



Stock code :5490

# **XAC Automation Corporation**

## **Handbook for the 2023 Annual Meeting of Shareholders**

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

**MEETING TIME:** 9:00 AM on Tuesday, June 13, 2023

**MEETING PLACE:** Einstein Hall, HSP LINK, No. 1, Industry E. 2nd Rd.,  
Hsinchu Science Park, Hsinchu City, Taiwan

**MEETING METHOD:** Physical Shareholders' Meeting

# XAC Automation Corp.

## Rules of Procedure for Shareholders' Meetings

Amended at the Shareholders' Meeting dated June 9, 2017

- I. The Shareholders' Meeting of the Company shall be conducted in accordance with these Rules, unless otherwise specified by laws and regulations.
- II. Attending shareholders (or their representatives) shall be accompanied by a certificate of attendance and submit attendance cards instead of signing in. The number of shares is calculated by the submitted attendance cards plus the number of shares to exercise voting rights electronically.
- III. The Company may appoint its attorneys, certified public accountants, or related persons retained by it to attend a shareholders' meeting in a non-voting capacity.
- IV. The chairman shall call the meeting to order at the appointed meeting time. However, when the attending shareholders do not represent a majority of the total number of issued shares, the chair may announce a postponement, provided that no more than two such postponements, for a combined total of no more than one hour, may be made. If the number of shareholders present is still insufficient after the second adjournment but represents more than one-third of the total number of issued shares, it shall be considered as a false resolution in accordance with Paragraph 1, Article 175 of the Company Act. When, prior to conclusion of the meeting, the attending shareholders represent a majority of the total number of issued shares, the chair may resubmit the tentative resolution for a vote by the shareholders' meeting pursuant to Article 174 of the Company Act.
- V. If the shareholders' meeting is convened by the Board of Directors, its agenda shall be determined by the board, and the meeting shall be conducted in accordance with the scheduled agenda, and shall not be changed without a resolution of the shareholders' meeting.

The provisions of the preceding paragraph apply mutatis mutandis to a shareholders' meeting convened by a party with the power to convene that is not the board of directors.

Before the conclusion of the agenda (including temporary motions) scheduled in the preceding two paragraphs, the chairman shall not adjourn the meeting without a resolution.

After the adjournment of the meeting, the shareholders shall not elect a chairman to continue the meeting at the original site or another place.

- VI. When speaking, an attending shareholder must specify on a speaker's slip the subject of the speech, his/her shareholder account number (or attendance card number), and account name. The order in which shareholders speak will be set by the chairman.

Each shareholder present at the meeting may speak on the same proposal no more than twice without the consent of the chairman, and each time may not exceed five minutes. The chairman may stop the speech if it is overtime or exceeds the scope of the proposal.

A shareholder in attendance who has submitted a speaker's slip but does not actually speak shall be deemed to have not spoken. When the content of the speech does not correspond to the subject given on the speaker's slip, the spoken content shall prevail.

When an attending shareholder is speaking, other shareholders may not speak or interrupt unless they have sought and obtained the consent of the chair and the shareholder who has the floor; the chair shall stop any violation.

When a corporate shareholder is appointed to attend the shareholders' meeting, it may designate only one person to represent it in the meeting.

When a corporate shareholder appoints two or more representatives to attend a

shareholders' meeting, only one of the representatives so appointed may speak on the same proposal.

- VII. After an attending shareholder has spoken, the chair may respond in person or direct relevant personnel to respond.
- VIII. When a proposal is discussed, the Chairman may declare the discussion closed and put it to a vote as appropriate.
- IX. Vote monitoring and counting personnel for the voting on a proposal shall be appointed by the chair, provided that all monitoring personnel shall be shareholders of the Company. The voting results shall be announced on site at the meeting with a record made.
- X. When there is an amendment or an alternative to a proposal, the chair shall present the amended or alternative proposal together with the original proposal and decide the order in which they will be put to a vote. When any one among them is passed, the other proposals will then be deemed rejected, and no further voting shall be required. Shareholders exercising their voting rights electronically on extempore motions and amendments to the original proposals of the shareholders' meeting shall be deemed as abstained.
- XI. In the course of a meeting, the Chairman may, at his discretion, declare a rest. In the event of an irresistible event, the chairman may determine to suspend the meeting and, as the case may be, declare the time for its resumption. If a meeting fails to complete the agenda, it may be postponed or continued within five days by resolution of the shareholders' meeting without notice and announcement.
- XII. The chair may direct the proctors or security personnel to help maintain order at the meeting venue. When proctors or security personnel help maintain order at the meeting venue, they shall wear an armband bearing the word "Proctor."
- XIII. The Company shall make an uninterrupted audio or video recording of the entire proceedings of the shareholders meeting, which shall be retained for at least one year.
- XIV. Matters not specified in these rules shall be handled in accordance with the Company Act, the Securities and Exchange Act, the Articles of Association of the Company and other relevant laws and regulations.
- XV. The Rules shall be implemented after having been approved by a shareholders' meeting. Subsequent amendments thereto shall be affected in the same manner.

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# XAC Automation Corp.

## Procedure for the 2023 Annual Shareholders' Meeting

Time: June 13, 2023 (Tuesday) at 9:00 am

Meeting Place: No.1 Industry E. 2nd Rd., Hsinchu Science Park, Hsinchu City, Taiwan(Einstein Hall, HSP Link)

Meeting Method: Physical shareholders' meeting

Attendants : All shareholders or their proxy holders

Chairman : Chang, Yung-Ming, the Chairman of the Company

### **I. Call the Meeting to Order**

### **II. Chairperson's Address**

### **III. Report Items:**

- (I) Report the Business of 2022.
- (II) Audit Committee's Review Report.
- (III) Status report of Company's indirect investment in Mainland China.
- (IV) Loans to others in 2022.
- (V) Report on the amendments to the procedures for Ethical Conduct.
- (VI) Report on the Private Placement of Common Shares in 2022.
- (VII) Report on Results of Shareholder's Proposals.

