

The component of income tax expense (gain) for the years ended December 31, 2022 and 2021 were as follows:

	For the years ended December 31, 2022	2021
Current tax expense (gain)		
Current period	$ 351	33,914
Adjustment of prior period	(1,209)	178
	(858)	34,092
Deferred tax expense (gain)		
Origination and reversal of temporary differences	$ (39,635)	7,849
Income tax expense (gain)	**$ (40,493)**	**41,941**

The amounts of income tax benefits recognized in other comprehensive income for the years ended December 31, 2022 and 2021 were as follows:

	For the years ended December 31, 2022	2021
Items not reclassified to profit or loss:		
Remeasurement of defined benefit plans	**$ 1,048**	**543**
Items that may be subsequently reclassified to profit or loss:		
Exchange differences on the translation of foreign financial statements	**$ 2,495**	**395**

Reconciliation of income tax (gain) and income (loss) before income tax were as follows:

	For the years ended December 31, 2022	2021
Profit (loss) before tax	$ (205,967)	175,201
Income tax calculated based on the Company's statutory tax rate	(41,193)	35,040
Effect of tax rate differences in foreign jurisdictions	1,040	7,938
Permanent difference adjustment	97	48
Changes in unrecognized temporary differences	819	(487)
Prior-period tax adjustments	(1,256)	(598)
	$ (40,493)	**41,941**

2. Unrecognized deferred tax assets

   Deferred tax assets have not been recognized because the Group is not expected to reverse the situation in the foreseeable short term. The related amounts were as follows:

	2022.12.31	2021.12.31
Deductible temporary differences	$ 7,633	6,814

3. The movements of deferred tax assets and liabilities

   Deferred income tax assets

	2021.1.1	Recognized in profit and loss	Recognized in other comprehensive income	2021.12.31	Recognized in profit and loss	Recognized in other comprehensive income	2022.12.31
Provision for inventory valuation	$ 8,342	504	-	7,838	(2,326)	-	10,164
Provision for liabilities	2,168	1,142	-	1,026	670	-	356
Accrued pension liabilities	5,458	1,070	543	3,845	(140)	1,048	2,937
Loss carryforwards	-	-	-	-	(35,961)	-	35,961
Exchange gains on the translation of foreign financial statements	3,864	-	395	3,469	-	2,495	974
Others	9,301	(1,740)	-	11,041	434	-	10,607
	$ 29,133	976	938	27,219	(37,323)	3,543	60,999

   Deferred income tax liabilities

	2021.1.1	Recognized in profit and loss	Recognized in other comprehensive income	2021.12.31	Recognized in profit and loss	Recognized in other comprehensive income	2022.12.31
Recognized share of gain of subsidiaries and associate accounted the equity method	$ (36,107)	6,600	-	(42,707)	(878)	-	(41,829)
Others	(1,161)	273	-	(1,434)	(1,434)	-	-
	$ (37,268)	6,873	-	(44,141)	(2,312)	-	(41,829)

   As of December 31, 2022, the Group's recognized deferred tax assets result from loss carryforwards and the expiry year were as follows:

Year of loss	Unused tax loss	Expiry year
2022	$ 179,805	2032

4. The Company's tax returns for the years 2020 were examined and approved by the Taiwan National Tax Administration.

(XIII) Capital and other equity

Reconciliation of shares outstanding for 2022 and 2021 was as follows:

	Common stock	
(expressed in thousands of shares)	**2022**	**2021**
Balance at January 1	92,479	94,916
Vested of restricted stock award	494	563
Repurchase of treasury shares	-	(3,000)
Balance at December 31	**92,973**	**92,479**

1. Issuance of ordinary shares

As of December 31, 2022 and 2021, the total authorized share capital of the Company was $1,200,000 (including the reserved employee share options of $50,000), with a par value of $10 per share, and the paid-in share capital was $961,562 and $962,131, respectively.

On June 8, 2018, the Company issued 2,000 thousand restricted stock award the shareholders' meeting, which was approved by the regulator. On November 2, 2018, 350 thousand shares were issued by the Board of Directors, and on February 15, 2019 was set as the base date of capital increase, and the relevant registration procedure has been completed.

On June 10, 2019, the Company issued 2,000 thousand restricted stock award by shareholders' meeting, which was approved by the regulator. For the first time, 1,080 thousand shares were issued by the Board of Directors on October 31, 2019, and on February 17, 2020 was set as the base date of capital increase, and the relevant registration procedure has been completed; for the second time, 570 thousand shares were issued by the Board of Directors on July 14, 2020, and on July 14, 2020 was set as the base date of capital increase, and the relevant registration procedure has been completed.

On November 8, 2021 and November 9, 2022, the Board of Directors resolved to cancel 57 thousand and 71 thousand restricted stock award shares and process the cancellation. Capital reduction cases use November 8, 2021 and November 22, 2022, as the base date of capital reduction, and the relevant cancellation procedure has been completed.

2. Capital surplus

The components of capital surplus of the Company were as follows:

		2022.12.31	2021.12.31
Sellback (redemption) of convertible bonds for reclassification of equity conversion rights	$	22,124	22,124
Employee Share Option Conversion and Cash Increase - premium		30,348	30,348
Treasury share transactions		5,985	5,985
Conversion of convertible bonds - premium		1,851	1,851
Expired share option		116	116
Reclassification of equity conversion rights of convertible bonds		156	156
Difference between acquisition price and the carrying amount of subsidiaries		345	345
Restricted stock awards		25,072	24,503
	$	85,997	85,428

In accordance with the R.O.C. Company Act, the capital surplus generated from the premium of stock issuance and donation may only be used to offset accumulated deficits. In addition, when the Company incurred no deficit, such capital surplus may be distributed as cash or stock dividends. Pursuant to the R.O.C. Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the total sum of the capital surplus capitalized per annum shall not exceed 10% of the paid-in capital.

3. Retained earnings

According to the Articles of Incorporation of the Company, after payment of income taxes and offsetting accumulated deficits, the legal reserve at 10% shall be set aside until the accumulated legal reserve equals the Company's capital; furthermore, depending on the Company's operating and the regulations on special reserve. The remaining current-year earnings together with accumulated undistributed earnings from preceding years, the Board of Directors shall propose a distribution plan for approval by the shareholders' meeting.

The Company authorizes the Board of Directors to distribute all or part of the dividends and bonuses in the presence of more than two-thirds of the directors and the resolution of more than half of the directors present, in the form of cash distribution, and to report to the Shareholders' meeting.

The dividend policy of the Company shall be determined in accordance with the provisions of the R.O.C. Company Act and the Articles of Incorporation of the Company, and considered its capital, financial structure, operating, earnings, the nature and cycle of the industry in determining the stock or cash dividends to be paid. The stock dividends shall not exceed fifty percent of the total dividends distributed during the year.

(1) Legal reserve

If the Company has no losses, it may, pursuant to resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve that exceeds 25% of capital may be distributed.

(2) Special reserve

In accordance with the provisions of the Financial Supervisory Commission's letter no. 1010012865 issued on April 6, 2012, when distributing the distributable earnings, the Company had additional special reserve appropriated from the current year net income and undistributed earnings of previous years for the net decrease in other shareholders' equity interests recorded during the current year. A portion of undistributed prior-period earnings shall be reclassified to special reserve to account for cumulative changes to the net reduction of other shareholders' equity pertaining to prior period. Amounts of Subsequent reversals pertaining to the reduction of other shareholders' equity shall qualify for additional distributions.

(3) Earnings distribution

Earnings distribution for the years 2021 and 2020 was approved by the shareholders' meeting on June 14, 2022 and August 23, 2021, respectively. The dividends distributed were appropriated as follows:

	2021		2020	
	Share Allocation Ratio (NTD)	**Amount (NT$ in thousands)**	**Share Allocation Ratio (NTD)**	**Amount (NT$ in thousands)**
Dividends distributed to ordinary shareholders:				
Cash	**$ 1.25**	**115,599**	**2.0**	**189,861**

The aforementioned distribution of earnings for the years 2021 and 2020 did not differ from the amount recognized in the financial statements of the Company, and the related information would be available at the Market Observation Post System (MOPS).

The appropriation of earnings in 2022 was approved by the Board of Directors on March 15, 2023, the Board of Directors, is to be presented for approval in the shareholders' meeting. The related information will be available on the Market Observation Post System (MOPS) after the resolution meeting.

(4) Other equity

		Exchange differences on the translation of foreign financial statements	Unearned employee compensation	Total
Balance as of January 1, 2022	$	(17,591)	(9,963)	(27,554)
Exchange differences on the translation of net assets of foreign operations (net of tax)		9,983	-	9,983
Compensation costs of restricted stock award		-	5,781	5,781
Balance as of December 31, 2022	**$**	**(7,608)**	**(4,182)**	**(11,790)**
Balance as of January 1, 2021	$	(19,171)	(22,372)	(41,543)
Exchange differences on the translation of net assets of foreign operations (net of tax)		1,580	-	1,580
Compensation costs of restricted stock award		-	12,409	12,409
Balance as of December 31, 2021	**$**	**(17,591)**	**(9,963)**	**(27,554)**

(5) Treasure stock

On November 8, 2021, the Board of Directors of the Company resolved to execute the repurchase of treasury shares and transfer the shares to the employees. From November 12, 2021 to December 29, 2021 the Company repurchased a total of 3,000 thousand shares, totaling $82,847, and the discount amount of the repurchase of treasury shares was $29 in January 2022. It shall be transferred within five years from the date of buyback, and there is no transfer or cancellation as of December 31, 2022.

Pursuant to the Securities and Exchange Act, the number of shares bought back may not exceed 10% of the total number of issued and outstanding of the Company; the total amount of the shares bought back may not exceed the amount of retained earning plus the premium on capital stock plus realized capital reserve. The shares bought back by the Company shall not be pledged. Before transfer, the shareholder's rights shall not be enjoyed.

(XIV) Share-based payment

1. As of December 31, 2022, the Group had the following equity-settled share-based payment transactions:

	Restricted stock award		
	Issued in 2019	**Issued in 2019**	**Issued in 2018**
Grant date	2020.7.14	2019.10.31	2018.11.2
Given quantity (thousands)	570	1,080	350
Contractual life	1-3 years	1-3 years	1-3 years
Vesting condition	Note	Note	Note
Price per share (NTD)	0	0	0
Adjusted exercise price (NTD)	0	0	0

Note: If the conditions of seniority of service and performance in the restricted stock award are reached, the share proportions of the vested condition were as follows:

1 year of service: 30%, 2 years of service: 30% and 3 years of service: 40%.

2. The Company uses the closing stock price on the date of the grant as the fair value of the share-based payment.
3. Restricted stock awards

Pursuant to the resolutions made during the shareholders' meeting hold on June 8, 2018, the Company issued 2,000 thousand shares of restricted stock awards, which were granted to the subjects with the conditions of seniority of service and performance by the Company's method for issuance of restricted stock awards. The issuance has been registered and approved by the Securities and Futures Bureau of the Financial Supervisory Commission and must be issued within one year. On November 2, 2018, the Board of Directors approved a resolution to issue 350 thousand shares of restricted stock awards, with the effective date of the capital increase set on February 15, 2019. The related registrations of the increase of share capital have already been completed.

Pursuant to the resolutions made during the shareholders' meeting hold on June 10, 2019, the Company issued 2,000 thousand shares of restricted stock awards, which were granted to the subjects with the conditions of seniority of service and performance by the Company's method for issuance of restricted stock awards. The issuance has been registered and approved by the Securities and Futures Bureau of the Financial Supervisory Commission and must be issued within one year. For the first time, the Board of Directors approved a resolution to issue 1,080 thousand shares of restricted stock awards on October 31, 2019, with the effective date of the capital increase set on February 17, 2020. For the second time, the Board of Directors approved a resolution to issue 570 thousand shares of restricted stock awards on July 14, 2020, with the effective date of the capital increase set on July 14, 2020. The related registrations of the increase of share capital have already been completed.

The restricted stock awards allotted to employees shall be delivered to the trustee of the institution designated by the Company in full unless the vesting conditions have been met, and the restricted stock awards may not sell, pledge, transfer, donate, set or do other disposition. Except for the rights restricted prior to delivery to the custody of the trust and failure to meet the vesting conditions, others are the same as the Company's existing ordinary shareholders. Also, the Company has right to take back all unvested shares without compensation and to cancel all restricted stock awards issued to employee who fail to comply with the vesting condition.

The information of the restricted stock award shares were as follows:

Unit: thousands of shares

	2022	**2021**
Outstanding at January 1	734	1,368
Vested in the current period	(494)	(563)
Cancellation recovered from resignation in the current period	(57)	(71)
Outstanding at December 31	**183**	**734**

In 2020, the Company issued 570 thousand shares of restricted stock awards, resulting in the amount of $13,729 to be recognized as capital surplus - restricted stock awards. As of December 31, 2022 and 2021, the Company has deferred the compensation cost arising from the issuance of restricted stock awards were $209,815 and $356,573, respectively. Such deferred amounts were recorded as deduction of other equity. The compensation costs recognized by the Group in 2022 and 2021 were $5,781 and $12,409, respectively, of which the amount of the subsidiaries was $2,000 and $3,952, respectively.

(XV) Earnings per Share

	For the years ended December 31, 2022	2021
Basic earnings per share:		
Net profit (loss) attributable to ordinary equity holders of the Company	$ (165,474)	133,260
Weighted average number of ordinary shares outstanding (in thousands)	92,600	94,817
Basic earnings per share (NTD)	$ (1.79)	1.41
Diluted earnings per share:		
Net profit (loss) attributable to ordinary equity holders of the Company	$ (165,474)	133,260
Weighted average number of ordinary shares outstanding (in thousands)	92,600	94,817
Effect of employee remuneration in shares (in thousands)	-	694
Effect of restricted stock awards unvested (in thousands)	-	937
	92,600	96,448
Diluted earnings per share (NTD)	$ (1.79)	1.38

In 2022, the operating results of the Company showed a loss. When the calculation of diluted earnings per share result in antidilution effect will not include potential ordinary shares arising from eligible share issuance of employee remuneration in shares and restricted stock awards unvested.

(XVI) Remuneration of employees and directors

According to the Company's Articles of Incorporation, if the Company incurs profit for the year, 3% to 12% shall be allocated for employee remuneration and not more than 3% for director remuneration. In case the Company has an accumulated loss, it shall first be used to offset any deficit.

The recipients of shares and cash may include the employee of the XAC's affiliated companies who meet certain conditions.

The Company did not accrue remuneration to employees and directors due to the loss making position for the year ended December 31, 2022. For the year ended December 31, 2021, the Company accrued and recognized its remuneration to employee amounting to $14,640, and director amounting to $3,660. The estimated amounts mentioned above were calculated based on the net profit before tax, excluding the remuneration to employees and directors of the period, multiplied by the percentage remuneration to employees and directors as specified in the Company's Articles of Incorporation under operating cost or expense. If remuneration to employees is resolved to be distributed in stock, the number of shares is determined by dividend the amount of remuneration by the closing market price on the day before the approval by the Board of Directors meeting. The relevant information would be available at the Market Observation Post System website. There were no differences between the aforesaid amounts of employees' and directors' remuneration approved by the Board of Directors and the amount in the consolidated financial statements of 2021.

(XVII) Revenue from contracts with customers

1. Disaggregation of revenue

	For the years ended December 31,	
	2022	**2021**
Primary geographical markets:		
United States	$ 1,007,077	1,153,157
Saudi Arabia	153,849	222,874
United Kingdom	107,429	117,876
Sweden	81,189	26,931
Other countries	54,882	57,888
	$ 1,404,426	**1,578,726**
Major products:		
Electronic fund transaction terminals	$ 748,958	832,520
Transaction security products	175,453	153,816
Card readers and writers	99,236	124,775
Others	380,779	467,615
	$ 1,404,426	**1,578,726**

2. Timing of revenue recognition

	For the years ended December 31,	
	2022	**2021**
At a point in time	$ 1,344,543	1,531,293
Over time	59,883	47,433
	$ 1,404,426	**1,578,726**

3. Contract balances

	2022.12.31	2021.12.31	2021.1.1
Accounts receivable	$ 208,046	599,846	453,946
Less: allowance for doubtful accounts	(1,320)	(1,487)	(2,765)
	$ 206,726	598,359	451,181
Contract assets	$ 44,418	23,977	1,930
Less: allowance for doubtful accounts	-	-	-
	$ 44,418	23,977	1,930
Contract liabilities (accounted in other current liabilities)	$ 19,090	15,134	18,676

For disclosure of accounts receivables and loss allowance, please refer to Note 6 (4).

The contract assets were primarily related to the amount of revenue that has been recognized due to the transfer of labor services to customers but have not yet billed at the reporting date. When the Company enjoys unconditional right to the price, the contract assets are reclassified as accounts receivable.

The contract liabilities were primarily related to the advance received from customers, which revenue is recognized when products are delivered to customers. The amount of revenue recognized for the years ended December 31, 2022 and 2021, which included in the contract liability balance at the beginning of the period were $4,585 and $7,977, respectively.

(XVIII) Non-operating income and expenses

1. Interest revenue

The details of the Group's interest revenue were as follows:

	For the years ended December 31,	
	2022	2021
Interest revenue on bank deposits	$ 4,760	5,077
Other interest revenue	3	4
	$ 4,763	5,081

2. Other gains and losses

The details of the Group's other gains and losses were as follows:

	For the years ended December 31,	
	2022	**2021**
Foreign exchange gain (loss), net	$ 42,337	(6,895)
Net gain or loss on financial assets (liabilities) at fair value through profit or loss	(32,495)	5,520
Loss on arbitration compensation (Note 6 (10))	(329,728)	-
Others	1,797	2,800
	$ (318,089)	**1,425**

3. Finance costs

The details of the Group's financial costs were as follows:

	For the years ended December 31,	
	2022	**2021**
Interest expense on bank borrowings	$ 9	-
Interest expense on lease liabilities	1,156	839
Others	4	-
	$ 1,169	**839**

(XIX) Financial instruments

1. Credit risk

(1) Credit risk exposure

The carrying amount of financial assets and contract assets represent the maximum amount of credit risk exposure.

(2) Concentration of credit risk

As of December 31, 2022 and 2021, 81% and 80% of the Group's accounts receivable were comprised of four customers, respectively. Although there is a potential in concentration of credit risk, the Group periodically assesses the recoverability of accounts receivable and made a corresponding allowance for doubtful accounts. The management does not expect significant losses to occur.

(3) Credit risk of accounts receivable and debt securities

For credit risk and exposure information on accounts receivable, please refer to Note 6 (4). Other financial assets at amortized cost include term deposits, details of related investments and impairment provision, please refer to Note 6 (3).

All of the above are financial assets are considered to have low credit risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses.

2. Liquidity risk

The following table shows the contractual maturity date of financial liabilities, including estimated interest payments but excluding the impact of netting agreements.