### **IV. Proposal Items:**

- (I) 2022 Business Report and Financial Statement. (Proposed by the Board of Directors)
- (II) Adoption of the Proposal for 2022 Deficit Compensation (Proposed by the Board of Directors)

### **V. Discussion Items:**

- (I) Amendment to the Company's Articles of Incorporation. (Proposed by the Board of Directors)
- (II) To abolish the original Rules of Procedure for Shareholders' Meetings, and to establish a new Rules of Procedure for Shareholders' Meetings. (Proposed by the Board of Directors)
- (III) Amendment to the "Procedures for Acquisition or Disposal of Assets". (Proposed by the Board of Directors)
- (IV) Proposal for a cash offering by private placement. (Proposed by the Board of Directors)

### **VI. Extemporary Motions**

### **VII. Adjournment**

# XAC Automation Corp.

## Agenda for the 2023 Annual Shareholders' Meeting

### **Report Items**

#### **I. Report the Business of 2022**

Note: Please refer to the [Attachment I](#) of this Handbook (Pages 9-12).

#### **II. Audit Committee's Review Report**

Note: Please refer to the [Attachment II](#) of this Handbook (Page 13).

#### **III. Status report of Company's indirect investment in Mainland China**

Note: For indirect investments in Mainland China as of December 31, 2022, please refer to the [Attachment III](#) of this Handbook (Page 14).

#### **IV. Loans to Others in 2022**

Note: For loans to others in 2022, please refer to the [Attachment IV](#) of this Handbook (Page 14).

#### **V. Report on the amendments to the procedures for Ethical Conduct**

Note:

- (I) As the Company has established an audit committee and has no supervisors, it is proposed to revise the "Code of Ethical Conduct".
- (II) For the details of the amendments, please refer to the [Attachment V](#) of this Handbook (Pages 15-20).

#### **VI. Report on the Private Placement of Common Shares in 2022**

Note:

- (I) On June 14, 2022, the Company's annual shareholders' meeting authorized the Board of Directors to conduct a private placement of ordinary shares once or in several closings (no more than three closings), at appropriate time, within one year from the date of the resolution of the Shareholders' Meeting for the timeliness.
- (II) This private placement of ordinary shares will expire on June 13, 2023, and the Board of Directors resolved on April 26, 2023 to cease the private placement plan for the remaining period.

#### **VII. Report on Results of Shareholder's Proposals**

Notes: There is no shareholder proposal at this Meeting.

## **Proposal Items**

### **I. 2022 Business Report and Financial Statement** (Proposed by the Board of Directors)

Note:

- (I) 2022 Company's Financial Statements were audited by independent auditors, Huang, Hai-Ning and Tseng, Mei-Yu of KPMG Taiwan.
- (II) For the details of 2022 Business Report, Independent Auditor's Report and Financial Statements, Please refer to **Attachment I** (Pages 9-12) and **Attachment VI** (Page 21) of this Handbook.

Resolution:

### **II. Adoption of the Proposal for 2022 Deficit Compensation**

(Proposed by the Board of Directors)

Note:

- (I) 2022 Deficit Compensation has been approved by the Board of Directors and reviewed by the Audit Committee. The Audit Committee's Review Report was issued accordingly.
- (II) The detail of 2022 Deficit Compensation Statement, please refer to the **Attachment VII** of this Handbook (Page 38).

Resolution:

## **Discussion Items**

### **I. Amendment to the Company's Articles of Incorporation**

(Proposed by the Board of Directors)

Note:

- (I) To comply with the Article 172-2 of the Company Act, the publicly listed companies may apply the provisions on the video-conference of the shareholders' meeting and propose to amend the provisions of the Company's Articles of Incorporation.

- (II) For the comparison of the contents before and after amendment, please refer to Attachment VIII of this Handbook (Pages 39-41).

Resolution:

**II. To abolish the original Rules of Procedure for Shareholders' Meetings, and to establish a new Rules of Procedure for Shareholders' Meetings** (Proposed by the Board of Directors)

Note:

- (I) In order to enhance corporate governance and safeguard shareholders' equity, refer to the "Rules of Procedure for Shareholders' Meetings" to published and amended by the competent authority. Considering that the Company's current have need to be amended a lot, the provisions are not easy to compare, it is proposed to abolish the original one and formulate a new "Rules of Procedure for Shareholders' Meetings". Please refer to Attachment IX of this Handbook (Pages 42-46).
- (II) The new Rules shall come into effect after being approved by the shareholders' meeting, and the original Rules shall be repealed at the same time.

Resolution:

**III. Amendment to the “Procedures for Acquisition or Disposal of Assets”**(Proposed by the Board of Directors)

Note:

- (I) In order to the new amendment of the code of conduct by Public Companies, an amendment to “Procedures for Acquisition or Disposal of Assets” is proposed.
- (II) For the comparison of the contents before and after amendment, please refer to Attachment X of this Handbook (Pages 47-60).

Resolution:



#### **IV. Proposal for a cash offering by private placement** (Proposed by the Board of Directors)

Note:

- (I) In order to expand the future sales of products and take into account the timeliness of fund raising cost, convenience, issuance cost and equity stability, the Company intends to handle the private placement of ordinary shares in accordance with the provisions of Article 43-6 of the Securities and Exchange Act and submit it to the shareholders' meeting for resolution.
- (II) The total amount of private placement is expected to be no more than 9,600,000 shares with a par value of NT\$10 per share, in accordance with Paragraph 6, Article 43-6 of the Securities Exchange Act and the provisions of Directions for Public Companies Conducting Private Placements of Securities:
  1. **Basis and Reasonableness of Private Placement Prices:**

The price of this private placement of ordinary shares is determined as 80% of the higher of the reference prices calculated in both ways: the simple average closing price of the common shares of the TWSE listed or TPEX listed company for either the 1, 3, or 5 business days before the price determination date, after adjustment for any distribution of stock dividends, cash dividends or capital reduction; or the simple average closing price of the common shares of the TWSE listed or TPEX listed company for the 30 business days before the price determination date, after adjustment for any distribution of stock dividends, cash dividends, or capital reduction. The actual pricing date and the actual private placement price proposed shall be approved by the shareholders' meeting, which authorizes the board of directors to determine them in the future in consultation with specific places and in consideration of current market conditions and

the above-mentioned pricing principles, so the reasonable price should be determined.

2. The method for selecting the specific persons:

As the places 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 demands, but no places have been determined yet.

3. 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.

4. Necessary reasons 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) Limit on the private placement: It is estimated that 9,600,000 ordinary shares will be issued for private placement, with a par value of NT\$10 per share. This private placement for cash capital increase is submitted to the shareholders' meeting for approval and authorizing the board of directors to handle it once or in several closings (up to three closings), depending on the actual situation of the placement, within one year from the date of the resolution of the shareholders' meeting.
  - (3) 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.
  - (4) 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.
5. The rights and obligations of this private placement of ordinary shares are in principle the same as those of the ordinary shares already issued by the Company, except that in accordance with the provisions of the Securities and Exchange

Act, the ordinary shares of this private placement may not be transferred to other objects than those under the provisions of Article 43-8 of the Securities and Exchange Act within three years from the date of delivery, and a proposal will be submitted to the shareholders' meeting for approval and authorizing the board of directors to apply for obtain a letter issued by the TWSE or TPEX acknowledging that the securities meet the standards for TWSE listing or TPEX listing before it may file with the FSC for retroactive handling of public issuance procedures for trading.

(III) The rights, obligations or any other matters related to the issuance of ordinary shares in this private placement, including the actual number of shares for private placement, the actual price, the selection of placees, the base date, the conditions for issuance, the planned items, the use and progress of funds, the anticipated benefits and other related matters, as well as all other matters related to the issuance plan, will be submitted for the approval of the shareholders' meeting to authorize the board of directors to adjust, determine and handle according to the market conditions. In the future, if it is required for amendments by the law or the competent authority or based on the operational performance assessment, or if it is necessary to change due to the objective environment, the proposed changes will be submitted to the shareholders' meeting for approval and authorizing the board of directors to handle it with full authority.

Resolution:

**Extempore Motions**

**Adjournment**

## Business Reports

### I. Annual Business Report 2022

(I) Results of Business Plan:

The Company's net revenue for 2022 was NT\$ 1,404,426 thousand, decreased by 11.04% as compared with NT \$1,578,726 thousand in 2021; the net loss after tax for 2022 was NT \$165,474 thousand, decreased by 224.17% as compared with NT \$133,260 thousand in 2021. The basic loss per share was NT\$ 1.79.

(II) Budget Performance:

The Company did not disclose its financial forecasts for 2022, so it is not applicable.

(III) Financial Revenue and Profitability:

Financial Analysis for 2022	Item	%, times, days
Financial Structure	Debt ratio	33.79%
Solvency	Liquidity ratio	739.80%
	Quick ratio	512.72%
Operating capacity	Turnover rate of accounts receivable, days to collect	3.48 times, 104.88 days
	Inventory turnover, average days to sell	1.42 times, 257.04 days
Profit margin	Return on assets	-7.66%
	return on shareholders' equity	-11.17%
	Net profit rate	-11.78%

(IV) R&D situation

The Company has completed the development of XAC COMMERCE ENABLING PLATFORM (XCE) and the following systems, and obtained PCI P2PE 3.0 security certification for satisfying the PCI DSS security standard in terms of data security.

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

(V) Reinvestment to related companies and operating overview

As of December 31, 2022

Unit: NT\$ 1,000

Subordination	Original investment amount		Carrying amount held at the end of the period	Gain or loss of investee in the current period
	End of current period	End of previous period		
Value Investment Limited (Samoa) invested by XAC	168,889	168,889	426,936	3,599
Zakus, Inc. (USA) invested by XAC	37,145	37,145	61,562	4,696
XAC Automation (Suzhou) Co., Ltd. invested by Value Investment	165,841 (Note 1)	165,841 (Note 1)	447,463	3,761

Note 1: The cumulative original investment amount remitted from Taiwan at the end of the current period does not include the transfer of surplus of NT\$ 58,201 thousand for capital increase to XAC Automation (Suzhou) Co., Ltd. in 2008.

The parent company in Taiwan is currently responsible for the XAC Group's strategic planning (major decisions, research and development, marketing, sales functions) and assumes the main risks and acts as the Group's operating headquarters.

The main function of the Suzhou Factory is not only a manufacturing base, but also the quality center and the system development and operation center.

ZAKUS, the subsidiary in the United States, is XAC's R&D base for front-end technologies. For the purpose of recruitment of talents, we hire R&D talents with expertise in front-end technology of new products to provide R&D and design of product platforms of the parent company in Taiwan. At the same time, the team is also responsible for building the core technology of the payment software and solutions required for the long-term development of the Company.