	Carrying amount	Contractual cash flows	Within 6 months	6-12 months	1-2years	2-5years	More than 5 years
December 31, 2022							
Non-derivative financial liabilities							
Accounts payable	$ 56,483	(56,483)	(56,483)	-	-	-	-
Salaries and bonuses payable	95,468	(95,468)	(78,558)	(16,910)	-	-	-
Lease liabilities — current and non-current	56,530	(58,748)	(10,646)	(10,490)	(17,583)	(10,443)	(9,586)
Deposits for guarantees (accounted in other current liabilities)	106	(106)	-	(106)	-	-	-
Financial liabilities at fair value through profit or loss - current							
Outflow	111	(53,415)	(53,415)	-	-	-	-
Inflow	-	53,304	53,304	-	-	-	-
	$ 208,698	(210,916)	(145,798)	(27,506)	(17,583)	(10,443)	(9,586)

	Carrying amount	Contractual cash flows	Within 6 months	6-12 months	1-2years	2-5years	More than 5 years
December 31, 2021							
Non-derivative financial liabilities							
Accounts payable (included related parties)	$ 247,661	(247,661)	(247,661)	-	-	-	-
Salaries and bonuses payable	127,183	(127,183)	(112,838)	(14,345)	-	-	-
Accrued remuneration of directors (recorded in other current liabilities)	3,660	(3,660)	(3,660)	-	-	-	-
Lease liabilities — current and non-current	66,442	(69,679)	(10,386)	(10,386)	(20,869)	(17,360)	(10,678)
Deposits for guarantees (recorded in other current liabilities)	106	(106)	-	(106)	-	-	-
Financial liabilities at fair value through profit or loss - current							
Outflow	13	(20,746)	(20,746)	-	-	-	-
Inflow	-	20,733	20,733	-	-	-	-
	$ 445,065	(448,302)	(374,558)	(24,837)	(20,869)	(17,360)	(10,678)

The Group does not except that the cash flows included in the maturity analysis will occur significantly earlier or at significantly different amount.

3. Currency risk

(1) Exposure to currency risk

The Group's financial assets and liabilities exposed to significant foreign currency risk were as follows:

	2022.12.31			2021.12.31		
	Foreign currencies	Exchange Rate	NTD	Foreign currencies	Exchange Rate	NTD
Financial assets						
Monetary items						
USD	$ 13,919	30.675	426,965	25,201	27.646	696,706
Non-monetary items						
USD	250	30.611	Note	12,000	27.661 ~27.845	Note
Financial liabilities						
Monetary items						
USD	1,684	30.675	51,657	6,193	27.646	171,211
Non-monetary items						
USD	12,847	30.457 ~30.472	Note	750	27.664	Note

Note: As of December 31, 2022 and 2021, please refer to Note 6 (2) for the information on the fair value valuation of forward exchange contracts and cross-currency swap contracts.

(2) Sensitivity analysis

The Group's exposure to foreign currency risk from the translation of the foreign currency exchange gains or losses on cash and cash equivalents, accounts receivable and accounts payable that were denominated in foreign currency. Depreciation or appreciation of the NTD by 1% against the USD at December 31, 2022 and 2021, while all other variables were remained constant, would have increased or decreased by $3,753 and $5,255. The two analyses were based on the same basis.

(3) Exchange gains or losses on monetary items

Due to the wide variety of functional currencies of the Group, the exchange gains and losses of monetary items were disclosed in an aggregated manner, and the foreign currency exchange gains (losses) (including realized and unrealized) for 2022 and 2021 were $42,337 and $ (6,895), respectively.

4. Interest rate analysis

The Group's cash and cash equivalents with variable rates, if the interest rates had to increase or decrease by 0.25%, the Group's profit before tax would have increased or decreased by $1,000 and $633, respectively for the years ended December 31, 2022 and 2021 with all other variable factors remaining constant.

5. Fair value information

(1) Categories of financial instruments and fair value

The financial assets and liabilities at fair value through profit or loss are at fair value is measured on a recurring basis. The carrying amount and fair value of the Group's of financial assets and liabilities (including fair value hierarchy levels information, but excluding the financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and for lease liabilities, disclosure of fair value information is not required) were as follows:

	2022.12.31				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets at amortized cost					
Cash and cash equivalents	$ 622,552	-	-	-	-
Financial assets at amortized cost - current	354,629	-	-	-	-
Accounts receivable, net	206,726	-	-	-	-
Financial assets at amortized cost - non-current	3,321	-	-	-	-
Refundable deposits	3,498	-	-	-	-
	$ 1,190,726	**-**	**-**	**-**	**-**
Financial liabilities at fair value through profit or loss	**$ 111**	**-**	**111**	**-**	**111**
Financial liabilities at amortized cost					
Accounts payable	$ 56,483	-	-	-	-
Lease liabilities (included current and non-current)	56,530	-	-	-	-
Deposits for guarantees (recorded in other current liabilities)	106	-	-	-	-
	$ 113,119	**-**	**-**	**-**	**-**

	2021.12.31				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	**$ 1,400**	**-**	**1,400**	**-**	**1,400**
Financial assets at amortized cost					
Cash and cash equivalents	$ 498,507	-	-	-	-
Financial assets at amortized cost - current	304,456	-	-	-	-
Accounts receivable, net	598,359	-	-	-	-
Financial assets at amortized cost - non-current	5,903	-	-	-	-
Refundable deposits	3,441	-	-	-	-
	$ 1,410,666	**-**	**-**	**-**	**-**
Financial liabilities at fair value through profit or loss	**$ 13**	**-**	**13**	**-**	**13**
Financial liabilities at amortized cost					
Accounts payable	$ 274,661	-	-	-	-
Lease liabilities (included current and non-current)	66,442	-	-	-	-
Deposits for guarantees (recorded in other current liabilities)	106	-	-	-	-
	$ 341,209	**-**	**-**	**-**	**-**

(2) Valuation technique of financial instruments not measured at fair value

The Group's valuation technique and assumptions used for financial instruments not measured at fair value were as follows:
Financial assets and liabilities at amortized cost are valued at fair value based on the latest quoted price and agree-upon price. If market value is unavailable, the fair value is evaluated based on the discounted cash flows.

(3) Valuation techniques for financial instruments at fair value - derivative financial instruments

Forward exchange contracts are usually measured at the current forward exchange rate.

No changes to fair value hierarchies in 2022 and 2021.

(XX) Financial risk management

1. Overview

The Group has exposed to the following risks from its financial instruments:

(1) Credit risk

(2) Liquidity risk

(3) Market risk

The following likewise discusses the Group's objectives, policies, and processes for measuring and managing the above-mentioned risks. For more disclosures about the quantitative effects of these risk exposures, please refer to the respective notes to in the accompanying consolidated financial statements.

2. Structure of risk management

The Group develops a disciplined and constructive control environment through training, management guidelines and procedures to make all employees aware of their roles and obligations.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has reviewed the adequacy of the Group's risk management policies and procedures. Internal auditors play a supervisory role. They perform periodic and hoc reviews procedures to risk management relevant controls and procedures and report them to the Board of directors.

3. Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's cash and cash equivalents and receivables.

(1) Cash and cash equivalents

As of December 31, 2022 and 2021, the Group's cash balance held by domestic financial institution accounted for 60% and 52% of the Group's account balance, respectively. However, the credit status of the financial institution is good, and no significant credit risk loss is expected to occur.

(2) Accounts receivable

The Group has established a credit policy, under which each new customer is analyzed for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes, if available, external ratings and, in some cases, bank references. These limits are reviewed periodically. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

When monitoring customer credit risk, grouped customers based on credit characteristics, including legal entity; region, industry, aging, maturity date and pre-existing financial difficulties. Customers rated as high-risk are placed on a restricted customer list and future sales are based on a prepayment basis.

(3) Guarantee

The Group's policy can only provide endorsement guarantee for companies directly or indirectly owned more than 90% shares with voting right by the Group. As of December 31, 2022 and 2021, the Group did not provide any endorsement guarantee.

4. Liquidity risk

The Group's capital and working capital are sufficient to fulfill contractual obligations, and it is not expected that liquidity risk will arise due to the inability to raise capital to settle contractual obligations.

The Group trades derivative financial instrument to avoid the exchange rate risk of net assets and liabilities. There is no significant liquidity risk arising from related cash inflow or outflow at maturity. The Group's liquidity management policy to ensure, as far as possible, that the Group has sufficient capital to meet its obligations as they fall due, under normal and stressful conditions without unacceptable risk of loss or damage to the Group's reputation.

The Group uses the operating base costing system to estimate the cost of its products and services to assist the Group in monitoring cash flow requirements and optimal cash returns on investments. In general, the Group ensures that it has sufficient cash to meet the expected operating expenditure need of 60 days, including the fulfilment of financial obligations, but excludes potential impacts that cannot be reasonably expected in extreme circumstances, such as natural disasters. As of December 31, 2022 and 2021, the Group's unused credit lines were $645,547 and $693,129 respectively.

5. Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, would affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management was to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Group's exposure to the risk of fluctuations in foreign currency exchange rates related primarily to the Group's purchases and sales that are denominated in foreign currencies. Therefore, the Group trades derivative financial instruments adopts economic hedging to avoid the exchange rate risk of foreign currency assets or liabilities held by the Group. The gains and losses arising from exchanges rate changes will offset of hedged items, so the market risk is usually low.

(1) Foreign exchange risk

The Group's exposure to the risks of fluctuation in foreign currency exchanges rates relates primarily to the Group's sales, purchases and borrowings transactions, and those are not denominated in functional currencies of the Group. These transactions are denominated in NTD, JPY and USD.

In respect of other monetary assets and liabilities denominated in other foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when it is necessary to address short-term imbalances.

(2) Interest rate risk

The Group holds variable-rate assets, which cause the exposure to interest rate risk in cash flows, please refer to the detailed explanation in Note 6 (19).

(XXI) Capital management

The Board of Directors' policy is to maintain a strong capital base in order to maintain the confidence of investors, creditors and to sustain future development of the business. Capital consists of share capital, capital surplus and retained earnings of the Company. The Board of Directors monitors the return on capital as well as the level of dividend to ordinary stockholders.

The Group's debt-to-capital ratio at the reporting date was as follows:

	2022.12.31	2021.12.31
Total liabilities	$ 689,396	644,226
Less: cash and cash equivalents	(622,552)	(498,507)
Net liabilities	$ **66,844**	**145,719**
Total Equity	$ **1,350,873**	**1,611,963**
Debt-to-capital ratio	**4.95%**	**9.04%**

As of December 31, 2022, the decrease in the debt-to-capital ratio was mainly due to an increase in cash and cash equivalents resulting from the offsetting of accounts receivable.

(XXII) Non-cash investments and financing activities

For the years ended December 31, 2022 and 2021, reconciliation of liabilities arising from non-cash investment and financing activities were as follows:

	For the years ended December 31,	
Lease liabilities	**2022**	**2021**
Beginning balance	$ 66,442	40,743
Cash flows from:		
Repayment of the principal portion of lease liabilities	(20,068)	(15,013)
Interest paid (Note)	(1,156)	(839)
Non-cash changes		
Interest expense (Note)	1,156	839
Acquisition of right-of-use assets	1,442	40,547
Changes in lease payment	7,892	-
Effects of Changes in Exchange Rates	822	165
Ending balance	$ **56,530**	**66,442**

Note: This is from operating activities.

VII. Related party transactions

Key management personnel compensation comprised of:

	For the years ended December 31,	
	2022	**2021**
Short-term employee benefits	$ 44,413	49,647
Post-employment benefits	1,717	1,722
Share-based payment	922	2,863
	$ 47,052	**54,232**

VIII. Pledged assets

The carrying amounts of the Group's pledged assets were as follows:

Asset name	Object	2022.12.31	2021.12.31
Time deposits (recorded in financial assets at amortized cost – non-current)	Guarantee for land lease agreements with the Hsinchu Science Park Bureau	$ 2,000	2,000
Time deposits (recorded in financial assets at amortized cost – non-current)	Guarantee payment for import VAT	1,321	3,903
		$ 3,321	**5,903**

IX. Significant contingent liabilities and unrecognized commitments

As of December 31, 2022 and 2021, the total amounts of promissory notes deposited by the Group at the bank for acquiring financing were $526,074 and $523,499, respectively.

X. Losses due to major disasters: None.

XI. Subsequent events: None.

XII. Others

Total personnel, depreciation and amortization expense categorized by function were as follows:

By function / By item	For the year ended December 31, 2022			For the year ended December 31, 2021		
	Classified as operating cost	Classified as operating expenses	Total	Classified as operating cost	Classified as operating expenses	Total
Employee benefits						
Salary	136,677	210,476	347,153	113,898	238,124	352,022
Labor health insurance	10,958	24,364	35,322	11,797	24,829	36,626
Pension	10,083	14,980	25,063	10,628	14,528	25,156
Remuneration of directors	-	-	-	-	3,660	3,660
Others	5,202	9,562	14,764	711	3,733	4,444
Depreciation	15,980	13,237	29,217	12,077	12,574	24,651
Amortization	22	4,088	4,110	36	3,761	3,797

XIII. Supplementary Disclosures

(I) Information on significant transactions

From January 1 to December 31, 2022, in accordance with the provisions of the compilation standards, the information related to major transactions that the Group should disclose further is as follow:

1. Money lending to others:

No.	Companies that Lend Funds	Borrower	Financial Statement Account	Related Party	Maximum Amount for the Period	Ending Balance	Actual Amount Drawn	Interest Rate	Nature of financing	Amount of Transactions	Reasons for Short-term Financing	Allowance for doubtful accounts	Collateral		Individual funding limits	Maximum limit of fund financing
													Item	Value		
0	The Company	XAC Suzhou	Other receivables - related parties	Yes	64,392 (USD2,000 in thousands)	-	-	1%	Short-term capital turnover	-	Working capital needs	-	-	-	135,087	270,175

Note: Pursuant to the Procedures of Lending Funds to Others Parties, the aggregate financing amount for a short-term period shall not exceed 20% of the net worth of the Company. The individual financing amount shall not exceed the trade amount between the two parties in the recent year; the transaction amount refers to the higher amount of purchase or sale between the two parties; the individual financing amount for a short-term period shall not exceed 10% of the net worth of the Company.

2. Guarantee and endorsement for other parties: None.

3. Marketable securities held (excluding investment in subsidiaries, associates and joint ventures): None.

4. Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20% of the paid-in capital: None.

5. Acquisition of individual real estate with amounts exceeding NT$300 million or 20% of the paid-in capital: None.

6. Disposal of individual real estate with amounts exceeding NT$300 million or 20% of the paid-in capital: None.

7. Purchases from or sales to related parties with amounts exceeding NT$100 million or 20% of the paid-in capital:

Company Name	Counterparty	Relationship	Transaction Details				Transaction with Terms Different from Others		Notes /Accounts Receivable (Payable)		Note
			Purchases /Sales	Amount	Percentage of Total Purchases /Sales	Credit Terms	Unit Price	Credit Terms	Ending Balance	Percentage of Total Notes / Accounts Receivable (Payable)	
The Company	XAC Suzhou	Subsidiaries	Purchase	808,029	87%	30~90 days	-	-	(83,675)	(71)%	

Note: All inter-company transactions have been eliminated in the consolidated financial statements.

8. Receivables from related parties with amounts exceeding NT$100 million or 20% of the paid-in capital: None.

9. Derivatives transaction: Please refer to Note 6 (2).

10. Business relationship and significant intercompany transaction:

No.	Company	Counterparty	Relationship	Description of Transactions			
				Financial Statement Account	Amount	Trading Term	Percentage of consolidated net revenue or total assets
0	The Company	Value	Parent to subsidiary	Investment accounted for using equity method	426,936	-	21%
0	The Company	Zakus	Parent to subsidiary	Investment accounted for using equity method	61,562	-	3%
0	The Company	XAC Suzhou	Parent to subsidiary	Purchase	808,029	30~90 days	58%
0	The Company	XAC Suzhou	Parent to subsidiary	Accounts payable	83,675	30~90 days	4%
0	The Company	XAC Suzhou	Parent to subsidiary	Warranty and production expense	8,441	30~90 days	-%
0	The Company	Zakus	Parent to subsidiary	Research and development and service expenses	68,527	30 days	5%
1	Value	XAC Suzhou	Parent company to subsidiary	Investment accounted for using equity method	447,463	-	22%

(II) Investment on investees:

For the year ended December 31, 2022, the investment information was as follows (excluding the investee in mainland China):

Name of Investor	Name of Investee	Location	Main Business Activities	Initial Investment Amount		End-of-period holding			Highest Percentage of ownership during the Period	Net income (losses) of investee	Share of profit/loss of investee	Note
				Ending Balance	Beginning balance	Shares	Percentage of Ownership	Carrying Amount				
The Company	Value	Samoa	Holding company	168,889	168,88	(Note 1)	100%	426,9	100%	3,5	(9,089) (Note 2)	Subsidiaries of the Company
The Company	Zakus	United States	R&D Center and Market Research Related Services	37,145	37,14	200	100%	61,5	100%	4,6	4,696	Subsidiaries of the Company

Note 1. Is a limited company.
Note 2. Unrealized gains or losses on upstream transactions have been eliminated in the consolidated financial statements.

(III) Information on investment in Mainland China:

1. The name of investee in Mainland China, the main business and other related information:

Investee Company	Main Business Activities	Total Amounts of Paid-in Capital	Method of Investments	Accumulated Outflow of Investment from Taiwan as of January 1, 2022	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2022	Net Income (Loss) of Investee	Ownership through Direct / Indirect Investment	Investment Income (Loss) Recognized by the Company	Carrying Amount of Investments as of December 31, 2022	Accumulated Inward Remittance of Earnings in as of December 31, 2022
					Outflow	Inflow						
XAC Suzhou	Production and marketing of electronic financial transaction terminals, transaction data security protection equipment, multi-function smart cards, card readers and writers, and their components	224,042	(Note 1)	165,841	-	-	165,841 (Note 3)	3,7	100%	3,761 (Note 2)	447,463	396,532

Note 1. Indirect investment in Mainland China through Value.
Note 2. The financial statements of the investee company were audited by the international accounting firms which cooperated with R.O.C. accounting firms.
Note 3. The accumulated outflow of investment remitted from Taiwan at the end of the current period did not include the earnings transferred to capital stock of $58,201 in 2008.

2. Quota for investment in Mainland China:

Accumulated investment in Mainland China as of December 31, 2022 (Note 1 and 2)	Investment amounts authorized by the Investment Commission of Economic Affairs (MOEA)	Upper Limit on Investment imposed by Investment Commission of Economic Affairs (MOEA)
197,901 (USD 5,995)	252,441 (USD 7,795)	810,524

Note 1. Beijing Tongjinhua Technology Co., Ltd., an indirectly invested subsidiary by the Company has completed its liquidation of various rights and obligations and cancelled its registration in 2011. The investment amounted to $25,715 (USD 800) still needs to be included in the cumulative amount of investments from Taiwan to Mainland China according to the regulations of the Investment Commission of Economic Affairs (MOEA).
Note 2. Tongjinhua Suzhou Co., Ltd., an indirectly invested subsidiary by the Company has completed its liquidation of various rights and obligations and cancelled its registration in 2011. The investment amounted to $6,345 (USD 195) still needs to be included in the cumulative amount of investments from Taiwan to Mainland China according to the regulations of the Investment Commission of Economic Affairs (MOEA).

3. Significant transactions:

   Significant direct or indirect transactions with the investees in Mainland China for the year ended December 31, 2022, for which intercompany transactions were eliminated upon consolidation, are disclosed in "Information on significant transactions."

(IV) Major shareholder information:

Unit: Thousands of shares

Shareholding / Major Shareholders	Total Shares Owned	Ownership Percentage
Zhang Ruimin	5,060	5.26%

Note: (1) The main shareholder information in this table is calculated by the Taiwan Depository & Clearing Corporation on the last business day at the end of each quarter, based on those who held more than 5% of the Company's ordinary shares and preference shares and have completed unregistered non-physical securities delivered (including treasury shares). As for the share capital recorded in the Company's financial statements and the actual number of shares delivered without physical registration, there may be differences due to different basis of calculation.

(2) In the case of the above information, if a shareholder delivers the shares to the trust, it is disclosed in the individual accounts of the trustee who opened the trust account by the trustee. As for the shareholders' declaration of insider's equity holding more than 10% of the shares in accordance with the Securities and Exchange Act, his shareholding includes his shareholding plus the shares delivered to the trust and the right to use the trust property, etc.. Please refer to the Market Observation Post System (MOPS) for the insider's equity declaration information.

XIV. Segment Information

(I) General Information

The Group is mainly engaged in the research, development, production, manufacture and sale of electronic fund transaction terminals and their components, transaction security products and their components as well as multi-function smart cards, card readers and writers and their components, as a single operating segment.

The segment financial information is found in the consolidated financial statements. For sales (from external customers) and income before tax, please refer to the consolidated statement of comprehensive income; For assets, please refer to the consolidated balance sheet.

(II) Products and services information

The Group’s revenue from external customers were as follows:

	For the years ended December 31, 2022	2021
Product:		
Electronic fund transaction terminals	$ 748,958	832,520
Transaction security products	175,453	153,816
Card readers and writers	99,236	124,775
Others	380,779	467,615
	$ 1,404,426	**1,578,726**

	For the years ended December 31, 2022	2021
Service:		
At a point in time	$ 1,344,543	1,531,293
Over time	59,883	47,433
	$ 1,404,426	**1,578,726**

(III) Geographic information

In presenting information on the basis of geographic, segment revenue is based on the geographical location of customers, and segment assets are based on the geographical location of the assets.

	For the years ended December 31, 2022	2021
Revenue from external customers:		
United States	$ 1,007,077	1,153,157
Saudi Arabia	153,849	222,874
United Kingdom	107,429	117,876
Sweden	81,189	26,931
Other countries	54,882	57,888
	$ 1,404,426	**1,578,726**

	2022.12.31	**2021.12.31**
Non-current assets:		
Taiwan	$ 86,382	92,526
China	42,343	49,733
United States	-	3,431
	$ 128,725	**145,690**

(IV) Major customer information

The amounts of sales to customers representing greater than 10% of the net revenue were as follows:

	For the years ended December 31,			
	2022		2021	
	Amount	Percentage of Net Revenue %	Amount	Percentage of Net Revenue %
C Customer	$ 379,326	27	513,772	33
B Customer	345,941	25	385,166	24
D Customer	153,849	11	222,874	14
G Customer	142,500	10	83,416	5
	$ 1,021,616	**73**	**1,205,228**	**76**

Independent Auditors' Report

To the Board of Directors of XAC Automation Corporation:

Opinion

We have audited the consolidated financial statements of XAC Automation Corporation, which comprise the balance sheets as of December 31, 2022 and 2021, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years ended December 31, 2022 and 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the parent-company-only financial position of XAC Automation Corporation as of December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), Interpretations developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audit 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 parent-company-only financial statements section of our report. We are independent of XAC Automation Corporation in accordance with the Norm of Professional Ethics for Certified Public Accountant of Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirement. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statement for the year ended December 31, 2022. These matters were addressed in the contest of our audit of the parent-company-only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Based on our judgements, the key audit matters should be communicated in the audit report are as follows:

I. Revenue recognition

Please refer to Note 4 (14) revenue recognition for the accounting policy and Note 6 (18) Revenue of Customer Contracts for the explanation of revenue recognition to the parent-company-only financial statements.

Explanation of key audit matters:

Revenue is measured based on the consideration that XAC Automation Corporation expects to be entitled in the transfer of goods or services to a customer. XAC Automation Corporation recognizes revenue when it satisfies a performance obligation by transferring control over a good or service to a customer. Since revenue contracts with clients usually contain more than one performance obligation, in accordance with IFRS 15 “Revenue” is recognized when control of the promised goods or services has been transferred to the customer, it is highly probable that the consideration will be collected, the related costs and possible product returns can be reliably estimated, there is no continuing involvement in the management of the goods, and the revenue amount can be reliably measured. The timing of recognition must be assessed separately for each performance obligation in terms of when control over the goods or services is transferred. Due to the varying terms of each contract, it is possible that the transfer of control of goods or services stipulated in the contract has not been appropriately considered, resulting in the recognition of revenue at an inappropriate time. Therefore, this has been listed as a key audit matter for the auditor.

Auditing Procedures:

Our main audit procedures for the aforementioned key audit matters include understanding and testing the relevant internal control of the sales and collection cycle; understanding the form, contractual terms and transaction conditions of the main revenue to assess whether the revenue recognition point is appropriate; selecting and reviewing contracts to assess the impact of contractual terms and transaction conditions on revenue recognition and confirming whether the accounting treatment is appropriate.

II. Inventory valuation

Please refer to Note 4 (8) Inventory for the accounting policy and Note 6 (5) Inventory for the explanation of inventory valuation to the parent-company-only financial statements.

Explanation of key audit matters:

XAC Automation Corporation’s accounted inventory may be due to normal wear and tear, obsolescence or no market value of sales, and then offset the inventory cost to net realizable value. This valuation may be due to the introduction of new products in the market, the original product is obsolete or no longer meet the market demand, resulting in significant changes in product demand, and this may lead to a possible decrease in demand and price, which may, in turn, create a risk that the cost of inventory exceeds its net realizable value. Consequently, the inventory valuation tests are an important part of our assessment in performing our audit of XAC Automation Corporation’s financial statements.

Auditing Procedures:

Our principal audit procedures included: Obtaining the inventory aging report and checking the accuracy with the general ledger, and testing the accuracy of the aging of inventory based on the available documents of the last transaction; understanding the management’s method of calculating the net realizable value, and to perform testing by vouching relevant documents to the testing samples; evaluating the reasonableness of the accounting policy for inventory write-down or slow-moving provision, and making an assessment of their adequacy for aging inventories; as well as considering the appropriateness of XAC Automation Corporation’s disclosures in the accounts.

Responsibilities of Management and Those Charged with Governance for the Parent-Company-Only 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 with the IFRSs, IASs interpretations as well as related guidance endorsed 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 parent-company-only financial statements, the management is responsible for assessing XAC Automation Corporation'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 the management either intends to liquidate XAC Automation Corporation or to cease operations or has no realistic alternative but to do so.

Those charged with governance (including members of the Audit Committee) are responsible for overseeing XAC Automation Corporation's financial reporting process.

Auditors' Responsibilities for the Audit of the Parent-Company-Only Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent-company-only financial statements as a whole is free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high degree of assurance, but is not a guarantee that an audit misstatement when it exists. Misstatement 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 those parent-company-only financial statements.

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

I. Identify and assess risks of material misstatement of the parent-company-only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient 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.

II. Obtain an understanding of the internal controls relevant to the audit in order to design the audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of XAC Automation Corporation's internal controls.

III. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and relevant disclosures made by management.

IV. 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 XAC Automation Corporation'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 parent-company-only 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 XAC Automation Corporation to cease to continue as a going concern.

V. Evaluated the overall presentation, structure and content of the parent-company-only financial statements, including the disclosures, and whether the parent-company-only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

VI. Obtain sufficient and appropriate audit evidence regarding the financial information of the investment in entities accounted for using equity method to express an opinion on the parent-company-only financial statements. We are responsible for the direction, supervision and performance of the 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 a statement 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.

For the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent-company-only financial statements of the current period and are therefore the key audit matters. We describe these matters 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 audit resulting in this independent auditors' report are Hai-Ning Huang and Mei-Yu Tseng.

KPMG

Taipei, Taiwan (Republic of China)
March 15, 2023

<u>*Notices to Readers*</u>

The accompanying consolidated financial statements are intended only to present the parent-company-only 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 parent-company-only financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying parent-company-only 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.

(English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese)

XAC Automation Corporation

Balance Sheets

December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollar)

Code	Assets	2022.12.31 Amount	%	2021.12.31 Amount	%
	Current assets:				
1100	Cash and cash equivalents (Note 6 (1))	$ 578,390	29	458,402	21
1110	Financial assets at fair value through profit or loss - current (Note 6 (2))	-	-	338	-
1136	Financial assets at amortized cost – current (Note 6 (3))	354,560	18	304,382	14
1140	Contract assets - current (Note 6 (18))	44,418	2	23,977	1
1170	Accounts receivable, net (Notes 6 (4) and (18))	206,726	11	598,359	28
130X	Inventories (Note 6 (5))	180,510	9	163,483	8
1479	Other current assets	6,155	-	10,960	1
	Total current assets	1,370,759	69	1,559,901	73
	Non-current assets:				
1535	Financial assets at amortized cost – non-current (Note 8)	2,000	-	2,000	-
1550	Investments accounted for using equity method (Note 6(6))	488,498	25	478,413	22
1600	Property, plant and equipment (Note 6 (7))	65,803	3	71,414	3
1755	Right-of-use assets (Note 6 (8))	17,430	1	20,921	1
1780	Intangible assets (Note 6 (9))	3,149	-	191	-
1840	Deferred tax assets (Note 6 (13))	46,763	2	11,053	1
1920	Refundable deposits	528	-	528	-
	Total non-current assets	624,171	31	584,520	27
	Total assets	**$ 1,994,930**	**100**	**2,144,421**	**100**

Code	Liabilities and Equity	2022.12.31 Amount	%	2021.12.31 Amount	%
	Current liabilities:				
2120	Financial liabilities at fair value through profit or loss - current (Note 6 (2))	$ 111	-	13	-
2170	Accounts payable	11,883	1	39,440	2
2180	Accounts payables to related parties (Note 7)	105,806	6	250,916	12
2201	Salaries and bonuses payable	58,636	3	66,394	3
2230	Current tax liabilities	4,482	-	29,707	1
2280	Lease liabilities – current (Note 6 (10))	3,926	-	3,992	-
2300	Other current liabilities (Notes 6 (11), (18) and 9)	44,117	2	59,116	3
	Total current liabilities	228,961	12	449,578	21
	Non-current liabilities:				
2550	Provision –non-current (Note 6 (11))	344,965	17	2,528	-
2570	Deferred tax liabilities (Note 6 (13))	41,829	2	43,875	2
2580	Lease liabilities – non-current (Note 6 (10))	13,621	1	17,258	1
2640	Net defined benefit liabilities – non-current (Note 6 (12))	14,681	1	19,219	1
	Total non-current liabilities	415,096	21	82,880	4
	Total liabilities	644,057	33	532,458	25
	Equity (Notes 6 (14) and (15)):				
3110	Common stock	961,562	48	962,131	45
3200	Capital surplus	85,997	4	85,428	4
	Retained earnings:				
3310	Legal reserve	430,820	22	417,277	19
3320	Special reserve	19,169	1	19,169	1
3350	Undistributed earnings (accumulated deficit)	(52,067)	(3)	238,359	11
		397,922	20	674,805	31
3400	Other Equity	(11,790)	(1)	(27,554)	(1)
3500	Treasury stock	(82,818)	(4)	(82,847)	(4)
	Total equity	1,350,873	67	1,611,963	75
	Total liabilities and equity	**$ 1,994,930**	**100**	**2,144,421**	**100**

(See accompanying notes to the parent-company-only financial statement)

(English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese)

XAC Automation Corporation

Statements of Comprehensive Income

For the years ended December 31, 2022 and 2021

(Expressed in thousands of New Taiwan dollars, except for Earnings (loss) per share)

		2022		2021	
		Amount	%	Amount	%
4000	**Operating revenue** (Note 6 (18))	$ 1,404,417	100	1,578,931	100
5000	**Operating costs** (Notes 6 (5), 7 and 12)	989,283	70	1,111,415	70
	Gross profit	415,134	30	467,516	30
	Operating expenses (Notes 6 (12), (17), 7 and 12):				
6100	Selling and marketing expenses	28,161	2	21,425	1
6200	General and administrative expenses	69,701	5	83,625	5
6300	Research and development expenses	210,360	15	231,500	15
6450	Expected credit impairment gain (Note 6 (4))	(167)	-	(1,278)	-
	Total operating expenses	308,055	22	335,272	21
	Net operating profit	107,079	8	132,244	9
	Non-operating revenue and expenses:				
7020	Other gains and losses (Note 6 (19))	(313,800)	(23)	(2,285)	-
7070	Share of profit (loss) of subsidiaries accounted for using equity method (Note 6(6))	(4,393)	-	33,001	2
7100	Interest revenue (Note 6 (19))	4,565	-	3,880	-
7510	Interest expense (Notes 6 (10) and (19))	(262)	-	(274)	-
		(313,890)	(23)	34,322	2
	Net profit (loss) before tax	(206,811)	(15)	166,566	11
7950	**Income tax expense (gain)** (Note 6 (13))	(41,337)	(3)	33,306	2
	Profit (loss) for the year	(165,474)	(12)	133,260	9
8300	**Other comprehensive income:**				
8310	**Items that will not be reclassified subsequently to profit or loss**				
8311	Remeasurement of defined benefit plan (Note 6 (12))	5,238	-	2,717	-
8349	Income tax related to items that will not be reclassified subsequently (Note 6 (13))	(1,048)	-	(543)	-
		4,190	-	2,174	-
8360	**Items that may be reclassified subsequently to profit or loss**				
8361	Exchange differences on translation of foreign financial statements	12,478	1	1,975	-
8399	Income tax related to items that may be reclassified subsequently (Note 6 (13))	(2,495)	-	(395)	-
	Total items that may be reclassified subsequently to profit or loss	9,983	1	1,580	-
8300	**Other comprehensive income**	14,173	1	3,754	-
	Total comprehensive income	$ (151,301)	(11)	137,014	9
	Earnings per share (NT$)(Note 6 (16))				
	Basic earnings per share	$ (1.79)		1.41	
	Diluted earnings per share	$ (1.79)		1.38	

(See accompanying notes to the parent-company-only financial statement)

(English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese)

XAC Automation Corporation

Statements of Changes in Equity

For the years ended December 31, 2022 and 2021

(Expressed in thousands of New Taiwan dollars)

			Retained earnings				Other equity items				
	Common stock	Capital surplus	Legal reserve	Special reserve	Undistributed earnings (accumulated deficit)	Total	Exchange differences on translation of foreign operations	Unearned employee compensation	Total	Treasury stock	Total equity
Balance as of January 1, 2021	$ 962,836	84,723	396,587	17,793	314,852	729,232	(19,171)	(22,372)	(41,543)	-	1,735,248
Net profit	-	-	-	-	133,260	133,260	-	-	-	-	133,260
Other comprehensive income	-	-	-	-	2,174	2,174	1,580	-	1,580	-	3,754
Total comprehensive income	-	-	-	-	135,434	135,434	1,580	-	1,580	-	137,014
Appropriation and distribution of earnings:											
Legal reserve	-	-	20,690	-	(20,690)	-	-	-	-	-	-
Special reserve	-	-	-	1,376	(1,376)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(189,861)	(189,861)	-	-	-	-	(189,861)
Treasury stock acquired	-	-	-	-	-	-	-	-	-	(82,847)	(82,847)
Compensation costs of restricted stock award	-	-	-	-	-	-	-	12,409	12,409	-	12,409
Cancellation of restricted stock award	(705)	705	-	-	-	-	-	-	-	-	-
Balance as of December 31, 2021	962,131	85,428	417,277	19,169	238,359	674,805	(17,591)	(9,963)	(27,554)	(82,847)	1,611,963
Net loss	-	-	-	-	(165,474)	(165,474)	-	-	-	-	(165,474)
Other comprehensive income	-	-	-	-	4,190	4,190	9,983	-	9,983	-	14,173
Total comprehensive income	-	-	-	-	(161,284)	(161,284)	9,983	-	9,983	-	(151,301)
Appropriation and distribution of earnings:											
Legal reserve	-	-	13,543	-	(13,543)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(115,599)	(115,599)	-	-	-	-	(115,599)
Discounts on the acquisition of treasury shares	-	-	-	-	-	-	-	-	-	29	29
Compensation costs of restricted stock award	-	-	-	-	-	-	-	5,781	5,781	-	5,781
Cancellation of restricted stock award	(569)	569	-	-	-	-	-	-	-	-	-
Balance as of December 31, 2022	**$ 961,562**	**85,997**	**430,820**	**19,169**	**(52,067)**	**397,922**	**(7,608)**	**(4,182)**	**(11,790)**	**(82,818)**	**1,350,873**

(See accompanying notes to the parent-company-only financial statement)

(English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese)

XAC Automation Corporation

Statements of Cash Flows

For the years ended December 31, 2022 and 2021

(Expressed in thousands of New Taiwan dollars)

	2022	2021
Cash flows from operating activities:		
Net profit (loss) before income tax	$ (206,811)	166,566
Adjustments:		
Adjustments to reconcile loss (profit)		
Depreciation	11,086	11,286
Amortization	199	88
Expected credit impairment reversal gains	(167)	(1,278)
Interest expenses	262	274
Interest revenue	(4,565)	(3,880)
Compensation costs of share-based payment	3,781	8,456
Provision (reversal) for inventory valuation and obsolescence loss	7,533	(400)
Share of profit (loss) of subsidiaries accounted for using equity method	4,393	(33,001)
Unrealized valuation loss on financial assets and liabilities	436	362
Gains on lease modifications	(315)	-
Total adjustment to reconcile profit	22,643	(18,093)
Changes in assets and liabilities:		
Increase in contract assets	(20,441)	(22,047)
Decrease (increase) in accounts receivable	391,800	(145,900)
Increase in inventories	(24,560)	(92,649)
Decrease (increase) in other operating assets	4,891	(4,956)
Increase (decrease) in accounts payable	(27,557)	5,732
Decrease in accounts payables to related parties	(145,110)	(15,893)
Increase (decrease) in provision	330,377	(5,709)
Increase (decrease) in other operating liabilities	(21,384)	16,780
Increase (decrease) in net defined benefit liabilities	(348)	628
Total changes in assets and liabilities	487,668	(264,014)
Cash generated from (used in) operations	303,500	(115,541)
Interest received	4,387	3,940
Interest paid	(262)	(274)
Income tax paid	(24,225)	(53,074)
Net cash generated from (used in) operating activities	283,400	(164,949)
Cash flows from investing activities:		
Acquisition of property, plant, and equipment	(4,337)	(3,157)
Disposal of property, plant and equipment	-	1,191
Acquisition of intangible assets	(164)	(230)
(Increase) decrease in financial assets at amortized cost	(50,000)	70,000
Net cash generated from (used in) investing activities	(54,501)	67,804
Cash flows from financing activities:		
Cash dividends paid	(115,599)	(189,861)
Adjustment of the acquisition of treasury shares	29	(82,847)
Repayment of lease liabilities	(4,028)	(3,471)
Net cash flows used in financing activities	(119,598)	(276,179)
Effects of exchange rate changes on cash and cash equivalents	10,687	-
Net increase (decrease) in cash and cash equivalents	119,988	(373,324)
Cash and cash equivalents at the beginning of the period	458,402	831,726
Cash and cash equivalents at the end of the period	**$ 578,390**	**458,402**

(See accompanying notes to the parent-company-only financial statement)

(English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese)

XAC Automation Corporation

Notes to the Financial Statements

For the years ended December 31, 2022 and 2021

(Unless otherwise stated, all amounts are in thousands of NTD)

I. Company history

XAC Automation Corporation (hereinafter referred to as "the Company") was founded in Hsinchu Science Park on April 8, 1997, with the registered address at 4th Floor, No. 30, Gongye East 9th Road, Hsinchu Science Park. The Company's ordinary shares were publicly listed on the Taiwan Stock Exchange on May 14, 2001. The main business items of the Company are research, development, production, manufacture and sale of electronic financial transaction terminals and their components, transaction data security protection equipment and their components as well as multi-function smart cards, card readers and writers and their components.