ZAKUS is also responsible for business survey, product introduction and customer relationship maintenance.

## II. Overview of Annual Business Plan 2023

### (I) Development Strategies

XAC's development strategy is to develop various solutions based on the XCE platform to provide customers with automated business activities, in addition to developing payment equipment solutions based on EMV Full integrated & Semi-integrated Solution for various channels of merchants. The specific development direction is as follows:

1. Development of digital payment solutions.

2. Establishment of strategic partnerships
    - Building strategic partnerships across different (vertical) industries with the Unified Channel system suppliers as key partners.
    - Building channels in major regions: Americas; Japan; EMEA; APAC
- (II) Impacts of External Competitive Environment, Regulatory Environment and Overall Operating Environment
1. The external competitive environment has the following noticeable trends:
    - The trend of cloud POS systems has been identified, and combining payment and other business management software, a complete security system is developed to provide big data for strategic analysis and decision-making.
    - Cloud products are more demanding for security.
    - Differences in regional needs have increased significantly.
  2. Regulatory Environment:
    - In the past, the money flow system was often an industry that governments regulated and protected according to national conditions, and today's trend of liberalization and opening up is inevitable, which is beneficial for XAC to go abroad.
    - The diversity and variability created by the unique global standards of financial system (EMV/PCI) and the unique needs of each region is advantageous to XAC which deeply rooted in the industry.
  3. Overall Operating Environment:

Countries around the world are developing Alternative payment and Commerce Enabling systems; changes in O2O and the digital economy bring great business opportunities, while the security requirements, high-quality expectations have not changed, and the basis that XAC established and cumulated with efforts is an advantage, but correspondingly the proportion of software and system integration and solution development is increasing, which is a challenge, but also an opportunity!

### (III) Market Prospect and Future Outlook

The Cloud IT system and Mobile Internet are two trends that are having a significant impact on business operations and almost all industries are facing changes and challenges. XAC will develop safe payment solutions required for Unified Channel integration the basis of payment security technology, various payment reading technologies and secure cloud POS technology, and the commercial automation solutions based on the XCE platform, a cloud computing service.

XAC will grow by provideing the most secure and convenient payment system solutions for different customers and regions, and grasp the business opportunities brought about by the merchant's integration of Unified Channel in their systems.

Reviewing the international economic situation in 2022, under the influence of the COVID-19 pandemic, the international political and economic situations, high inflation and other factors, the global economic performance in 2022 is not ideal, but the COVID-19 epidemic has been gradually controlled, and the semiconductor supply chain problems has gradually eased. The Company will continue to pay close attention to market dynamics to respond to the operational risks brought about by changes in the future industry and the overall economic environment, continue to optimize systems and procedures, and review and revise business strategies and countermeasures at any time. Looking forward to 2023, there will be more new products on the market, hoping to drive the overall sales volume to grow steadily.

Thank you for the support of our shareholders!

Chairman: Chang, Yung-Ming

Managerial Officer: Chang, Yung-Ming

Accounting Director: Hsu, Jen-Chien



Attachment II

**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

Attachment III

**Indirect Investment in Mainland China**

As of 31 December 2022

Name of investee in Nainland China	XAC Automation (Suzhou) Co., Ltd.
Major Business Items	Production and marketing of electronic financial transaction terminals and their components, transaction data security protection devices and their components, and multi-function smart card readers and writers and their components
Paid-in capital	US\$ 6.8 million (US\$ 5 million in cash; surplus transferred to capital increase of US\$1.8 million)
Shareholding ratio of the Company's direct or indirect investment	100%
Investment amount approved by MOEAIC (Investment Commission, Ministry of Economic Affairs)	US\$ 7.795 million
Accumulated amount of investment remitted by the Company from Taiwan to Mainland China (Note 1, 2)	US\$ 5.995 million

Note 1: Tong Jin Hua Technology (Beijing) Co., Ltd., a subsidiary indirectly invested by the Company, has completed the liquidation of various rights and obligations in 2011 and canceled its registration. The Company's cumulative amount of remittances was NT\$25,715 thousand (US\$800 thousand).

In accordance with the regulations of MOEAIC, it is still necessary to be included in the accumulated amount of remittances from Taiwan to Mainland China.

Note 2: The Company's indirectly invested subsidiary, Jin Hua Technology (Suzhou) Co., Ltd., has completed the liquidation of various rights and obligations in 2013 and canceled its registration. The Company's cumulative export amount was NT\$ 6,345 thousand (US\$ 195 thousand).

In accordance with the regulations of MOEAIC, it is still necessary to be included in the accumulated amount of remittances from Taiwan to Mainland China.

Attachment IV

**Loans to Others in 2022**

Unit: NT\$ 1,000

Companies that lend funds	Borrower	Current Account	Maximum balance in the current period	Ending balance	Actual change in balance of current period	Interest rate range	Amount of business transactions (Note 3)	Reasons for need of short-term financing	Allowance for uncollectible accounts receivable	Collateral security		Loan limit to individual borrowers (Note 1)	Capital loans and total limit (Note 2)
										Name	Value		
The Company	XAC (Suzhou)	Other receivables — related parties	64,392 (US\$ 2,000 thousand)	0	0	1.00%	0	Working capital needs	-	-	-	135,087	270,175

Note 1: In accordance with the provisions of the "Operational Procedures for Loaning Funds to Others" established by the Company, the total amount of capital loans to others is limited to 20% of the net value as declared in the latest financial statements of the Company. Amounts of loans to others for individual business transactions shall not exceed the amount of business transactions between the both parties; the amount of business transactions refers to the purchase or sale amount between the both parties; the amount of individual loans due to short-term financing funds shall not exceed 10% of the net value of the Company.