II. The authorization of financial statements

The parent-company-only financial statements were approved and authorized for issue by the Board of Directors on March 15, 2023.

III. Application of new and revised standards and interpretations

(I) The impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. ("FSC") which have already been adopted.

The Company has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2022:

- Amendments to IAS 16 "Property, Plant and Equipment – Proceeds before Intended Use"
- Amendments to IAS 37 "Onerous Contract – Cost of Fulfilling the Contract"
- Annual Improvements to IFRS Standards 2018-2020
- Amendments to IFRS 3 "Reference to the Conceptual Framework"

(II) The impact of IFRSs issued by the FSC but not yet effective

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2023, would not have a significant impact on its consolidated financial statements:

- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

(III) The impact of IFRSs issued by the International Accounting Standards Board (IASB) but not yet endorsed by the FSC

The Company does not expect the following new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its consolidated financial statements:

- Amendments to IFRS 10 and IAS 28 “Sales or Contributions of Assets Between an Investor and its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Non-current Liabilities with Covenants”
- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information”
- Amendments to IFRS 16 “Requirements for Sale and Leaseback Transactions”

IV. Summary of significant accounting policies

The summary of significant accounting policies used in the parent-company-only financial statements is as follows. Unless otherwise stated, the following accounting policies have been applied consistently for all periods of presentation of the parent-company-only financial statements.

(I) Compliance declaration

The parent-company-only financial statements have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” (hereinafter referred to as the Regulations).

(II) Basis of preparation

1. Measurement bases

   The parent-company-only financial statements have been prepared on a historical cost basis except for the following material items in the balance sheets:

   (1) Financial assets at fair value through profit or loss are measured at fair value;

   (2) The net defined benefit liabilities are measured as the fair value of the plan assets, less the present value of the defined benefit obligation.

2. Functional and presentation currency

   The functional currency of the Company is the currency of the primary economic environment in which the entity operates. The parent-company-only financial statements are presented in New Taiwan Dollars (NTD), which is the Company’s functional currency. Unless otherwise noted, all financial information presented in NTD has been rounded to the nearest thousand.

(III) Foreign currencies

1. Foreign currency transactions

   Foreign currency transactions are converted into functional currencies at the exchange rate of the date of the transactions. At the end of subsequent period (hereinafter referred to as the reporting date), monetary items denominated in foreign currencies are retranslated at the rate prevailing at the date. 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. Non-monetary items measured at historical cost that are denominated in foreign currencies are retranslated at the rate prevailing at the transaction date.

   The foreign currency exchange differences arising from the conversion are usually recognized in profit or loss.

2. Foreign operation

   The assets and liabilities of foreign operations, including the goodwill and fair value adjustments arising at the time of acquisition, are translated into NTD at the exchange rate on the reporting date; income and expense items are translated at the average exchange rate for the period. Exchange differences arising on the translation are recognized in other comprehensive income.

When the disposal of a foreign operation results in loss of control, joint control or significant influence, the cumulative exchange difference associated with the foreign operation is reclassified as profit or loss. When partial disposal includes subsidiaries of the foreign operation, the cumulative exchange differences are proportionately re-attributed to non-controlling interests. When partial disposal includes associates or joint venture investment of foreign operations, the cumulative exchange differences are proportionately reclassified to profit or loss.

Foreign currency exchange gains or losses arising on monetary receivables or payables of foreign operations are considered to be part of the net investment in the foreign operations and are recognized in other comprehensive income if there is no repayment plan and it is not possible to repay it in the foreseeable future.

(IV) Classification of current and non-current assets and liabilities

Assets that meet one of the following conditions are classified as current assets, and all other assets are classified as non-current assets:

1. It expects to realize the asset, or intends to sell or consume it, in its normal operating cycle.

2. It is held primarily for trading purposes.

3. It is expected to be realized within twelve months after the reporting period; or

4. The asset is cash or cash equivalents unless there are other limitations on the asset being exchanged or used to settle liabilities at least twelve months after the reporting period.

Liabilities that meet one of the following conditions are classified as current liabilities, and all other liabilities are classified as non-current liabilities:

1. It expects to settle the liability in its normal operating cycle.

2. It is held primarily for trading purposes.

3. It is due to be settled within twelve months after the reporting period; or

4. It does have an unconditional right to defer settlement for at least twelve months after the reporting period. The terms of the liability may, depending on the choice of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(V) Cash and cash equivalents

Cash includes cash on hand and demand deposits. Cash equivalents are short-term and highly liquid investments that are readily convertible to known amount of cash and are subject to an insignificant risk of changes in value. Time deposits that meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes are recognized as cash equivalents.

(VI) Financial instruments

Accounts receivable and debt securities issued are initially recognized at the time of generation. All other financial assets and financial liabilities were initially recognized when the Company becomes a party to the contractual provisions of the instruments. A financial assets (unless it is an accounts receivable without significant financial components) or financial liability is initially measured at fair value plus, for an item not at fair value though profit or loss, transaction costs that are directly attributable to its acquisition or issue. Accounts receivable, excluding significant financial components, are initially measured at the transaction price.

1. Financial assets

For financial assets purchased or sold through the regular way purchase or sale, the Company uniformly applies the trade date or settlement date accounting treatment to all financial assets that are classified in the same manner.

On initial recognition, financial assets are measured as financial assets at amortized cost and financial assets at fair value through profit or loss. The Company will only reclassify all affected financial assets if it changes the business model of managing financial assets from the first day of the next reporting period.

(1) Financial assets at amortized cost

Financial assets are measured at amortized cost when they meet the following conditions and are not designated as measured at fair value through profit or loss:

- It is held within a business model objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows on specified dates to cash flows that are solely payments of principal and interest on the principal amounts outstanding.

These assets are subsequently measured at the original recognition amount plus or minus the accumulated amortization calculated using the effective interest method, and adjusted for the amortized cost measurement of any allowance for losses. Interest revenue, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

(2) Financial assets at fair value through profit or loss

Financial assets not measured at cost after amortization and measured at fair value through other comprehensive income described as above are measured at fair value through profit or loss, including derivative financial assets. In order to eliminate or significantly reduce accounting mismatch, at the time of original recognition, the Company may irrevocably designate financial assets that meet the criteria for measurement at amortized cost or fair value through other comprehensive income as financial assets at fair value through profit or loss.

These assets are subsequently measured at fair value. Net gains or losses are recognized in profit or loss.

(3) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses on financial assets measured at amortized cost (including cash and cash equivalents, accounts receivable, refundable deposits, and other financial assets) and contract assets.

The following financial assets are measured in terms of the amount of allowance for expected credit losses for 12 months, and the rest are measured in terms of the amount of expected credit losses during the holding period:

- Determine that the credit risk of debt securities is low on the reporting date; and
- The credit risk of other debt securities and bank deposits (i.e., the risk of default during the expected duration of the financial instrument) has not increased significantly since the initial recognition.

Loss allowance for accounts receivable and contract assets are recognized at an amount equal to expected credit loss resulting from all possible default events over the expected life of a financial instrument.

In determining whether there has been a significant increase in credit risk since the initial recognition, the Company considers reasonable and verifiable information (available without undue cost or input), including qualitative and quantitative information, and analysis based on the historical experience, credit assessment and forward-looking information of the Company.

If the credit risk rating of a financial instrument corresponds to, or is higher than, the globally defined "investment grade" (i.e., Standard & Poor's investment grade BBB-, Moody's investment grade Baa3, or Taiwan Ratings Corp.'s investment grade twA, or higher), the Company considers the credit risk of the debt security to be low.

The Company assumes that the credit risk of the financial assets has increased significantly if it is more than 90 days past due.

If the contractual payments are more than 180 days past due, or if the borrower is unlikely to fulfil his credit obligations to pay the full amount to the Company, the Company considers the financial asset to be in default.

Expected credit losses during the holding period refer to expected credit losses arising from all possible defaults during the expected holding period of a financial instrument.

Twelve-month expected credit loss is the expected credit loss (or a shorter period if the expected duration of the financial instrument is shorter than twelve months) arising from a potential default of the financial instrument within twelve months after the reporting date.

Expected credit losses are measured is the maximum contract period for which the Company is exposed to credit risk.

Expected credit losses are weighted estimates of the probability of credit losses during the expected holding period of the financial instrument. Credit losses are measured at the present value of all cash receipts, i.e., the difference between the Company can collect under the contract and the Company is expected to collect. Expected credit losses are discounted at the effective interest rate of financial assets.

At each reporting date, the Company assesses whether financial assets at amortized cost are credit-impaired. A financial asset is "credit-impaired" when one or more events that have a detrimental impact on the estimated future cash flows of a financial asset have occurred. Evidence of credit impairment of financial assets includes observable information on the following matters:

- Significant financial difficulties of the borrower or the issuer;

- Default, such as delay or overdue for more than 90 days;
- For economic or contractual reasons related to the borrower's financial difficulties, the Company makes concessions to the borrower that it would not otherwise consider;
- The borrower is likely to file for bankruptcy or other financial restructurings; or
- Due to financial difficulties, the active market of the financial asset disappeared.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amounts of the assets.

The gross carrying amount of a financial asset is written off either partially or in full to the extent that there is no realistic prospect of recovery. The Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, the written-off financial assets can still be enforced to comply with the Company's procedures for recovering overdue amounts.

(4) Derecognition of financial assets

The Company will derecognize financial assets when the contractual rights to the cash flows from the financial assets expire, or it transfers to the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all risks and rewards of ownership and it does not retain control over the financial asset.

2. Financial liabilities and equity instruments

(1) Classification of debt or equity

Debt and equity instruments issued by the Company are classified as financial liabilities or equity according to the substance of the contractual arrangement and the definition of financial liabilities and equity instruments.

(2) Equity Transactions

The equity instrument is any contract that recognizes the Company's residual interest in the assets after deducting all of its liabilities. The equity instruments issued by the Company are recognized based on the amount obtained after deducting the direct issuance cost.

(3) Treasury shares

The consideration paid (including the direct attributable cost) is recognized as a decrease in equity when the Company repurchases the recognized equity instruments. Repurchased shares are classified as treasury shares. For subsequent sale or re-issuance of treasury shares, the amount received is recognized as an increase in equity, and the surplus or loss generated by the transaction is recognized as a capital surplus or retained earnings (if the capital surplus is insufficiently offset).

(4) Financial liabilities

Financial liabilities are classified as measured at amortized or measured at fair value through profit or loss. Financial liabilities held for trading, derivative instruments or designated at the time of initial recognition are classified as measured at fair value through profit or loss. Financial liabilities at fair value through profit or loss are measured at fair value, with the related net profits and losses, including any interest expenses, recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gains or losses on derecognition are also recognized in profit or loss.

(5) Derecognition of financial liabilities

The Company derecognizes financial liabilities when the contractual obligations have been fulfilled, cancelled or matured. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

When derecognizing financial liabilities, the difference between the carrying amount and the total consideration paid or payable (including any transferred non-cash assets or assumed liabilities) is recognized in profit or loss.

(6) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are only offset and expressed as net amounts in the statement of balance sheet if the Company has a legally enforceable right to offset and intends to do net settlement or simultaneously realize the assets and settle the liabilities.

3. Derivative financial instruments

The Company holds derivative financial instruments to hedge its foreign currency and interest rate exposures.

Derivatives are recognized initially at fair value. Subsequently to initial recognition, derivatives are measured at fair value, and changes therein are directly recognized in profit or loss.

(VII) Inventories

Inventories are stated at the lower of cost or net realizable value. Costs include the acquisition, production or conversion costs and other costs incurred to make it available at the place and state where it is available, and are calculated using the weighted average method. In the case of manufactured inventories and work in progress, the cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value refers to the estimated selling price under normal operations, less the estimated cost of completion and the estimated costs necessary to make the sale.

(VIII) Investment in subsidiaries

The Company's subsidiaries are accounted for using the equity method when preparing their parent-company-only financial statements. Under the equity method, profit, other comprehensive income and equity in the parent-company-only financial statements are equivalent to those of the profit, other comprehensive income and equity which are contributed to the owners of the parent in the consolidated financial statements.

The changes in the parent's interest in its subsidiaries that do not result in a loss of control are accounted as equity transactions.

(IX) Property, plant, and equipment

1. Recognition and Measurement

Property, plant and equipment are measured at cost (including capitalized borrowing costs) less accumulated depreciation and any accumulated impairment.

If significant components of property, plant and equipment have a different useful life, they are accounted for as separate items (major components) of property, plant and equipment."

Gain or loss on disposal of property, plant and equipment is recognized in profit or loss.

2. Subsequent expenditure

Subsequent expenditures are capitalized only when their future economic benefits are likely to flow into the Company.

3. Depreciation

Depreciation is calculated based on the cost of assets less residual value and is recognized in profit or loss using a straight-line method within the estimated useful life of each component.

The estimated useful life for the current period and the comparison period is as follows:

(1) Buildings and ancillary equipment: 6-35 years

(2) Machinery and equipment: 5 years

(3) Office equipment: 3-5 years

(4) Research and development and other equipment: 3-9 years

(5) The major components of buildings and ancillary equipment mainly include factory buildings, mechanical and electrical equipment and engineering and office reconstruction projects, and are depreciated according to their useful life of 35 years, 9-10 years and 6-8 years, respectively.

The Company reviews depreciation methods, useful life and residual value at each reporting date and make adjustment as necessary.

(X) Leases

The Company assesses whether the contract is or contains a lease on the date of its formation and if the contract transfers control over the use of the identified assets for a period of time in exchange for consideration, the contract is or contains a lease.

Lessee

The Company recognizes the right-of-use assets and lease liabilities on the lease commencement date. The right-of-use assets are initially measured at cost, which includes the initial measured amount of the lease liabilities, adjusts any lease payments paid on or before the lease commencement date, and adds up the initial direct costs incurred and the estimated costs of dismantling, removing and restoring the underlying asset and its location or underlying asset, while subtracting any lease incentives collected.

The right-of-use asset is subsequently depreciated by the straight-line method from the commencement date to the earlier of the useful life of the right-of-use asset or the end of the lease terms. In addition, the Company regularly assesses whether the right-of-use assets are impaired and handles any impairment losses that have occurred, and adjusts the right-of-use assets in the event that the lease liabilities are re-measured.

Lease liabilities are initially measured at the present value of the unpaid lease payments as of the commencement date of the lease. If the interest rate implicit in the lease can be easily determined, the discount rate shall be that interest rate; if it is not, the incremental borrowing rate of the Company should be used. In general, the Company uses its incremental borrowing rate as the discount rate.

Lease payment measured by lease liabilities include:

1. Fixed payments, including substantive fixed payments;
2. Depending on the index or rate, the index or rate of the lease start date is used as the initial measurement;
3. Expected residual value guarantee amount to be paid; and
4. Payment for purchase or termination options that are reasonably certain to be exercised.

Lease liabilities are subsequently measured at amortized cost using the effective interest method and the amount is remeasured when:

1. Changes in future lease payments due to changes in the index or rate used to determine lease payments;
2. Changes in the expected residual value guarantee amount;
3. The valuation of the underlying asset purchase options has changed;
4. An estimate of whether the option to extend or terminate has been exercised has changed and an assessment of the lease term has been changed;
5. Modification of the subject, scope or other terms of the lease.

When the lease liability is remeasured due to changes in the index or rate used to determine the lease payment, changes in the residual value guarantee amount, and changes in the evaluation of the purchase, extension or termination of the options, the carrying amount of the right-of-use asset is adjusted accordingly, and the remaining re-measurement amount is recognized in profit or loss when the carrying amount of the right-of-use asset is reduced to zero.

For lease modifications that reduce the scope of the lease, the carrying amount of the right-of-use asset is reduced to reflect the partial or total termination of the lease, and the difference between it and the remeasurement amount of the lease liability is recognized in profit or loss.

The Company presents the right-of-use assets and lease liabilities that do not meet the definition of investment property in the balance sheet separately as line items.

For short-term leases and low-value targets such as leased motor vehicle parking spaces and Multi-Functional Photocopiers, the Company chose not to recognize the right-of-use assets and lease liabilities, but to recognize the relevant lease payments as expenses during the lease period on a straight-line basis.

(XI) Intangible assets

1. Recognition and measurement

Expenditures related to research activities are recognized in profit or loss when incurred.

Development expenditures are capitalized only if they are reliably measurable, the technical or commercial feasibility of the product or process has been achieved, future economic benefits are highly probable to flow to the Company, and the Company intends and has sufficient resources to complete the development and use or sell the asset. Otherwise, it is recognized in profit or loss as incurred. After initial recognition, capitalized development expenditure is measured at its cost less accumulated amortization and accumulated impairment.

The acquisition of other intangible assets with a limited useful life by the Company is measured at cost less the amount of accumulated amortization and accumulated impairment.

2. Subsequent expenditures

Subsequent expenditures are capitalized only to the extent that they increase the future economic benefits of the particular asset in question. All other expenses are recognized in profit or loss when incurred.

3. Amortization

Amortization is calculated based on the asset cost less estimated residual value and is recognized in profit or loss on a straight-line method over the useful life of 3-5 years from the date when it is available for use.

The Company reviews the amortization method, useful life and residual value of intangible assets at each reporting date and adjusts them as necessary.

(XII) Impairment of non-financial assets

At each reporting date, the Company assesses whether there are indications that the carrying amounts of non-financial assets (other than inventories, contract assets and deferred tax assets) may be impaired. If any such indication exists, then the recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating unit (CGU). The recoverable amount is the greater of the fair value of the individual asset or CGU less disposal costs, and its value in use. In assessing the value in use, the estimated future cash flows are converted to the present value at a pre-tax discount rate that reflects the current market's assessment of the time value of money and the specific risk to the asset or CGU.

Recoverable amounts of individual assets or CGU are recognized as impairment losses if they are less than the carrying amount.

Impairment losses are recognized immediately in profit or loss, and first, the carrying amount of the CGU is reduced by the carrying amount of the amortized goodwill, and then to reduce the carrying amount of the other assets in the CGU on a pro rata basis.

Non-financial assets other than goodwill are reversed only within the scope that does not exceed the carrying amount (less depreciation or amortization) determined when the asset is not recognized as an impairment loss in the previous year.

(XIII) Provision

The recognition of a provision for liabilities is a present obligation arising from past events, where it is probable that the Company will need to outflow economically beneficial resources in the future to settle the obligation, and the amount of that obligation can be reliably estimated. The provision is discounted based on the pre-tax discount rate that reflects the current market's view of the time value of money and the assessment of specific risks associated with the liability. The unwinding of the discount is recognized as interest expense.

1. Warranties

The provision for warranties of the Company is estimated on the basis of historical warranty data of the merchandise, and the Company expects that most of the liabilities will occur in the year following the sale.

2. Loss of arbitration claim

Regularly evaluate the occurrence of legal litigation and other obligations and related legal costs, and if the present obligations are probable to be incurred and the amount can be reasonably estimated, recognize the provision for related legal matters.

(XIV) Recognition of revenue

1. Revenue from contracts with customers

Revenue is measured by the consideration to which the transfer of goods or services is expected to a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control of goods or services to a customer. The description of the Company according to major revenue items is as follows:

(1) Sale of goods

The Company mainly researches, develops, produces, manufactures and sells electronic financial transaction terminals and transaction data security protection equipment and other products. The Company recognizes revenue at the time of transfer of control over the products. The transfer of control of the product means that the product has been delivered to the customer, the customer can fully determine the sales channel and price of the product, and there is no longer any outstanding obligation that will affect the customer's acceptance of the product. Delivery occurs when the product has been shipped to a specific location, the risk of obsolescence and loss has been transferred to the customer, and ether the customer has accepted the product based on a sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

Please refer to Note 6 (10) for details on the obligation of the Company to provide standard warranty and therefore is liable for a refund for defects, and the provision for warranty liabilities has been recognized in respect of the obligation.

The Company recognizes accounts receivable at the time of delivery of the goods because the Company has the right to receive consideration unconditionally at that time.

(2) Provision of technical services

The revenues generated by the Company from providing technical labor services to customers are recognized according to the degree of completion of the transaction on the reporting date. Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

Under a fixed-price contract, the customer pays a fixed amount according to the agreed time schedule. Contractual assets are recognized when the services rendered exceed the payments; contractual liabilities are recognized when the payments exceed the services rendered.

If it is not possible to reasonably measure the degree of completion of the performance obligations of the project contract, the contract revenue is recognized only within the scope of the expected recoverable cost.

A provision of onerous contract is recognized when the expected benefits derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

(3) Financial component

The Company expects all customer contracts will transfer goods or services to customer within one year after the customer pays for the goods or services. As a consequence, the Company does not adjust the transaction price for the monetary time.

(XV)Employee benefits

1. Defined contribution plans

The contribution obligation to defined contribution plans is recognized as an expense during the period of service provided by the employee.

2. Defined benefit plans

The Company's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that the amount and deducting the fair value of any plan assets.

The defined benefit obligation is actuarially performed annually by a qualified actuary using the projected unit credit method. When the results of the calculation may be beneficial to the Company, the recognized assets are limited to the present value of any economic benefits that can be obtained in the form of a refund of appropriations from the plan or reduction of future appropriations for the plan. When calculating the present value of economic benefits, any minimum funding requirements are considered.

Remeasurement of the net defined benefit liabilities, including actuarial gains and losses, the return on plan assets (excluding interest), and the effect of the asset ceiling (excluding interest) is immediately recognized in other comprehensive income and accrued in retained earnings. The net interest expense (revenue) of the net defined benefit liabilities (assets) determined by the Company is the net defined benefit liabilities (assets) and the discount rate determined at the beginning of the annual period. The net interest expense and other expenses of the defined benefit plan are recognized in profit or loss.

When the plan is amended or curtailed, any resulting benefit changes related to past service cost or curtailment gain or loss are recognized immediately in profit or loss. The Company recognizes the settlement gain or loss of a defined benefit plan when the settlement occurs.

3. Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are recognized as an expense when providing related services.

A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as result of past service provided by the employee and the obligation can be estimated reliably.

(XVI) Share-based payment transactions

Equity-settled share-based payment arrangements are recognized at the fair value on the grant date. The expense is recognized over the vesting period of the award, with a corresponding increase in equity. Expense recognition is adjusted based on the number of awards that are expected to meet the related service and non-market performance conditions, such that the amount ultimately is recognized as an expense is basis on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The grant date on which the Board of Directors approves the Subscription Price and approves the number of Subscribed Shares and the date on which a consensus is reached between the Company and the Employee on the terms and conditions of the Agreement shall be considered the date of payment of the Share-based payment to the Company.

(XVII) Income tax

Income taxes comprise current tax and deferred tax. Except for expenses related to business combination, direct recognition in equity or other comprehensive income, current tax and deferred tax should be recognized in profit or loss.

The Company has determined that the interest or penalties related to income tax (including those with indeterminate tax treatment) do not meet the definition of income tax and should therefore be accounted for in accordance with IAS 37.

Current tax comprise the expected tax payable or receivable on the taxable income (loss) for the year, and any adjustments to tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or collected that reflects uncertainty related to income tax, if any. It is measured using tax rate enacted or substantively enacted at the reporting date.

Deferred tax is recognized by measuring the temporary difference between the carrying amount of assets and liabilities for financial reporting purposes and their tax base. Temporary differences arising under the following circumstances are not recognized as deferred income tax:

1. Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects accounting or taxable profits (losses) at the time of the transaction;

2. Temporary differences arising from investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of temporary differences and it is probable that they will reverse in the foreseeable future.

Deferred tax is measured at the tax rate at the time of the expected reversal of the temporary difference, based on the tax rate enacted or substantively enacted at the reporting date, and reflects uncertainty related to income tax.

The Company will only offset deferred tax assets and liabilities when the following conditions are met simultaneously:

1. The Company has the legally enforceable right to offset the current tax assets and liabilities; and

2. Deferred tax assets and deferred tax liabilities are related to one of the following taxable entities subject to income tax levied by the same tax authority;

   (1) the same taxpayer; or

   (2) Different taxpayers, except that each entity intends to settle current tax liabilities and assets on a net basis or to realize assets and liabilities simultaneously in each future period which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

The unused tax loss and unused tax credits carried forward, and deductible temporary differences, it is recognized as deferred tax assets to the extent that it is probable that there will be future taxable income available for utilization. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reduction are reversed when the probability of future taxable profits improves.

(XVIII) Earnings per share

The Company presents basic and diluted earnings per share attributable to the ordinary equity holders of the Company. The basic earnings per share of the Company are the profit or loss attributable to the ordinary equity holders of the Company, divided by the weighted average number of outstanding ordinary shares. Diluted earnings per share are calculated after adjusting respectively for the effect of all potentially diluted ordinary shares by the loss or gain attributable to holders of ordinary shares of the Company and the weighted average number of ordinary shares outstanding. Potentially diluted ordinary shares of the Company include employee remuneration through the issuance of shares and unvested restricted stock awards.

(XIX) Segment information

The Company has disclosed operating segment information in consolidated financial statements. Hence, this information is not required to be disclosed in these parent-company-only financial statements.

V. Critical accounting judgement and key sources of estimates and assumptions uncertainty

The preparation of the parent-company-only financial statements in conformity with the Regulations and the management needs to make judgements, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

Management continues to monitor the accounting estimations and assumptions. Management recognized the changes in accounting estimations during the period and the impact of those changes in accounting estimates in the following period.

Among the uncertainties in the estimates and assumptions, the information related to the significant risks that will cause material adjustments in the following year is as follows:

(I) Recognition of service revenue

Revenue from services rendered under the contract is recognized according to the degree of completion of the contract performance obligations. The degree of contract performance is measured by the proportion of the accumulated cost of inputs to the estimated total contract cost. Management will first estimate the total contract cost when the contract is signed, and review the progress of the contract performance obligations at the end of each month. If necessary, adjust the original estimated total cost. Any changes in the above basis may cause material adjustments to the estimated amount.

(II) Valuation of inventory

Inventories are measured at lower of cost or net realizable value. The Company assesses that the net realizable value of inventories for normal wear and tear, obsolescence, or unmarketable items at the end of the reporting period, and the cost is written down to the net realizable value. This inventory valuation may be due to the introduction of new products in the market, the original product is obsolete or no longer meet the market demand. This may result in significant changes in product demand and prices, potentially leading to a decline in demand and prices, and ultimately, the risk of the inventory cost exceeding its net realizable value.

The accounting policies and disclosures include the fair value to measure financial and non-financial assets and liabilities. The Finance Department of the Company is responsible for carrying out fair value verification, keeping the evaluation results in line with market conditions through independent source data, confirming that the data source is independent, reliable and representative of the executable prices, and periodically calibrate the evaluation model, performs retrospective test, updates inputs together with any necessary fair value adjustments to ensure that the valuation results are reasonable.

When measuring assets and liabilities, the Company uses market-observable inputs whenever possible. The fair value hierarchy depends on the valuation technique used and is categorized as follows:

Level 1: Quoted prices (unadjusted) in the active market for identified assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e., price) or indirectly (i.e., derived from price).

Level 3: Inputs for assets or liabilities that are not based on observable market data (non-observable inputs).

For any transfer within the fair value hierarchy, the Company recognizes the transfer on the reporting date. For the assumptions used to measure fair value, please refer to Note 6 (20) of the financial instruments.

VI. Details of significant accounts

(I) Cash and cash equivalents

	2022.12.31	2021.12.31
Cash, checking deposits and demand deposits	$ 281,948	139,447
Time deposits	296,442	318,955
	$ 578,390	**458,402**

Please refer to Note 6 (20) for the disclosure of interest rate risk and sensitivity analysis of the Company's financial assets and liabilities.

(II) Financial assets and liabilities at fair value through profit or loss

	2022.12.31	2021.12.31
Mandatory financial assets at fair value through profit or loss:		
Forward exchange contracts	**$ -**	**338**
Financial liabilities held for trading:		
Forward exchange contracts	**$ 111**	**13**

Engaging in derivative financial instruments transactions is used to avoid the exchange rate risk exposed by operating activities. The following derivatives instruments, which were no qualified for hedge accounting, held by the Company, were recognized as financial assets at fair value:

	2022.12.31			
	Notional principal (US $ in thousands)	**Currency**	**Maturity Date**	**Book value**
Derivative financial assets:				
Sell forward exchange	$ 250	USD to NTD	2023.02.06	**$ -**
Derivative financial liabilities:				
Sell forward exchange	$ 1,750	USD to NTD	2023.02.16~2023.03.20	**$ 111**

	2021.12.31			
	Notional principal (US $ in thousands)	**Currency**	**Maturity Date**	**Book value**
Derivative financial assets:				
Sell forward exchange	$ 4,500	USD to NTD	2022.01.10~2022.03.31	**$ 338**
Derivative financial liabilities:				
Sell forward exchange	$ 750	USD to NTD	2022.03.18	**$ 13**

(III) Financial assets at amortized cost - current

	2022.12.31	2021.12.31
Time deposits	$ 354,290	304,290
Others	270	92
	354,560	304,382
Less: allowance for impairment loss	-	-
	$ 354,560	304,382

The assessment of the Company is that the assets are held to the maturity to collect the contractual cash flows, which consist solely of payments of principal and interest on the amount of principal outstanding. Therefore, these financial assets are classified as financial assets measured at amortized cost.

1. The Company holds domestic and foreign time deposits with an annual interest rate of 0.190% to 1.215% in 2022 and matures from January 17, 2023 to June 30, 2023. The annual interest rate of 2021 was 0.490% to 0.585%, due from January 17, 2022 to June 30, 2022.

2. For credit risk information, please refer to Note 6 (19).

(IV) Accounts receivable

	2022.12.31	2021.12.31
Accounts receivable	$ 208,046	599,846
Less: allowance for doubtful accounts	(1,320)	(1,487)
	$ 206,726	598,359

The Company applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, accounts receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information. The loss allowance provision were determined as follows:

	2022.12.31		
	Carrying amount of accounts receivable	**Weighted average expected credit loss rate**	**Loss allowance for lifetime expected credit losses**
Not Past Due	$ 181,525	0.56%	1,015
Past due 1-30 days	13,450	1.64%	220
Past due 31-60 days	3,853	2.21%	85
Past due 61-90 days	582	-	-
Past due 91-180 days	8,636	-	-
Total	**$ 208,046**		**1,320**

	2021.12.31		
	Carrying amount of accounts receivable	**Weighted average expected credit loss rate**	**Loss allowance for lifetime expected credit losses**
Not Past Due	$ 473,966	0.07%	332
Past due 1-30 days	86,789	0.29%	249
Past due 31-60 days	38,823	2.19%	851
Past due 61-90 days	268	20.40%	55
Total	**$ 599,846**		**1,487**

The movements in the allowance for accounts receivable were as follows:

	For the years ended December 31,	
	2022	**2021**
Beginning balance	$ 1,487	2,765
Reversal impairment loss	(167)	(1,278)
Ending balance	**$ 1,320**	**1,487**

The allowance for accounts receivable is used to record the expense of bad debts. However, when the Company considers the receivables cannot be collected, it offsets directly offsetting allowance for doubtful accounts against financial assets.

The Company did not provide any accounts receivable as pledge collateral.

(V) Inventories

	2022.12.31	2021.12.31
Raw materials	$ 83,867	88,800
Work in process	13,436	-
Semi-finished products	39,920	47,308
Finished goods	40,287	27,375
	$ 180,510	163,483

For the years ended December 31, 2022 and 2021, the details of cost of sales were as follows:

	For the years ended December 31,	
	2022	2021
Cost of goods sold	$ 932,002	1,081,800
Allowance for inventory valuation loss (gain on recovery)	7,533	(400)
Labor cost	40,903	29,363
Repairs and others	8,845	652
	$ 989,283	1,111,415

The inventories of the Company were not pledged.

(VI) Investments accounted for using equity method

The summary of the Company’s financial information for investments accounted for using the equity method at the reporting date was as follows:

	2022.12.31	2021.12.31
Subsidiaries	$ 488,498	478,413

1. Subsidiaries

For related information, please refer to consolidated financial statements for the year ended December 31, 2022.

The shares of profits (losses) of subsidiaries accounted for using equity method amounted to $(4,393) and $33,001 for the years ended December 31, 2022 and 2021, respectively.

2. Guarantee

The Company did not provide any investments accounted for using equity method as pledge collaterals.

(VII) Property, plant, and equipment

For the years ended December 31, 2022 and 2021, the details of the cost and depreciation of property, plant and equipment of the Company were as follows:

	Buildings and ancillary equipment	Machinery and equipment	Office Equipment	Research & development and other equipment	Equipment to be inspected	Total
Cost:						
Balance as of January 1, 2022	$ 159,620	1,721	5,927	20,990	843	189,101
Addition	84	-	542	1,345	2,366	4,337
Disposal	-	-	(79)	(323)	-	(402)
Reclassifications	216	-	-	-	3,209	(2,993)
Balance as of December 31, 2022	**$ 159,920**	**1,721**	**6,390**	**22,012**	**-**	**190,043**
Balance as of January 1, 2021	$ 159,532	1,721	5,040	21,056	-	187,349
Addition	88	-	927	1,299	843	3,157
Disposal	-	-	(40)	(1,365)	-	(1,405)
Balance as of December 31, 2021	**$ 159,620**	**1,721**	**5,927**	**20,990**	**843**	**189,101**
Accumulated depreciation:						
Balance as of January 1, 2022	$ 93,301	502	4,535	19,349	-	117,687
Current year depreciation	4,932	344	839	840	-	6,955
Disposal	-	-	(79)	(323)	-	(402)
Balance as of December 31, 2022	**$ 98,233**	**846**	**5,295**	**19,866**	**-**	**124,240**
Balance as of January 1, 2021	$ 88,396	158	3,870	17,743	-	110,167
Current year depreciation	4,905	344	706	1,779	-	7,734
Disposal	-	-	(41)	(173)	-	(214)
Balance as of December 31, 2021	**$ 93,301**	**502**	**5,295**	**19,349**	**-**	**117,687**
Carrying value:						
Balance as of December 31, 2022	**$ 61,687**	**875**	**1,095**	**2,146**	**-**	**65,803**
Balance as of January 1, 2021	**$ 71,136**	**1,563**	**1,170**	**3,313**	**-**	**77,182**
Balance as of December 31, 2021	**$ 66,319**	**1,219**	**1,392**	**1,641**	**843**	**71,414**

The property, plant and equipment of the Company were not pledged.

(VIII) Right-of-use assets

The Company leased many assets including land, housing and construction and transportation equipment were as follows:

		Land	Housing and Construction	Transportation Equipment	Total
Cost:					
Balance as of January 1, 2022	$	17,371	3,691	3,729	24,791
Addition		640	-	-	640
Balance as of December 31, 2022	$	18,011	3,691	3,729	25,431
Balance as of January 1, 2021	$	17,371	5,333	1,652	24,356
Addition		-	3,692	3,729	7,421
Decrease		-	(5,334)	(1,652)	(6,986)
Balance as of December 31, 2021	$	17,371	54,527	3,729	24,791
Accumulated depreciation:					
Balance as of January 1, 2022	$	2,992	153	725	3,870
Depreciation charges		1,042	1,846	1,243	4,131
Balance as of December 31, 2022	$	4,034	1,999	1,968	8,001
Balance as of January 1, 2021	$	1,995	3,657	1,652	7,304
Depreciation charges		997	1,830	725	3,552
Decrease		-	(5,334)	(1,652)	(6,986)
Balance as of December 31, 2021	$	2,992	153	725	3,870
Carrying value:					
Balance as of December 31, 2022	$	13,977	1,692	1,761	17,430
Balance as of January 1, 2021	$	15,376	1,676	-	17,052
Balance as of December 31, 2021	$	14,379	3,538	3,004	20,921

(IX) Intangible assets

For the years ended December 31, 2022 and 2021, the details of the cost and amortization of intangible assets of the Company were as follows:

	Computer Software
Cost:	
Balance as of January 1, 2022	$ 11,814
Additions	164
Reclassifications	2,993
Balance as of December 31, 2022	**$ 14,971**
Balance as of January 1, 2021	$ 11,584
Additions	230
Balance as of December 31, 2021	**$ 11,814**
Amortization:	
Balance as of January 1, 2022	$ 11,623
Amortization	199
Balance as of December 31, 2022	**$ 11,822**
Balance as of January 1, 2021	$ 11,535
Amortization	88
Balance as of December 31, 2021	**$ 11,623**
Carrying value:	
Balance as of December 31, 2022	**$ 3,149**
Balance as of January 1, 2021	**$ 49**
Balance as of December 31, 2021	**$ 191**

The intangible assets of the Company were not pledged.

(X) Lease liabilities

The carrying amount of the lease liabilities of the Company were as follows:

	2022.12.31	2021.12.31
Current	**$ 3,926**	**3,992**
Non-current	**$ 13,621**	**17,258**

The amounts recognized in profit or loss were as follows:

	For the years ended December 31,	
	2022	2021
Interest on lease liabilities	$ 253	274
Expenses relating to short-term leases	$ -	381
Expenses relating to low-value leased assets (excluding low-value leases for short-term leases)	$ 639	751

The amounts recognized in the cash flow statement were as follows:

	For the years ended December 31,	
	2022	2021
Total cash flows on lease	$ 4,920	4,877

1. Lease of land, houses and buildings

   As of December 31, 2022 and 2021, the Company leased land, housing and construction as office space and factories. The leases typically ran for a period of 20 years, 2 years and 3 years, respectively. Some leases include the option to renew the same period as the original contract upon expiration of the lease period.

   The leasing payment of the land contract depends on the locally announced land price and is adjusted after the amortization of the public facilities' construction costs reinvested in each park, which are usually incurred once a year.

   Some lease contracts contain options for lease extensions, which are administered separately from each entity within the Group, so the individual terms and conditions are inconsistent. These options are only enforceable by the Company and not by the lessor. In which lessee is not reasonably certain to use an optional extended lease term, payments associated with the optional period are not included within lease liabilities.

2. Other leases

   The lease term of the transportation equipment leased by the Company is 3 years.