Attachment V

**XAC Automation Corp.**  
**The procedures for Ethical Conduct**  
**Before and After amendment**

Article No.	Before Amendment	After Amendment	Explanation
I	Determination of purpose and basis In order to guide the directors, <u>supervisors</u> , managerial officers, <u>and employees</u> of the Company to be in line with the Company's ethical codes, and to enable the Company's related parties to have a better understanding of the Company's ethical codes, the Company formulate this Code by reference to the Guidelines for the Adoption of Codes of Ethical Conduct for TWSE/GTSM Listed Companies for compliance.	Determination of purpose and basis In order to guide the directors and managerial officers of the Company to be in line with the Company's ethical codes, and to enable the Company's related parties to have a better understanding of the Company's ethical codes, the Company formulate this Code by reference to the Guidelines for the Adoption of Codes of Ethical Conduct for TWSE/GTSM Listed Companies for compliance.	1. On June 16, 2016, the shareholders' meeting conducted a comprehensive re-election of directors, and no supervisors have been set up, so the part related to "supervisor" in the Code was deleted. 2. This Code mainly applies to insiders, so the part related to "employee" was deleted.
II	Scope of application This Code applies to directors, <u>supervisors</u> , managerial officers and <u>employees</u> of the Company. (...)	Scope of application This Code applies to directors <u>and</u> managerial officers of the Company. (...)	Ditto
III	<u>Principles of Ethical Corporate Management</u> <u>The directors, supervisors, managerial officers and employees of the Company shall adhere to the principle of honesty and integrity and abide by the Code of Ethical Conduct in the performance of their duties.</u>		Deleted as the content is the same as Article 1.
IV	Prevention of conflicts of interest: The directors, <u>supervisors</u> or managerial officers <u>and</u> <u>employees</u> of the Company should avoid any situation that may involve conflicts between personal interests and the Company's interests, handle official duties in an objective and efficient manner, and should not use their positions in the Company to make	<u>Article 3</u> Prevention of conflicts of interest The directors or managerial officers of the Company should avoid any situation that may involve conflicts between personal interests and the Company's interests, handle official duties in an objective and efficient manner, and should not use their positions in the Company to make themselves, spouses, or relatives	1. Article No. changed. 2. On June 16, 2016, the shareholders' meeting conducted a comprehensive re-election of directors, and no supervisors have been set up, so the part related to "supervisor" in the Code was deleted.

Article No.	Before Amendment	After Amendment	Explanation
	<p>themselves, spouses, <u>parents</u>, <u>children</u>, or relatives within the <u>third</u> degree receive improper benefits.</p> <p>When the Company has business dealings with the affiliated enterprises of the personnel in the preceding paragraph, such as: capital load or guarantees, major asset transactions, purchase (sales) of goods, etc., the relevant <u>directors</u>, supervisors, managerial officers and <u>employees</u> should take the initiative to explain to the Company whether they have potential conflicts of interest with the Company.</p>	<p>within the <u>second</u> degree receive improper benefits.</p> <p>When the Company has business dealings with the affiliated enterprises of the personnel in the preceding paragraph, such as: capital load or guarantees, major asset transactions, purchase (sales) of goods, etc., the relevant <u>directors</u> or managerial officers should take the initiative to explain to the Company whether they have potential conflicts of interest with the Company.</p>	<p>3. This Code mainly applies to insiders, so the part related to "employee" was deleted.</p> <p>4. This article was amended in accordance with Paragraph 1, Article 2 of the "Guidelines for the Adoption of Codes of Ethical Conduct for TWSE/GTSM Listed Companies".</p>
V	<p>Minimizing incentives to pursue personal gain: The <u>directors</u>, <u>supervisors</u> or managerial officers and <u>employees</u> of the Company shall not:</p> <ol style="list-style-type: none"> <li>1. See an opportunity to pursue personal gain by using company property or information or taking advantage of their positions;</li> <li>2. Obtain personal gain by using company property or information or taking advantage of their positions</li> <li>3. Compete with Company.</li> </ol> <p>When the company has an opportunity for profit, it is the responsibility of the <u>directors</u>, <u>supervisors</u> or managerial officers and <u>employees</u> to maximize the reasonable and proper benefits that can be obtained by the Company.</p>	<p><u>Article 4</u> Minimizing incentives to pursue personal gain</p> <p>The directors or managerial officer of the Company shall not:</p> <ol style="list-style-type: none"> <li>1. See an opportunity to pursue personal gain by using company property or information or taking advantage of their positions;</li> <li>2. Obtain personal gain by using company property or information or taking advantage of their positions</li> <li>3. Compete with Company.</li> </ol> <p>When the company has an opportunity for profit, it is the responsibility of the directors, or managerial officers to maximize the reasonable and proper benefits that can be obtained by the Company.</p>	<ol style="list-style-type: none"> <li>1. Article No. changed.</li> <li>2. On June 16, 2016, the shareholders' meeting conducted a comprehensive re-election of directors, and no supervisors have been set up, so the part related to "supervisor" in the Code was deleted.</li> <li>3. This Code mainly applies to insiders, so the part related to "employee" was deleted.</li> </ol>
VI	<p>Confidentiality: The <u>directors</u>, <u>supervisors</u> or managerial officers of the Company shall be bound by the obligation to maintain the confidentiality of any information regarding the Company itself or its suppliers and customers, except when authorized or required by law to disclose such information.</p> <p>Confidential information</p>	<p><u>Article 5</u> Confidentiality</p> <p>The directors or managerial officers of the Company shall be bound by the obligation to maintain the confidentiality of any information regarding the Company itself or its suppliers and customers, except when authorized or required by law to disclose such information.</p> <p>Confidential information includes any undisclosed</p>	<ol style="list-style-type: none"> <li>1. Article No. changed.</li> <li>2. On June 16, 2016, the shareholders' meeting conducted a comprehensive re-election of directors, and no supervisors have been set up, so the part related to "supervisor" in the</li> </ol>