   In addition, the Company leases motor vehicle parking spaces and Multi-Functional Photocopiers for short-term leases and low-value leases, and the Company chooses to apply for the exemption instead of recognizing its relevant right-of-use assets and lease liabilities.

(XI) Provision for liabilities

	Warranty	Loss of Arbitration Claim	Total
Balance as of January 1, 2022	$ 5,131	-	5,131
Additions (reversals)	(1,352)	331,730	330,378
Reclassifications	(2,000)	2,000	-
Effects of changes in exchange rates	-	10,687	10,687
Balance as of December 31, 2022	$ 1,779	344,417	346,196
Current (accounted as other current liabilities)	$ 1,231	-	1,231
Non-current	548	344,417	344,965
Balance as of December 31, 2022	$ 1,779	344,417	346,196
Balance as of January 1, 2021	$ 10,841	-	10,841
Reversals	(3,214)	-	(3,214)
Usage	(2,496)	-	(2,496)
Balance as of December 31, 2021	$ 5,131	-	5,131
Current (accounted as other current liabilities)	$ 2,603	-	2,603
Non-current	2,528	-	2,528
Balance as of December 31, 2021	$ 5,131	-	5,131

1. Warranty

   The provision for warranty liabilities of the Company is estimated on the basis of historical warranty data of the merchandise, and the Company expects that most of the liabilities will occur in the year following the sale.

2. Loss of arbitration claim

   The Company was notified of the arbitration case by the Singapore International Arbitration Centre on April 12, 2021. The arbitration case is related to the product development and design in the sales contract signed between E LA CARTE, INC. and the Company in October 2014. E LA CARTE, INC. has demanded the Company pay compensation of US$ 35 million. The Company has appointed a lawyer to handle the case and carry out the necessary subsequent procedures to protect the Company’s rights and interests. The hearing was held in April 2022, and both parties provided evidence and written statements to the arbitration tribunal for defense. E LA CARTE, INC. has requested a change in the compensation amount to be paid by the Company to US$17.36

million. Received the arbitration result on June 28, 2022, the Company shall compensate US$11.17 million and pay the arbitration fee of SGD$187,000, and the Company has recognized the relevant provision for liabilities. On August 12, 2022, the Company was notified by the arbitral tribunal and agreed to reduce the amount of compensation by US$70,000 based on the objection raised by the Company, and the Company reversed the amount of compensation to US$11.1 million. The Company will discuss with the lawyer the next relevant countermeasures and possible strategies.

(XII) Employee benefits

1. Defined benefit plan

The reconciliation between the present value of the defined benefit obligations and the fair value of plan assets of the Company were as follows:

	2022.12.31	2021.12.31
Present value of defined benefit obligation	$ 56,556	60,891
Fair value of plan assets	(41,875)	(41,672)
Net defined benefit liabilities	**$ 14,681**	**19,219**

The defined benefit plan of the Company is allocated to the Labor Retirement Reserve Fund account of the Bank of Taiwan. Retirement payments for each employee under the Labor Standards Law are calculated based one years of service and average salary the six months prior to retirement.

(1) Component of plan asset

The retirement fund allocated by the Company in accordance with the Labor Standards Law is managed by the Bureau of Labor Fund of the Ministry of Labor (hereinafter referred to as the Labor Fund Bureau). In accordance with the provisions of the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, the minimum earnings shall be no less than the earnings attainable from two-year time deposit with interest rates offered by local bank.

As of December 31, 2022, the Company’s Bank of Taiwan labor pension reserve account balance amounted to $41,875. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds Ministry of Labor.

(2) Movements in the present value of defined benefit obligation

The movements in the present value of the defined benefit obligations of the Company for the years ended December 31, 2022 and 2021 were as follows:

	For the years ended December 31,	
	2022	**2021**
Defined benefit obligations as of January 1	$ 60,891	68,865
Benefit paid by the plan	(3,556)	(6,714)
Current service cost and interests	978	770
Net remeasurements of defined benefit liability		
- Actuarial losses arising from changes in demographic assumptions	-	1,086
- Actuarial gain arising from changes in financial assumptions	(2,085)	(1,889)
- Actuarial losses (gains) arising from changes in experience	328	(1,227)
Defined benefit obligations as of December 31	**$ 56,556**	**60,891**

(3) Movements in the fair value of plan assets

The movements in the fair value of assets of the Company's defined benefit plan for the years ended December 31, 2022 and 2021 were as follows:

	For the years ended December 31,	
	2022	**2021**
Fair value of plan assets as of January 1	$ 41,672	47,556
Benefit paid by the plan	(3,556)	(6,714)
Expected return on plan assets	278	143
Net remeasurements of defined benefit assets (liabilities)		
- Return on plan asset (excluding current interest)	3,481	687
Fair value of plan assets as of December 31	**$ 41,875**	**41,672**

(4) Expenses recognized in profit or loss

The Company's expenses recognized in profit and loss for the years ended December 31, 2022 and 2021 were as follows:

	For the years ended December 31, 2022	2021
Current service costs	$ 566	564
Net interest on net defined benefit liabilities	134	64
	$ 700	**628**
Selling and marketing expenses	$ (2)	(1)
General and administrative expenses	737	638
Research and development expenses	(35)	(9)
	$ 700	**628**

(5) Actuarial assumptions

The significant actuarial assumptions used by the Company to determine the present value of benefit obligations at the reporting date were as follows:

	2022.12.31	**2021.12.31**
Discount rate	1.20%	0.70%
Future salary increment	3.00%	3.00%

The Company expects to pay 0 thousand dollars towards the provision of the defined benefit plan for the one-year period after December 31, 2022.

The weighted average lifetime of the defined benefit plan is 7 years.

(6) Sensitivity analysis

The impact of changes in major actuarial assumptions adopted as of December 31, 2022 and 2021 on the determination of the present value of defined benefit obligations were as follows:

	Impact on defined benefit obligations	
	Increase 0.25%	**Decrease 0.25%**
December 31, 2022		
Discount rate	**$ (984)**	**1,023**
Future salary increment	**$ 923**	**(895)**
December 31, 2021		
Discount rate	**$ (1,121)**	**1,166**
Future salary increment	**$ 1,046**	**(1,013)**

There was no change in other assumptions when performing the aforementioned sensitivity analysis. In practice, many of the relevant actuarial assumptions are correlated to each other. Sensitivity analysis is consistent with the method used in calculating the net defined benefit liability on the balance sheet.

The methodology and assumptions used to compile the sensitivity analysis was the same as those of the prior year.

2. Defined contribution plans

The Company sets aside 6% of the contribution rate of the employee's monthly wages to the labor pension personal account of the Labor Pension Fund of the Bureau of the Labor Insurance in accordance with the provisions of the Labor Pension Act. The Company shall have no statutory or constructive obligation to pay any additional amount after making a fixed contribution to the Bureau of the Labor Insurance under this defined contribution plan.

The Company's pension expenses under the defined contribution plan were $8,042 and $7,808 for the years ended December 31, 2022 and 2021, respectively.

(XIII) Income tax

1. Income tax expense (gain)

The component of income tax expense (gain) for the years ended December 31, 2022 and 2021 were as follows:

	For the years ended December 31,	
	2022	**2021**
Current tax expense (gain)		
Current period	-	23,424
Adjustment of prior period	(38)	(65)
	(38)	23,359
Deferred tax expense (gain)		
Origination and reversal of temporary differences	$ (41,299)	9,947
Income tax expense (gain)	**$ (41,337)**	**33,306**

The amounts of income tax benefits recognized in other comprehensive income for the years ended December 31, 2022 and 2021 were as follows:

	For the years ended December 31, 2022	2021
Items not reclassified to profit or loss:		
Remeasurement of defined benefit plans	$ 1,048	543
Items that may be subsequently reclassified to profit or loss:		
Exchange differences on the translation of foreign financial statements	$ 2,495	395

Reconciliation of income tax (gain) and income (loss) before income tax were as follows:

	For the years ended December 31, 2022	2021
Profit (loss) before tax	$ (206,811)	166,566
Income tax calculated based on the Company's statutory tax rate	(41,362)	33,313
Permanent difference adjustment	63	58
Prior-period tax adjustments	(38)	(65)
	$ (41,337)	33,306

2. The movements of deferred tax assets and liabilities

Deferred income tax assets

	2021.1.1	Recognized in profit and loss	Recognized in other comprehensive income	2021.12.31	Recognized in profit and loss	Recognized in other comprehensive income	2022.12.31
Provision for inventory valuation	$ 1,040	16	-	1,024	(1,507)	-	2,531
Provision for liabilities	2,168	1,142	-	1,026	670	-	356
Accrued pension liabilities	5,458	1,070	543	3,845	(140)	1,048	2,937
Loss carryforwards	-	-	-	-	(35,961)	-	35,961
Exchange gains on the translation of foreign financial statements	3,864	-	395	3,469	-	2,495	974
Others	1,800	111	-	1,689	(2,315)	-	4,004
	$ 14,330	2,339	938	11,053	(39,253)	3,543	46,763

Deferred income tax liabilities

	2021.1.1	Recognized in profit and loss	Recognized in other comprehensive income	2021.12.31	Recognized in profit and loss	Recognized in other comprehensive income	2022.12.31
Recognized share of gain of subsidiaries and associate accounted the equity method	$ (36,107)	6,600	-	(42,707)	(878)	-	(41,829)
Others	(160)	1,008	-	(1,168)	(1,168)	-	-
	$ (36,267)	7,608	-	(43,875)	(2,046)	-	(41,829)

As of December 31, 2022, the Company's recognized deferred tax assets result from loss carryforwards and the expiry year were as follows:

Year of loss	Unused tax loss	Expiry year
2022	$ 179,805	2032

3. The Company's tax returns for the years 2020 were examined and approved by the Taiwan National Tax Administration.

(XIV) Capital and other equity

Reconciliation of shares outstanding for 2022 and 2021 was as follows:

	Common stock	
(expressed in thousands of shares)	**2022**	**2021**
Balance at January 1	92,479	94,916
Vested of restricted stock award	494	563
Repurchase of treasury shares	-	(3,000)
Balance at December 31	92,973	92,479

1. Issuance of ordinary shares

As of December 31, 2022 and 2021, the total authorized share capital of the Company was $1,200,000 (including the reserved employee share options of $50,000), with a par value of $10 per share, and the paid-in share capital was $961,562 and $962,131, respectively.

On June 8, 2018, the Company issued 2,000 thousand restricted stock award the shareholders' meeting, which was approved by the regulator. On November 2, 2018, 350 thousand shares were issued by the Board of Directors, and on February 15, 2019 was set as the base date of capital increase, and the relevant registration procedure has been completed.

On June 10, 2019, the Company issued 2,000 thousand restricted stock award by shareholders' meeting, which was approved by the regulator. For the first time, 1,080 thousand shares were issued by the Board of Directors on October 31, 2019, and on February 17, 2020 was set as the base date of capital increase, and the relevant registration procedure has been completed; for the second time, 570 thousand shares were issued by the Board of Directors on July 14, 2020, and on July 14, 2020 was set as the base date of capital increase, and the relevant registration procedure has been completed.

On November 8, 2021 and November 9, 2022, the Board of Directors resolved to cancel 57 thousand and 71 thousand restricted stock award shares and process the cancellation. Capital reduction cases use November 8, 2021 and November 22, 2022, as the base date of capital reduction, and the relevant cancellation procedure has been completed.

2. Capital surplus

The components of capital surplus of the Company were as follows:

	2022.12.31	2021.12.31
Sellback (redemption) of convertible bonds for reclassification of equity conversion rights	$ 22,124	22,124
Employee Share Option Conversion and Cash Increase - premium	30,348	30,348
Treasury share transactions	5,985	5,985
Conversion of convertible bonds - premium	1,851	1,851
Expired share option	116	116
Reclassification of equity conversion rights of convertible bonds	156	156
Difference between acquisition price and the carrying amount of subsidiaries	345	345
Restricted stock awards	25,072	24,503
	$ 85,997	**85,428**

In accordance with the R.O.C. Company Act, the capital surplus generated from the premium of stock issuance and donation may only be used to offset accumulated deficits. In addition, when the Company incurred no deficit, such capital surplus may be distributed as cash or stock dividends. Pursuant to the R.O.C. Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the total sum of the capital surplus capitalized per annum shall not exceed 10% of the paid-in capital.

3. Retained earnings

According to the Articles of Incorporation of the Company, after payment of income taxes and offsetting accumulated deficits, the legal reserve at 10% shall be set aside until the accumulated legal reserve equals the Company's capital; furthermore, depending on the Company's operating and the regulations on special reserve. The remaining current-year earnings together with accumulated undistributed earnings from preceding years, the Board of Directors shall propose a distribution plan for approval by the shareholders' meeting.

The Company authorizes the Board of Directors to distribute all or part of the dividends and bonuses in the presence of more than two-thirds of the directors and the resolution of more than half of the directors present, in the form of cash distribution, and to report to the Shareholders' meeting.

The dividend policy of the Company shall be determined in accordance with the provisions of the R.O.C. Company Act and the Articles of Incorporation of the Company, and considered its capital, financial structure, operating, earnings, the nature and cycle of the industry in determining the stock or cash dividends to be paid. The stock dividends shall not exceed fifty percent of the total dividends distributed during the year.

(1) Legal reserve

If the Company has no losses, it may, pursuant to resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve that exceeds 25% of capital may be distributed.

(2) Special reserve

In accordance with the provisions of the Financial Supervisory Commission's letter no. 1010012865 issued on April 6, 2012, when distributing the distributable earnings, the Company had additional special reserve appropriated from the current year net income and undistributed earnings of previous years for the net decrease in other shareholders' equity interests recorded during the current year. A portion of undistributed prior-period earnings shall be reclassified to special reserve to account for cumulative changes to the net reduction of other shareholders' equity pertaining to prior period. Amounts of Subsequent reversals pertaining to the reduction of other shareholders' equity shall qualify for additional distributions.

(3) Earnings distribution

Earnings distribution for the years 2021 and 2020 was approved by the shareholders' meeting on June 14, 2022 and August 23, 2021, respectively. The dividends distributed were appropriated as follows:

	2021		2020	
	Share Allocation Ratio (NTD)	**Amount (NT$ in thousands)**	**Share Allocation Ratio (NTD)**	**Amount (NT$ in thousands)**
Dividends distributed to ordinary shareholders:				
Cash	**$ 1.25**	**115,599**	**2.0**	**189,861**

The aforementioned distribution of earnings for the years 2021 and 2020 did not differ from the amount recognized in the financial statements of the Company, and the related information would be available at the Market Observation Post System (MOPS).

The appropriation of earnings in 2022 was approved by the Board of Directors on March 15, 2023, the Board of Directors, is to be presented for approval in the shareholders' meeting. The related information will be available on the Market Observation Post System (MOPS) after the resolution meeting.

(4) Other equity

	Exchange differences on the translation of foreign financial statements	**Unearned employee compensation**	**Total**
Balance as of January 1, 2022	$ (17,591)	(9,963)	(27,554)
Exchange differences on the translation of net assets of foreign operations (net of tax)	9,983	-	9,983
Compensation costs of restricted stock award	-	5,781	5,781
Balance as of December 31, 2022	**$ (7,608)**	**(4,182)**	**(11,790)**

	Exchange differences on the translation of foreign financial statements	Unearned employee compensation	Total
Balance as of January 1, 2021	$ (19,171)	(22,372)	(41,543)
Exchange differences on the translation of net assets of foreign operations (net of tax)	1,580	-	1,580
Compensation costs of restricted stock award	-	12,409	12,409
Balance as of December 31, 2021	$ (17,591)	(9,963)	(27,554)

(5) Treasure stock

On November 8, 2021, the Board of Directors of the Company resolved to execute the repurchase of treasury shares and transfer the shares to the employees. From November 12, 2021 to December 29, 2021 the Company repurchased a total of 3,000 thousand shares, totaling $82,847, and the discount amount of the repurchase of treasury shares was $29 in January 2022. It shall be transferred within five years from the date of buyback, and there is no transfer or cancellation as of December 31, 2022.

Pursuant to the Securities and Exchange Act, the number of shares bought back may not exceed 10% of the total number of issued and outstanding of the Company; the total amount of the shares bought back may not exceed the amount of retained earning plus the premium on capital stock plus realized capital reserve. The shares bought back by the Company shall not be pledged. Before transfer, the shareholder's rights shall not be enjoyed.

(XV) Share-based payment

1. As of December 31, 2022, the Company had the following equity-settled share-based payment transactions:

	Restricted stock award		
	Issued in 2019	Issued in 2019	Issued in 2018
Grant date	2020.7.14	2019.10.31	2018.11.2
Given quantity (thousands)	570	1,080	350
Contractual life	1-3 years	1-3 years	1-3 years
Vesting condition	Note	Note	Note
Price per share (NTD)	0	0	0
Adjusted exercise price (NTD)	0	0	0

Note: If the conditions of seniority of service and performance in the restricted stock award are reached, the share proportions of the vested condition were as follows:

1 year of service: 30%, 2 years of service: 30% and 3 years of service: 40%.

2. The Company uses the closing stock price on the date of the grant as the fair value of the share-based payment.

3. Restricted stock awards:

   Pursuant to the resolutions made during the shareholders' meeting hold on June 8, 2018, the Company issued 2,000 thousand shares of restricted stock awards, which were granted to the subjects with the conditions of seniority of service and performance by the Company's method for issuance of restricted stock awards. The issuance has been registered and approved by the Securities and Futures Bureau of the Financial Supervisory Commission and must be issued within one year. On November 2, 2018, the Board of Directors approved a resolution to issue 350 thousand shares of restricted stock awards, with the effective date of the capital increase set on February 15, 2019. The related registrations of the increase of share capital have already been completed.

   Pursuant to the resolutions made during the shareholders' meeting hold on June 10, 2019, the Company issued 2,000 thousand shares of restricted stock awards, which were granted to the subjects with the conditions of seniority of service and performance by the Company's method for issuance of restricted stock awards. The issuance has been registered and approved by the Securities and Futures Bureau of the Financial Supervisory Commission and must be issued within one year. For the first time, the Board of Directors approved a resolution to issue 1,080 thousand shares of restricted stock awards on October 31, 2019, with the effective date of the capital increase set on February 17, 2020. For the second time, the Board of Directors approved a resolution to issue 570 thousand shares of restricted stock awards on July 14, 2020, with the effective date of the capital increase set on July 14, 2020. The related registrations of the increase of share capital have already been completed.

   The restricted stock awards allotted to employees shall be delivered to the trustee of the institution designated by the Company in full unless the vesting conditions have been met, and the restricted stock awards may not sell, pledge, transfer, donate, set or do other disposition. Except for the rights restricted prior to delivery to the custody of the trust and failure to meet the vesting conditions, others are the same as the Company's existing ordinary shareholders. Also, the Company has right to take back all unvested shares without compensation and to cancel all restricted stock awards issued to employee who fail to comply with the vesting condition.

The information of the restricted stock award shares were as follows:

Unit: thousands of shares

	2022	2021
Outstanding at January 1	734	1,368
Vested in the current period	(494)	(563)
Cancellation recovered from resignation in the current period	(57)	(71)
Outstanding at December 31	**183**	**734**

In 2020, the Company issued 570 thousand shares of restricted stock awards, resulting in the amount of $13,729 to be recognized as capital surplus - restricted stock awards. As of December 31, 2022 and 2021, the Company has deferred the compensation cost arising from the issuance of restricted stock awards were $209,815 and $356,573, respectively. Such deferred amounts were recorded as deduction of other equity. The compensation costs recognized by the Company in 2022 and 2021 were $5,781 and $12,409, respectively, of which the amount of the subsidiaries was $2,000 and $3,952, respectively.