Article No.	Before Amendment	After Amendment	Explanation
	includes any undisclosed information that, if exploited by a competitor or disclosed, could result in damage to the Company or the suppliers and customers.	information that, if exploited by a competitor or disclosed, could result in damage to the Company or the suppliers and customers.	Code was deleted.
VII	Fair trade Directors, <u>supervisors</u> or managerial officers and <u>employees</u> of the Company shall treat all suppliers and customers, competitors, and employees fairly, and may not obtain improper benefits through manipulation, nondisclosure, or misuse of the information learned by virtue of their positions, or through misrepresentation of important matters, or through other unfair trading practices.	<u>Article 6</u> Fair trade Directors or managerial officers of the Company shall treat all suppliers and customers, competitors, and employees fairly, and may not obtain improper benefits through manipulation, nondisclosure, or misuse of the information learned by virtue of their positions, or through misrepresentation of important matters, or through other unfair trading practices.	<ol style="list-style-type: none"> <li>1. Article No. changed.</li> <li>2. On June 16, 2016, the shareholders' meeting conducted a comprehensive re-election of directors, and no supervisors have been set up, so the part related to "supervisor" in the Code was deleted.</li> <li>3. This Code mainly applies to insiders, so the part related to "employee" was deleted.</li> </ol>
VIII	Safeguarding and proper use of company assets; Directors, <u>supervisors</u> or managerial officers and <u>employees</u> of the Company have the responsibility to safeguard company assets and to ensure that they can be effectively and lawfully used for official business purposes, and prevent any waste or theft of the assets from directly impacting the Company's profitability.	<u>Article 7</u> Safeguarding and Proper Use of Company Assets Directors or managerial officers of the Company have the responsibility to safeguard company assets and to ensure that they can be effectively and lawfully used for official business purposes, and prevent any waste, <u>negligence in care</u> or <u>theft</u> of the assets from directly impacting the Company's profitability.	<ol style="list-style-type: none"> <li>1. Article No. changed.</li> <li>2. Ditto; this article was amended in accordance with Paragraph 5, Article 2 of the "Guidelines for the Adoption of Codes of Ethical Conduct for TWSE/GTSM Listed Companies".</li> </ol>

Article No.	Before Amendment	After Amendment	Explanation
IX	<p>Legal compliance; The directors, <u>supervisors</u> or managerial officers and <u>employees</u> of the Company shall abide by the Securities and Exchange Act and other laws and regulations.</p>	<p><u>Article 8</u> Legal compliance: The directors or managerial officers of the Company shall abide by the Securities and Exchange Act and other laws and regulations.</p>	<ol style="list-style-type: none"> <li>1. Article No. changed.</li> <li>2. On June 16, 2016, the shareholders' meeting conducted a comprehensive re-election of directors, and no supervisors have been set up, so the part related to "supervisor" in the Code was deleted.</li> <li>3. This Code mainly applies to insiders, so the part related to "employee" was deleted.</li> </ol>
X	<p>Encouraging reporting on illegal or unethical activities; The Company shall raise awareness of ethics internally and encourage employees to <u>proactively</u> report to the <u>Company's supervisor</u>, managerial officer, internal audit <u>supervisor</u>, or other appropriate supervisors upon suspicion or discovery of any activity in violation of a law or regulation or the Code of Ethical Conduct, and provide sufficient information to enable the Company to properly handle follow-up matters. The Company will handle the reported cases in a confidential manner and make the employees aware that the Company will do its utmost to ensure the safety of <u>good-faith reporters</u>.</p>	<p><u>Article 9</u> Encouraging reporting on illegal or unethical activities The Company shall raise awareness of ethics internally and encourage employees to report to the Company's <u>independent director</u>, managerial officer, internal audit supervisor, or other appropriate <u>personnel</u> upon suspicion or discovery of any activity in violation of a law or regulation or the Code of Ethical Conduct, and provide sufficient information to enable the Company to properly handle follow-up matters. The Company will handle the reported cases in a confidential manner, <u>allow anonymous whistle-blowing</u> and make employees aware that the Company will use its best efforts to ensure the safety of <u>informants and protect them from reprisals</u>.</p>	<ol style="list-style-type: none"> <li>1. Article No. changed</li> <li>2. On June 16, 2016, the shareholders' meeting conducted a comprehensive re-election of directors and set up an audit committee to replace the supervisor, so the part related to "supervisor" in this article was changed to "independent director".</li> <li>3. This Code mainly applies to insiders, so the part related to "employee" was deleted.</li> <li>4. This article was amended in accordance with Paragraph 7, Article 2 of the "Guidelines for the Adoption of Codes of Ethical Conduct for TWSE/GTSM Listed Companies".</li> </ol>

<p>XI</p>	<p>Disciplinary measures; If any director, <u>supervisor</u> or managerial officer and <u>employees</u> of the Company violates this Code of Ethical Conduct, the Company shall, in accordance with the relevant provisions of the law and the Company's provisions, report to the Board of Directors for punishment.</p>	<p><u>Article 10</u> Disciplinary Measures If any director or managerial officer of the Company violates this Code of Ethical Conduct, the Company shall, in accordance with the relevant provisions of the law and the Company's provisions, report to the Board of Directors for punishment, <u>and immediately disclose the date of violation, reasons for violation, violation of the Code of Ethical Conduct and the Company's handling on the Market Observation Post System (MOPS).</u> <u>Prior to making a penalty decision, the Company shall provide an opportunity for personnel who violate this Code to state their opinions or make a complaint.</u></p>	<p>1. Article No. changed 2. Ditto; this article was amended in accordance with Paragraph 8, Article 2 of the "Guidelines for the Adoption of Codes of Ethical Conduct for TWSE/GTSM Listed Companies".</p>
<p>XII</p>	<p>Procedures for exemption Any exemption for <u>directors, supervisors</u> or managerial officers and <u>employees</u> of the Company from compliance with the Code must be approved by a resolution of the board of directors, and that the title and name of the <u>exempted personnel</u>, the date on which the board of directors adopted the resolution for exemption, the period of, reasons for, and principles behind the application of the exemption be disclosed without delay on the MOPS, in order that the shareholders may evaluate the appropriateness of the board resolution.</p>	<p><u>Article 11</u> Procedures for exemption Any exemption for directors or managerial officers of the Company from compliance with the Code must be approved by a resolution of the board of directors, and that information on the date on which the board of directors adopted the resolution for exemption, <u>objections or reservations</u> of independent directors, and the period of, reasons for, and principles behind the application of the exemption be disclosed without delay on the MOPS, in order that the shareholders may evaluate the appropriateness of the board resolution to <u>forestall any arbitrary or dubious exemption from the code, and to safeguard the interests of the company by ensuring appropriate mechanisms for controlling any circumstance under which such an exemption occurs.</u></p>	<p>1. Article No. changed. 2. Ditto; this article was amended in accordance with Article 3 of the "Guidelines for the Adoption of Codes of Ethical Conduct for TWSE/GTSM Listed Companies".</p>

XIII	<p>Method of disclosure The Company shall disclose the Code of Ethical Conduct it has adopted, and any amendments to it, in its annual reports and prospectuses and on the MOPS.</p>	<p><u>Article 12</u> Method of disclosure The Company shall disclose the code of ethical conduct it has adopted, and any amendments to it, <u>on its company website</u>, in its annual reports and prospectuses and on the MOPS.</p>	<ol style="list-style-type: none"> <li>1. Article No. changed</li> <li>2. This article was amended in accordance with Article 4 of the "Guidelines for the Adoption of Codes of Ethical Conduct for TWSE/GTSM Listed Companies".</li> </ol>
XIV	<p>Enforcement The Code of Ethical Conduct, and any amendments to it, shall enter into force after it has been adopted by the board of directors, delivered to each <u>supervisor</u>, and submitted to a shareholders meeting. The Code was formulated on January 29, 2015.</p>	<p><u>Article 13</u> Enforcement The Code of Ethical Conduct, and any amendments to it, shall enter into force after it has been adopted by the board of directors and submitted to a shareholders meeting. The Code was formulated on January 29, 2015. <u>It was first amended on March 15, 2022.</u></p>	<ol style="list-style-type: none"> <li>1. Article No. changed</li> <li>2. On June 16, 2016, the shareholders' meeting conducted a comprehensive re-election of directors, and no supervisors have been set up, so the part related to "supervisor" in the Code was deleted.</li> <li>3. Date of amendment added.</li> </ol>



## 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 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 parent-company-only financial statements 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 auditors' 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

Notices to Readers

*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)

Assets		2022.12.31		2021.12.31			Liabilities and Equity		2022.12.31		2021.12.31	
		Amount	%	Amount	%				Amount	%	Amount	%
<b>Current assets:</b>							<b>Current liabilities:</b>					
1100	Cash and cash equivalents (Note 6 (1))	\$ 578,390	29	458,402	21	2120	Financial liabilities at fair value through profit or loss - current (Note 6 (2))		\$ 111	-	13	-
1110	Financial assets at fair value through profit or loss - current (Note 6 (2))	-	-	338	-	2170	Accounts payable		11,883	1	39,440	2
1136	Financial assets at amortized cost – current (Note 6 (3))	354,560	18	304,382	14	2180	Accounts payables to related parties (Note 7)		105,806	6	250,916	12
1140	Contract assets - current (Note 6 (18))	44,418	2	23,977	1	2201	Salaries and bonuses payable		58,636	3	66,394	3
1170	Accounts receivable, net (Notes 6 (4) and (18))	206,726	11	598,359	28	2230	Current tax liabilities		4,482	-	29,707	1
130X	Inventories (Note 6 (5))	180,510	9	163,483	8	2280	Lease liabilities – current (Note 6 (10))		3,926	-	3,992	-
1479	Other current assets	6,155	-	10,960	1	2300	Other current liabilities (Notes 6 (11), (18) and 9)		44,117	2	59,116	3
	<b>Total current assets</b>	<b>1,370,759</b>	<b>69</b>	<b>1,559,901</b>	<b>73</b>		<b>Total current liabilities</b>		<b>228,961</b>	<b>12</b>	<b>449,578</b>	<b>21</b>
<b>Non-current assets:</b>							<b>Non-current liabilities:</b>					
1535	Financial assets at amortized cost – non-current (Note 8)	2,000	-	2,000	-	2550	Provision –non-current (Note 6 (11))		344,965	17	2,528	-
1550	Investments accounted for using equity method (Note 6(6))	488,498	25	478,413	22	2570	Deferred tax liabilities (Note 6 (13))		41,829	2	43,875	2
1600	Property, plant and equipment (Note 6 (7))	65,803	3	71,414	3	2580	Lease liabilities – non-current (Note 6 (10))		13,621	1	17,258	1
1755	Right-of-use assets (Note 6 (8))	17,430	1	20,921	1	2640	Net defined benefit liabilities – non-current (Note 6 (12))		14,681	1	19,219	1
1780	Intangible assets (Note 6 (9))	3,149	-	191	-		<b>Total non-current liabilities</b>		<b>415,096</b>	<b>21</b>	<b>82,880</b>	<b>4</b>
1840	Deferred tax assets (Note 6 (13))	46,763	2	11,053	1		<b>Total liabilities</b>		<b>644,057</b>	<b>33</b>	<b>532,458</b>	<b>25</b>
1920	Refundable deposits	528	-	528	-		<b>Equity (Notes 6 (14) and (15)):</b>					
	<b>Total non-current assets</b>	<b>624,171</b>	<b>31</b>	<b>584,520</b>	<b>27</b>	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
									<b>397,922</b>	<b>20</b>	<b>674,805</b>	<b>31</b>
						3400	Other Equity		(11,790)	(1)	(27,554)	(1)
						3500	Treasury stock		(82,818)	(4)	(82,847)	(4)
							<b>Total equity</b>		<b>1,350,873</b>	<b>67</b>	<b>1,611,963</b>	<b>75</b>
<b>Total assets</b>		<b>\$ 1,994,930</b>	<b>100</b>	<b>2,144,421</b>	<b>100</b>		<b>Total liabilities and equity</b>		<b>\$ 1,994,930</b>	<b>100</b>	<b>2,144,421</b>	<b>100</b>