(XVI) Earnings per Share

	For the years ended December 31,	
	2022	**2021**
Basic earnings per share:		
Net profit (loss) attributable to ordinary equity holders of the Company	**$ (165,474)**	**133,260**
Weighted average number of ordinary shares outstanding (in thousands)	**92,600**	**94,817**
Basic earnings per share (NTD)	**$ (1.79)**	**1.41**
Diluted earnings per share:		
Net profit (loss) attributable to ordinary equity holders of the Company	**$ (165,474)**	**133,260**
Weighted average number of ordinary shares outstanding (in thousands)	92,600	94,817
Effect of employee remuneration in shares (in thousands)	-	694
Effect of restricted stock awards unvested (in thousands)	-	937
	92,600	**96,448**
Diluted earnings per share (NTD)	**$ (1.79)**	**1.38**

In 2022, the operating results of the Company showed a loss. When the calculation of diluted earnings per share result in antidilution effect will not include potential ordinary shares arising from eligible share issuance of employee remuneration in shares and restricted stock awards unvested.

(XVII) Remuneration of employees and directors

According to the Company's Articles of Incorporation, if the Company incurs profit for the year, 3% to 12% shall be allocated for employee remuneration and not more than 3% for director remuneration. In case the Company has an accumulated loss, it shall first be used to offset any deficit.

The recipients of shares and cash may include the employee of the XAC's affiliated companies who meet certain conditions.

The Company did not accrue remuneration to employees and directors due to the loss making position for the year ended December 31, 2022. For the year ended December 31, 2021, the Company accrued and recognized its remuneration to employee amounting to $14,640, and director amounting to $3,660. The estimated amounts mentioned above were calculated based on the net profit before tax, excluding the remuneration to employees and directors of the period, multiplied by the percentage remuneration to employees and directors as specified in the Company's Articles of Incorporation under operating cost or expense. If remuneration to employees is resolved to be distributed in stock, the number of shares is determined by dividend the amount of remuneration by the closing market price on the day before the .approval by the Board of Directors meeting. The relevant information would be available at the Market Observation Post System website. There were no differences between the aforesaid amounts of employees' and directors' remuneration approved by the Board of Directors and the amount in the parent-company-only financial statements of 2021.

(XVIII) Revenue from contracts with customers

1. Disaggregation of revenue

	For the years ended December 31,	
	2022	**2021**
Primary geographical markets:		
United States	$ 1,007,077	1,153,362
Saudi Arabia	153,849	222,874
United Kingdom	107,429	117,876
Sweden	81,189	26,931
Other countries	54,873	57,888
	$ 1,404,417	**1,578,931**

	For the years ended December 31, 2022	2021
Major products:		
Electronic fund transaction terminals	$ 748,958	832,725
Transaction security products	175,453	153,816
Card readers and writers	99,227	124,775
Others	380,779	467,615
	$ 1,404,417	**1,578,931**

2. Timing of revenue recognition

	For the years ended December 31, 2022	2021
At a point in time	$ 1,344,534	1,531,498
Over time	59,883	47,433
	$ 1,404,417	**1,578,931**

3. Contract balances

	2022.12.31	2021.12.31	2021.1.1
Accounts receivable	$ 208,046	599,846	453,946
Less: allowance for doubtful accounts	(1,320)	(1,487)	(2,765)
	$ 206,726	**598,359**	**451,181**
Contract assets	$ 44,418	23,977	1,930
Less: allowance for doubtful accounts	-	-	-
	$ 44,418	**23,977**	**1,930**
Contract liabilities (accounted in other current liabilities)	**$ 19,090**	**15,134**	**18,676**

For disclosure of accounts receivables and loss allowance, please refer to Note 6 (4).

The contract assets were primarily related to the amount of revenue that has been recognized due to the transfer of labor services to customers but have not yet billed at the reporting date. When the Company enjoys unconditional right to the price, the contract assets are reclassified as accounts receivable.

The contract liabilities were primarily related to the advance received from customers, which revenue is recognized when products are delivered to customers. The amount of revenue recognized for the years ended December 31, 2022 and 2021, which included in the contract liability balance at the beginning of the period were $4,585 and $7,977, respectively.

(XIX) Non-operating income and expenses

1. Interest revenue

The details of the Company's interest revenue were as follows:

	For the years ended December 31,		
	2022		2021
Interest revenue on bank deposits	$	4,562	3,876
Other interest revenue		3	4
	$	**4,565**	**3,880**

2. Other gains and losses

The details of the Company's other gains and losses were as follows:

	For the years ended December 31,		
	2022		2021
Foreign exchange gain (loss), net	$	40,824	(4,021)
Net gain or loss on financial assets (liabilities) at fair value through profit or loss		(25,427)	2,056
Loss on arbitration compensation (Note 6 (11))		(329,728)	-
Others		531	(320)
	$	**(313,800)**	**(2,285)**

3. Finance costs

The details of the Company's financial costs were as follows:

	For the years ended December 31,		
	2022		2022
Interest expense on bank borrowings	$	9	-
Interest expense on lease liabilities		253	274
	$	**262**	**274**

(XX) Financial instruments

1. Credit risk

(1) Credit risk exposure

The carrying amount of financial assets and contract assets represent the maximum amount of credit risk exposure.

(2) Concentration of credit risk

As of December 31, 2022 and 2021, 81% and 80% of the Company's accounts receivable were comprised of four customers, respectively. Although there is a potential in concentration of credit risk, the Company periodically assesses the recoverability of accounts receivable and made a corresponding allowance for doubtful accounts. The management does not expect significant losses to occur.

(3) Credit risk of accounts receivable and debt securities

For credit risk and exposure information on accounts receivable, please refer to Note 6 (4). Other financial assets at amortized cost include term deposits, details of related investments and impairment provision, please refer to Note 6 (3).
All of the above are financial assets are considered to have low credit risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses.

2. Liquidity risk

The following table shows the contractual maturity date of financial liabilities, including estimated interest payments but excluding the impact of netting agreements.

	Carrying amount	Contractual cash flows	Within 6 months	6-12 months	1-2years	2-5years	More than 5 years
December 31, 2022							
Non-derivative financial liabilities							
Accounts payable	$ 117,689	(117,689)	(117,689)	-	-	-	-
Salaries and bonuses payable	58,636	(58,636)	(58,636)	-	-	-	-
Lease liabilities — current and non-current	17,547	(18,798)	(2,141)	(1,985)	(1,669)	(3,417)	(9,586)
Deposits for guarantees (accounted in other current liabilities)	97	(97)	-	(97)	-	-	-
Financial liabilities at fair value through profit or loss - current							
Outflow	111	(53,415)	(53,415)	-	-	-	-
Inflow	-	53,304	53,304	-	-	-	-
	$ 194,080	(195,331)	(178,577)	(2,082)	(1,669)	(3,417)	(9,586)

		Carrying amount	Contractual cash flows	Within 6 months	6-12 months	1-2years	2-5years	More than 5 years
December 31, 2021								
Non-derivative financial liabilities								
Accounts payable (included related parties)	$	290,356	(290,356)	(290,356)	-	-	-	-
Salaries and bonuses payable		66,394	(66,394)	(52,049)	(14,345)	-	-	-
Accrued remuneration of directors (recorded in other current liabilities)		3,660	(3,660)	(3,660)	-	-	-	-
Lease liabilities — current and non-current		21,250	(23,006)	(2,138)	(2,138)	(4,120)	(3,932)	(10,678)
Deposits for guarantees (recorded in other current liabilities)		97	(97)	-	(97)	-	-	-
Financial liabilities at fair value through profit or loss - current								
Outflow		13	(20,746)	(20,746)	-	-	-	-
Inflow		-	20,733	20,733	-	-	-	-
	$	381,770	(383,526)	(348,216)	(16,580)	(4,120)	(3,932)	(10,678)

The Company does not except that the cash flows included in the maturity analysis will occur significantly earlier or at significantly different amount.

3. Currency risk

(1) Exposure to currency risk

The Company's financial assets and liabilities exposed to significant foreign currency risk were as follows:

	2022.12.31			2021.12.31		
	Foreign currencies	**Exchange Rate**	**NTD**	**Foreign currencies**	**Exchange Rate**	**NTD**
Financial assets						
Monetary items						
USD	$ 13,748	30.675	421,718	25,070	27.646	693,075
Non-monetary items						
USD	250	30.611	Note	4,500	27.664~ 27.821	Note
Investments accounted for using equity method						
USD	15,925	30.675	488,498	17,305	27.646	478,413

	2022.12.31			2021.12.31		
	Foreign currencies	**Exchange Rate**	**NTD**	**Foreign currencies**	**Exchange Rate**	**NTD**
Financial liabilities						
Monetary items						
USD	3,755	30.675	115,183	10,477	27.646	289,652
Non-monetary items						
USD	12,847	30.457~ 30.472	Note	750	27.664	Note

Note: As of December 31, 2022 and 2021, please refer to Note 6 (2) for the information on the fair value valuation of forward exchange contracts and cross-currency swap contracts.

(2) Sensitivity analysis

The Company' exposure to foreign currency risk from the translation of the foreign currency exchange gains or losses on cash and cash equivalents, accounts receivable and accounts payable that were denominated in foreign currency. Depreciation or appreciation of the NTD by 1% against the USD at December 31, 2022 and 2021, while all other variables were remained constant, would have increased or decreased by $3,065 and $4,034. The two analyses were based on the same basis.

(3) Exchange gains or losses on monetary items

The Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivables and accounts payable. The Company's foreign exchange gains (losses) (realized and unrealized) on the foreign currency monetary items using the functional currency were as follows:

	2022		2021	
	Foreign exchange gains or losses	Average exchange rate	Foreign exchange gains or losses	Average exchange rate
USD	$ (41,209)	29.8481	4,127	27.9262
Others	385	-	(106)	-
	$ (40,824)		**4,021**	

4. Interest rate analysis

The Company's cash and cash equivalents with variable rates,if the interest rates had to increase or decrease by 0.25%, the Company's profit before tax would have increased or decreased by $925 and $563, respectively for the years ended December 31, 2022 and 2021 with all other variable factors remaining constant.

5. Fair value information

(1) Categories of financial instruments and fair value

The financial assets and liabilities at fair value through profit or loss are at fair value is measured on a recurring basis. The carrying amount and fair value of the Company's of financial assets and liabilities (including fair value hierarchy levels information, but excluding the financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and for lease liabilities, disclosure of fair value information is not required) were as follows:

	2022.12.31				
		Fair value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets at amortized cost					
Cash and cash equivalents	$ 578,390	-	-	-	-
Financial assets at amortized cost - current	354,560	-	-	-	-
Accounts receivable, net	206,726	-	-	-	-
Financial assets at amortized cost - non-current	2,000	-	-	-	-
Refundable deposits	528	-	-	-	-
	$ 1,142,204	-	-	-	-
Financial liabilities at fair value through profit or loss	$ 111	-	111	-	111
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial liabilities at amortized cost					
Accounts payable	$ 117,689	-	-	-	-
Lease liabilities (included current and non-current)	17,547	-	-	-	-
Deposits for guarantees (recorded in other current liabilities)	97	-	-	-	-
	$ 135,333	-	-	-	-

	2021.12.31				
		Fair value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	**$ 338**	**-**	**338**	**-**	**338**
Financial assets at amortized cost					
Cash and cash equivalents	$ 458,402	-	-	-	-
Financial assets at amortized cost - current	304,382	-	-	-	-
Accounts receivable, net	598,359	-	-	-	-
Financial assets at amortized cost - non-current	2,000	-	-	-	-
Refundable deposits	528	-	-	-	-
	$ 1,363,671	**-**	**-**	**-**	**-**
Financial liabilities at fair value through profit or loss	**$ 13**	**-**	**13**	**-**	**13**
Financial liabilities at amortized cost					
Accounts payable	$ 290,356	-	-	-	-
Lease liabilities (included current and non-current)	21,250	-	-	-	-
Deposits for guarantees (recorded in other current liabilities)	97	-	-	-	-
	$ 311,703	**-**	**-**	**-**	**-**

(2) Valuation technique of financial instruments not measured at fair value

The Company’s valuation technique and assumptions used for financial instruments not measured at fair value were as follows:

Financial assets and liabilities at amortized cost are valued at fair value based on the latest quoted price and agree-upon price. If market value is unavailable, the fair value is evaluated based on the discounted cash flows.

(3) Valuation techniques for financial instruments at fair value - derivative financial instruments

Forward exchange contracts are usually measured at the current forward exchange rate.

No changes to fair value hierarchies in 2022 and 2021.

(I) Financial risk management

1. Overview

The Company has exposed to the following risks from its financial instruments:

(1) Credit risk

(2) Liquidity risk

(3) Market risk

The following likewise discusses the Company's objectives, policies, and processes for measuring and managing the above-mentioned risks. For more disclosures about the quantitative effects of these risk exposures, please refer to the respective notes to in the accompanying parent-company-only financial statements.

2. Structure of risk management

The Company develops a disciplined and constructive control environment through training, management guidelines and procedures to make all employees aware of their roles and obligations.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has reviewed the adequacy of the Company's risk management policies and procedures. Internal auditors play a supervisory role. They perform periodic and hoc reviews procedures to risk management relevant controls and procedures and report them to the Board of directors.

3. Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's cash and cash equivalents and receivables.

(1) Cash and cash equivalents

As of December 31, 2022 and 2021, the Company's cash balance held by domestic financial institution accounted for 65% and 56% of the Company's account balance, respectively. However, the credit status of the financial institution is good, and no significant credit risk loss is expected to occur.

(2) Accounts receivable

The Company has established a credit policy, under which each new customer is analyzed for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes, if available, external ratings and, in some cases, bank references. These limits are reviewed periodically. Customers that fail to meet the Company's benchmark creditworthiness may transact with the Company only on a prepayment basis.

When monitoring customer credit risk, grouped customers based on credit characteristics, including legal entity, region, industry, aging, maturity date and pre-existing financial difficulties. Customers rated as high-risk are placed on a restricted customer list and future sales are based on a prepayment basis.

(3) Guarantee

The Company's policy can only provide endorsement guarantee for companies directly or indirectly owned more than 90% shares with voting right by the Company. As of December 31, 2022 and 2021, the Company did not provide any endorsement guarantee.

4. Liquidity risk

The Company's capital and working capital are sufficient to fulfill contractual obligations, and it is not expected that liquidity risk will arise due to the inability to raise capital to settle contractual obligations.

The Company trades derivative financial instrument to avoid the exchange rate risk of net assets and liabilities. There is no significant liquidity risk arising from related cash inflow or outflow at maturity. The Company's liquidity management policy to ensure, as far as possible, that the Company has sufficient capital to meet its obligations as they fall due, under normal and stressful conditions without unacceptable risk of loss or damage to the Company's reputation.

The Company uses the operating base costing system to estimate the cost of its products and services to assist the Company in monitoring cash flow requirements and optimal cash returns on investments. In general, the Company ensures that it has sufficient cash to meet the expected operating expenditure need of 60 days, including the fulfilment of financial obligations, but excludes potential impacts that cannot be reasonably expected in extreme circumstances, such as natural disasters. As of December 31, 2022 and 2021 the Company's unused credit lines were $498,000.

5. Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, would affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management was to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Company's exposure to the risk of fluctuations in foreign currency exchange rates related primarily to the Group's purchases and sales that are denominated in foreign currencies. Therefore, the Company trades derivative financial instruments adopts economic hedging to avoid the exchange rate risk of foreign currency assets or liabilities held by the Company. The gains and losses arising from exchanges rate changes will offset of hedged items, so the market risk is usually low.

(1) Foreign exchange risk

The Company's exposure to the risks of fluctuation in foreign currency exchanges rates relates primarily to the Company's sales, purchases and borrowings and transactions, and those are not denominated in functional currencies of the Company. These transactions are denominated in NTD, JPY and USD.

In respect of other monetary assets and liabilities denominated in other foreign currencies, the Company ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when it is necessary to address short-term imbalances

(2) Interest rate risk

The Company holds variable-rate assets, which cause the exposure to interest rate risk in cash flows, please refer to the detailed explanation in Note 6 (20).

(II) Capital management

The Board of Directors' policy is to maintain a strong capital base in order to maintain the confidence of investors, creditors and to sustain future development of the business. Capital consists of share capital, capital surplus and retained earnings of the Company. The Board of Directors monitors the return on capital as well as the level of dividend to ordinary stockholders.

The Company's debt-to-capital ratio at the reporting date was as follows:

	2022.12.31	2021.12.31
Total liabilities	$ 644,057	532,458
Less: cash and cash equivalents	(578,390)	(458,402)
Net liabilities	**$ 65,667**	**74,056**
Total Equity	**$ 1,350,873**	**1,611,963**
Debt-to-capital ratio	**4.86%**	**4.59%**

(III) Non-cash investments and financing activities

For the years ended December 31, 2022 and 2021, reconciliation of liabilities arising from non-cash investment and financing activities were as follows:

	For the years ended December 31,	
Lease liabilities	**2022**	**2021**
Beginning balance	$ 21,250	17,300
Cash flows from:		
Repayment of the principal portion of lease liabilities	(4,028)	(3,471)
Interest paid (Note)	(253)	(274)
Non-cash changes		
Interest expense (Note)	253	274
Acquisition of right-of-use assets	640	7,421
Gains on lease modifications	(315)	-
Ending balance	**$ 17,547**	**21,250**

Note: This is from operating activities.

VII. Related party transactions

(I) Name and relationship of related parties:

Name of related party	Relationship with the Company
Value Investment Ltd.(Value)	The subsidiary of the Company
Zakus, Inc. (Zakus)	The subsidiary of the Company
XAC AUTOMATION (SUZHOU) CO., LTD (XAC Suzhou)	The subsidiary of Value

(II) Significant related-party transactions:

1. Sales

The sales amount of the Company to related parties were as follows:

	For the years ended December 31,	
	2022	2021
Subsidiaries- Zakus	$ -	205

2. Purchases

The purchases amount of the Company related parties were as follows:

	For the years ended December 31,	
	2022	2022
Subsidiary-XAC Suzhou	$ 808,029	923,899

The transaction between the Company and XAC Suzhou is buy back of finished goods manufactured on behalf by XAC Suzhou based on order received. Since we do not purchase the same goods from other suppliers, there is no basis for comparison for the purchase price of the finished products. In addition to purchasing finished products, we also entrusted XAC Suzhou to procure raw materials for us in 2021 and 2022. There was no profit or loss from the procurement of raw materials. For the years ended December 31, 2022 and 2021, the payment terms for purchasing from XAC Suzhou were 30 to 90 days, while for regular suppliers, it was between 30 to 90 days for monthly payment.

3. Purchasing raw materials on behalf of others

The Company acts as the purchasing agent on behalf of XAC Suzhou to purchase raw materials, which then will be processed by XAC Suzhou to finished goods, and subsequently sold back to the Company. For the years ended December 31, 2022 and 2021, we sold the relevant purchased raw materials to XAC Suzhou for $5,330 and $9,752, respectively. However, we did not recognize the sales revenue and cost of goods sold in the financial statements. The net profit generated from the above transactions amounted to $747 and $23, respectively, which were recognized under cost of goods sold.

4. Accounts payables to related parties

The details of accounts payable to related parties were as follows:

Transaction type	Type of related party	2022.12.31	2021.12.31
Accounts payables to relate parties	XAC Suzhou	$ 83,675	214,752

5. Service provision and other expenses

The following is a breakdown of expenses paid to related parties by our company for business dealings, including product warranty services, production fees, research expenses, market surveys, and various service fees. The details and outstanding balances were as follows:

	For the years ended December 31, 2022	2021
Subsidiaries-XAC Suzhou	$ 8,441	7,713
Subsidiary-Zakus	68,527	103,629
	$ 76,968	111,342

Transaction type	Type of related party	2022.12.31	2021.12.31
Accounts payables to relate parties	Zakus	$ 21,164	35,835
Accounts payables to relate parties	XAC Suzhou	967	329
		$ 22,131	36,164

6. Property transactions

The details of disposal of property, plant and equipment to related parties were as follows:

	For the years ended December 31, 2022	2021
Subsidiaries-XAC Suzhou	$ -	1,191

The Company sold Research & development equipment to XAC Suzhou $1,191 in June 2021. As of December 31, 2021, the payables resulting from the above transactions have been settled.

(III) Transactions with key management personnel:

Key management personnel compensation comprised:

	For the years ended December 31,	
	2022	2022
Short-term employee benefits	$ 25,669	32,435
Post-employment benefits	1,369	1,358
Share-based payment	519	2,061
	$ 27,557	35,854

VIII. Pledged assets

The carrying amounts of the Company's pledged assets were as follows:

Asset name	Object	2022.12.31	2021.12.31
Time deposits (recorded in financial assets at amortized cost – non-current)	Guarantee for land lease agreements with the Hsinchu Science Park Bureau	$ 2,000	2,000

IX. Significant contingent liabilities and unrecognized commitments

As of December 31, 2022 and 2021, the total amounts of promissory notes deposited by the Company at the bank for acquiring financing were $526,074 and $523,499, respectively.

X. Losses due to major disasters: None.

XI. Subsequent events: None.

XII. Others

Total personnel, depreciation and amortization expense categorized by function were as follows:

By function / By item	For the year ended December 31, 2022			For the year ended December 31, 2021		
	Classified as operating cost	Classified as operating expenses	Total	Classified as operating cost	Classified as operating expenses	Total
Employee benefits						
Salary	55,600	127,282	182,882	21,306	147,433	168,739
Labor health insurance	1,607	13,219	14,826	1,404	13,107	14,511
Pension	759	7,983	8,742	613	7,823	8,436
Remuneration of directors	-	-	-	-	3,660	3,660
Others	943	4,914	5,857	711	3,733	4,444
Depreciation	1,337	9,749	11,086	1,033	10,253	11,286
Amortization	-	199	199	-	88	88

The amount of employees and employee benefits for the years ended December 31, 2022 and 2021, were as follows:

	For the Years ended December 31,	
	2022	2021
The number of employees	159	162
The number of directors who were not holding as a position of employee	6	6
The Average of employee benefits	$ 1,388	1,257
The Average of Salaries	$ 1,195	1,082
The Average of salary adjust rate	10.44%	

The information of the Company’s salaries and remunerations policy (including director, executive officers and employees) was as follows:

(1)Article 28 of the Articles of Incorporation of the Company stipulates that “if there is any profit of the Company in the year, 3% to 12% shall be allocated for employee compensation and not more than 3% for director compensation. However, if the Company still has accumulated losses, the amount should be reserved in advance to offset the losses. The compensation of the employees set forth in the preceding paragraph shall be paid to the objects of stock or cash, including employees of the subsidiary company who meet certain conditions.”

(2)The procedure for determining the remuneration of the directors, general manager and deputy general manager of the Company shall be in accordance with the provisions of the Company Law, the Articles of Incorporation of the Company and the Measures according to the "Regulations for the Management of Managerial Performance Assessment and Remuneration Policy", the remuneration shall be determined in accordance with the positions and responsibilities of the directors, general manager and deputy general manager, and shall be in line with the Company’s operational performance, and shall be reviewed by the remuneration committee and approved by the Board of Directors.

(3)The compensation of employees of the Company shall be determined in accordance with the R.O.C. Company Act, the Company’s Articles of Incorporation, the Employee Immediate Reward Measures, the Employee Bonus Distribution Measures, the Operating Bonus Management Measures and the Remuneration Management Procedures. The remuneration and rewards shall be determined in accordance with the positions and responsibilities assumed by the employees and shall be in accordance with the Company’s operating performance, and shall be reviewed by the Remuneration Committee and approved by the Board of Directors.

XIII.Supplementary Disclosures

(I) Information on significant transactions

From January 1 to December 31, 2022, in accordance with the provisions of the compilation standards, the information related to major transactions that the Company should disclose further is as follow:

1. Money lending to others:

No.	Companies that Lend Funds	Borrower	Financial Statement Account	Related Party	Maximum Amount for the Period	Ending Balance	Actual Amount Drawn	Interest Rate	Nature of financing	Amount of Transactions	Reasons for Short-term Financing	Allowance for doubtful accounts	Collateral		Individual funding limits	Maximum limit of fund financing
													Item	Value		
0	The Company	XAC Suzhou	Other receivables - related parties	Yes	64,392 (USD2,000 in thousands)	-	-	1%	Short-term capital turnover	-	Working capital needs	-	-	-	135,087	270,175

Note: Pursuant to the Procedures of Lending Funds to Others Parties, the aggregate financing amount for a short-term period shall not exceed 20% of the net worth of the Company. The individual financing amount shall not exceed the trade amount between the two parties in the recent year; the transaction amount refers to the higher amount of purchase or sale between the two parties; the individual financing amount for a short-term period shall not exceed 10% of the net worth of the Company.

2. Guarantee and endorsement for other parties: None.
3. Marketable securities held (excluding investment in subsidiaries, associates and joint ventures): None.
4. Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20% of the paid-in capital: None.
5. Acquisition of individual real estate with amounts exceeding NT$300 million or 20% of the paid-in capital: None.
6. Disposal of individual real estate with amounts exceeding NT$300 million or 20% of the paid-in capital: None.
7. Purchases from or sales to related parties with amounts exceeding NT$100 million or 20% of the paid-in capital:

Company Name	Counterparty	Relationship	Transaction Details				Transaction with Terms Different from Others		Notes/Accounts Receivable (Payable)		Note
			Purchases /Sales	Amount	Percentage of Total Purchases /Sales	Credit Terms	Unit Price	Credit Terms	Ending Balance	Percentage of Total Notes/ Accounts Receivable (Payable)	
The Company	XAC Suzhou	Subsidiaries	Purchase	808,029	87%	30~90 days	-	-	(83,675)	(71)%	

Note: All inter-company transactions have been eliminated in the consolidated financial statements.

8. Receivables from related parties with amounts exceeding NT$100 million or 20% of the paid-in capital: None.
9. Derivatives transaction: Please refer to Note 6 (2).

(II) Investment on investees:

For the year ended December 31, 2022, the investment information was as follows (excluding the investee in mainland China):

Name of Investor	Name of Investee	Location	Main Business Activities	Initial Investment Amount		End-of-period holding			Net income (losses) of investee	Share of profit/loss of investee	Note
				Ending Balance	Beginning balance	Shares	Percentage of Ownership	Carrying Amount			
The Company	Value	Samoa	Holding company	168,889	168,889	(Note 1)	100%	426,936	3,599	(9,089) (Note 2)	Subsidiaries of the Company
The Company	Zakus	United States	R&D Center and Market Research Related Services	37,145	37,145	200	100%	61,562	4,696	4,696	Subsidiaries of the Company

Note 1. Is a limited company.
Note 2. Unrealized gains or losses on upstream transactions have been eliminated in the consolidated financial statements.

(III) Information on investment in Mainland China:

1. The name of investee in Mainland China, the main business and other related information:

Investee Company	Main Business Activities	Total Amounts of Paid-in Capital	Method of Investments	Accumulated Outflow of Investment from Taiwan as of January 1, 2022	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2022	Net Income (Loss) of Investee	Ownership through Direct / Indirect Investment	Investment Income (Loss) Recognized by the Company	Carrying Amount of Investments as of December 31, 2022	Accumulated Inward Remittance of Earnings in as of December 31, 2022
					Outflow	Inflow						
XAC Suzhou	Production and marketing of electronic financial transaction terminals, transaction data security protection equipment multi-function smart cards, card readers and writers, and their components	224,042	(Note 1)	165,841	-	-	165,841 (Note 3)	3,761	100%	3,761 (Note 2)	447,463	396,532

Note 1. Indirect investment in Mainland China through Value.
Note 2. The financial statements of the investee company were audited by the international accounting firms which cooperated with R.O.C. accounting firms.
Note 3. The accumulated outflow of investment remitted from Taiwan at the end of the current period did not include the earnings transferred to capital stock of $58,201 in 2008.

2. Quota for investment in Mainland China:

Accumulated investment in Mainland China as of December 31, 2022 (Note 1 and 2)	Investment amounts authorized by the Investment Commission of Economic Affairs (MOEA)	Upper Limit on Investment imposed by Investment Commission of Economic Affairs (MOEA)
197,901 (USD 5,995)	252,441 (USD 7,795)	810,524

Note 1. Beijing Tongjinhua Technology Co., Ltd., an indirectly invested subsidiary by the Company has completed its liquidation of various rights and obligations and cancelled its registration in 2011. The investment amounted to $25,715 (USD 800) still needs to be included in the cumulative amount of investments from Taiwan to Mainland China according to the regulations of the Investment Commission of Economic Affairs (MOEA).

Note 2. Tongjinhua Suzhou Co., Ltd., an indirectly invested subsidiary by the Company has completed its liquidation of various rights and obligations and cancelled its registration in 2011. The investment amounted to $6,345 (USD 195) still needs to be included in the cumulative amount of investments from Taiwan to Mainland China according to the regulations of the Investment Commission of Economic Affairs (MOEA).

3. Significant transactions:

Significant direct or indirect transactions with the investees in Mainland China for the year ended December 31, 2022, for which intercompany transactions were eliminated upon consolidation, are disclosed in “Information on significant transactions.”

(IV) Major shareholder information:

Unit: Thousands of shares

Shareholding / Major Shareholders	Total Shares Owned	Ownership Percentage
Zhang Ruimin	5,060	5.26%

Note: (1) The main shareholder information in this table is calculated by the Taiwan Depository & Clearing Corporation on the last business day at the end of each quarter based on those who held more than 5% of the Company’s ordinary shares and preference shares and have completed unregistered non-physical securities delivered (including treasury shares). As for the share capital recorded in the Company’s financial statements and the actual number of shares delivered without physical registration, there may be differences due to different basis of calculation.

(2) In the case of the above information, if a shareholder delivers the shares to the trust, it is disclosed in the individual accounts of the trustee who opened the trust account by the trustee. As for the shareholders’ declaration of insider equity holding more than 10% of the shares in accordance with the Securities and Exchange Act, his shareholding includes his shareholding plus the shares delivered to the trust and the right to use the trust property, etc.. Please refer to the Market Observation Post System (MOPS) for the insider’s equity declaration information.

XIV.Segment Information

Please refer to consolidated financial statements for the year ended December 31, 2022.

XAC AUTOMATION CORP

Statement of Cash and Cash Equivalents

December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

(Foreign Currencies Dollars)

Item	Description	Amount
Cash	Petty cash and cash on hand	$ 63
Cash in banks	Checking deposits	2,093
	Demand deposits	
	TWD	187,104
	USD: 3,020,733.85	92,661
	JPY: 53,602	12
	RMB 1,800,16	8
	EUR: 147.11	5
	GBP: 43.37	2
	Time deposits	296,442
Total		**$ 578,390**

The exchange rates of foreign currencies are converted into New Taiwan Dollars at the balance sheet date is as follows:

USD： 30.675

EUR： 32.690

JPY： 0.2318

CNY： 4.4044

GBP： 37.00

XAC AUTOMATION CORP

Statement of Financial Assets at Fair Value through Profit or Loss - Current

December 31, 2022

For related information, please refer to Note 6 (2) “Statement of Financial Assets at Fair Value through Profit or Loss - Current” of the parent-company-only financial statements.

Statement of Financial Assets at Amortized Cost - Current and Non- current

For related information, please refer to Notes 6 (3) and 8 “Statement of Financial Assets at Amortized Cost - Current and Non- current” of the parent-company-only financial statements.

Statement of Current Contract Assets

(Expressed in thousands of New Taiwan Dollars)

Client name	Amount
Contract assets:	
Client E	$ 22,204
Client F	14,620
Client A	6,396
Others (Note)	1,198
Less: allowance for doubtful accounts	-
Total	$ 44,418

Note: Individual customer whose balances are less than 5% of the amount of account balance will not be listed separately.

XAC AUTOMATION CORP

Statement of Accounts receivable

December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

Client name	Amount
Accounts receivable:	
Client C	$ 97,306
Client I	32,378
Client B	26,101
Client J	12,665
Client D	10,484
Others (Note)	29,112
	208,046
Less: allowance for doubtful accounts	(1,320)
Total	**$ 206,726**

Note: Individual customer whose balances are less than 5% of the amount of account balance will not be listed separately.

XAC AUTOMATION CORP

Statement of Inventories

December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

Item	Amount Cost	Amount Net Realizable Value
Finished goods	$ 45,203	42,301
Less: provision for inventory valuation	(4,916)	
Subtotal	40,287	
Semi-finished products	40,939	53,374
Less: provision for inventory valuation	(1,019)	
Subtotal	39,920	
Work in progress	13,436	13,436
Raw materials	93,264	94,461
Less: provision for inventory valuation	(6,397)	
Subtotal	86,867	
Total	**$ 180,510**	**203,572**

Statement of Other current assets

Item	Amount
Prepaid expenses	$ 2,699
Refundable tax	1,934
Temporary payments	1,477
Other (Note)	45
Total	**$ 6,155**

Note: Individual customer whose balances are less than 5% of the amount of account balance will not be listed separately.

XAC AUTOMATION CORP

Statement of Movement in Investments Accounted for Using the Equity Method

For the year ended December 31, 2022

(Expressed in thousands of New Taiwan Dollars, in thousands shares)

	Beginning Balance		Addition				Ending Balance			Market Value or Net Assets Value		
Name of investee	Shares	Amount	Shares	Amount	Investment Profit or Loss	Conversion Adjustment	Shares	Percentage of Ownership	Amount	Unit Price	Total Amount	Collateral
Value Investment Ltd.		$ 427,371	-	2,000	(9,089)	6,654		100%	426,936	-	426,936	None
Zakus, Inc.	200	51,042	-	-	4,696	5,824	200	100%	61,562	-	61,562	None
		$ 478,413		2,000 (Note)	(4,393)	12,478			488,498		488,498	

Note: Part of the restricted stock awards by the employees of the subsidiary were recognized in subsidiary's compensation cost amounting to $2,000, which were recorded in the investments accounted for using the equity method.

XAC AUTOMATION CORP

Statement of Movement in Property, Plant and Equipment

For the year ended December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

For related information, please refer to Note 6 (7) “Property, Plant and Equipment” of the parent-company-only financial statements.

Statement of Movement in Right-of-Use Assets

For related information, please refer to Note 6 (8) “Right-of-Use Assets” of the parent-company-only financial statements.

Statement of Movement in Intangible Assets

For related information, please refer to Note 6 (9) “Intangible Assets” of the parent-company-only financial statements.

XAC AUTOMATION CORP

Statement of Refundable deposits

December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

Item	Amount
Refundable deposits of Taipei office	$ 491
Others (Note)	37
	$ 528

Note: The individual amount does not exceed 5% of the account balance.

Statement of Accounts Payable

Vendor name	Amount
Company DD	$ 3,151
Company AA	2,404
Company BB	1,895
Company CC	798
Company GG	697
Other (Note)	2,938
Total	**$ 11,883**

Note: Individual vendor who has less than 5% of the account balance will not be listed separately.

XAC AUTOMATION CORP

Statement of Other Current Liabilities

December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

Item	Amount
Contract liabilities	$ 19,090
Accrued expenses	10,645
Insurance payable	2,287
Service fee payable	2,270
Other (Note)	9,825
Total	$ 44,117

Note: The individual amount does not exceed 5% of the account balance.

Statement of Lease Liabilities

Item	Description	Term of Contract	Interest Rate	Amount	Note
Land	Land of Hsinchu Science Park	January 1, 2021~ December 31, 2040	1.5%	$ 14,061	
Transportation equipment	Business vehicle	May 25, 2021~ May 24, 2024	1.5%	1,782	
Housing and Construction	Office	December 1, 2021~ November 30, 2023	1.5%	1,704	
				$ 17,547	
Current				$ 3,926	
Non-current				$ 13,621	

XAC AUTOMATION CORP

Statement of Operating Revenue

For the year ended December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

Item	Quantity	Amount
Electronic fund transaction terminals	358,506	$ 748,958
Transaction security products	67,474	175,453
Card readers and writers	51,307	99,227
Others	315,479	380,779
Net revenue		$ 1,404,417

XAC AUTOMATION CORP

Statement of Operating Costs

For the year ended December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

Item	Amount
Beginning balance of raw materials	$ 90,942
Add: Purchase	118,916
Less: Ending balance of raw materials	(93,264)
Raw materials used	116,594
Direct labor	16,516
Manufacturing overhead	15,629
Cost of conversion	20,286
Manufacturing cost	169,025
Add: Beginning balance of work in process and semi-finished products	47,553
Semi-finished products purchased	78,219
Less: Ending balance of work in process and semi-finished products	(54,375)
Sale of semi-finished products	(82,067)
Transferred to expense	(1,650)
Cost of finished goods	156,705
Add: Beginning balance of Finished goods	29,787
Finished goods purchased	709,121
Gain on physical inventory	7
Less: Ending balance of Finished goods	(45,203)
Transferred to expense	(482)
Production and sales cost	849,935
Sale of semi-finished products	82,067
Labor cost	40,903
Warranty cost and others	8,845
Allowance for inventory valuation loss	7,533
Cost of sales	**$ 989,283**

XAC AUTOMATION CORP

Statement of Selling, Administrative, Research and Development Expenses

For the year ended December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

Item	Selling	Administrative	Research and Development	Expected credit impairment gain
Salary	$ 7,833	36,684	82,765	-
Commission expense	5,087	-	-	-
Professional service fees	8,733	4,957	60,108	-
Depreciation	454	3,521	5,773	-
Insurance expense	2,464	3,095	9,924	-
Testing fees	130	100	29,149	-
Stock affairs fees	-	3,684	-	-
Repair(s) and maintenance expense	-	3,996	313	-
Miscellaneous expense	208	6,453	795	-
Expected credit impairment gain	-	-	-	(167)
Others (Note)	3,252	7,211	21,533	-
Total	**$ 28,161**	**69,701**	**210,360**	**(167)**

Note: The individual amount does not exceed 5% of the account balance.

XAC AUTOMATION CORP

Statement of Interest income

For the year ended December 31, 2022

For related information, please refer to Note 6 (19) “Interest income” of the parent-company-only financial statements.

Statement of Other Gains and Losses

For related information, please refer to Note 6 (19) “Other gains and losses” of the parent-company-only financial statements.