(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	<b>Operating revenue</b> (Note 6 (18))	\$ 1,404,417	100	1,578,931	100
5000	<b>Operating costs</b> (Notes 6 (5), 7 and 12)	989,283	70	1,111,415	70
	<b>Gross profit</b>	415,134	30	467,516	30
	<b>Operating expenses</b> (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)	-
	<b>Total operating expenses</b>	308,055	22	335,272	21
	<b>Net operating profit</b>	107,079	8	132,244	9
	<b>Non-operating revenue and expenses:</b>				
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
	<b>Net profit (loss) before tax</b>	(206,811)	(15)	166,566	11
7950	<b>Income tax expense (gain)</b> (Note 6 (13))	(41,337)	(3)	33,306	2
	<b>Profit (loss) for the year</b>	(165,474)	(12)	133,260	9
8300	<b>Other comprehensive income:</b>				
8310	<b>Items that will not be reclassified subsequently to profit or loss</b>				
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	<b>Items that may be reclassified subsequently to profit or loss</b>				
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)	-
	<b>Total items that may be reclassified subsequently to profit or loss</b>	9,983	1	1,580	-
8300	<b>Other comprehensive income</b>	14,173	1	3,754	-
	<b>Total comprehensive income</b>	<u>\$ (151,301)</u>	<u>(11)</u>	<u>137,014</u>	<u>9</u>
	<b>Earnings per share (NT\$)(Note 6 (16))</b>				
	Basic earnings per share	<u>\$ (1.79)</u>		<u>1.41</u>	
	Diluted earnings per share	<u>\$ (1.79)</u>		<u>1.38</u>	

(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
<b>Balance as of January 1, 2021</b>	\$ 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	-	-	-	-	-	-	-	-	-
<b>Balance as of December 31, 2021</b>	<u>962,131</u>	<u>85,428</u>	<u>417,277</u>	<u>19,169</u>	<u>238,359</u>	<u>674,805</u>	<u>(17,591)</u>	<u>(9,963)</u>	<u>(27,554)</u>	<u>(82,847)</u>	<u>1,611,963</u>
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	-	-	-	-	-	-	-	-	-
<b>Balance as of December 31, 2022</b>	<u>\$ 961,562</u>	<u>85,997</u>	<u>430,820</u>	<u>19,169</u>	<u>(52,067)</u>	<u>397,922</u>	<u>(7,608)</u>	<u>(4,182)</u>	<u>(11,790)</u>	<u>(82,818)</u>	<u>1,350,873</u>

(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)

	<u>2022</u>	<u>2021</u>
<b>Cash flows from operating activities:</b>		
Net profit (loss) before income tax	\$ (206,811)	166,566
<b>Adjustments:</b>		
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	<u>22,643</u>	<u>(18,093)</u>
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	<u>487,668</u>	<u>(264,014)</u>
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)
<b>Net cash generated from (used in) operating activities</b>	<u>283,400</u>	<u>(164,949)</u>
<b>Cash flows from investing activities:</b>		
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
<b>Net cash generated from (used in) investing activities</b>	<u>(54,501)</u>	<u>67,804</u>
<b>Cash flows from financing activities:</b>		
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)
<b>Net cash flows used in financing activities</b>	<u>(119,598)</u>	<u>(276,179)</u>
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	<u>\$ 578,390</u>	<u>458,402</u>

(See accompanying notes to the parent-company-only financial statement)



## **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 auditors' 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)

Assets	2022.12.31		2021.12.31			Liabilities and Equity	2022.12.31		2021.12.31	
	Amount	%	Amount	%			Amount	%	Amount	%
<b>Current assets:</b>						<b>Current liabilities:</b>				
1100 Cash and cash equivalents (Note 6 (1))	\$ 622,552	32	498,507	22	2120	Financial liabilities at fair value through profit or loss – current (Note 6 (2))	\$ 111	-	13	-
1110 Financial assets at fair value through profit or loss - current (Note 6 (2))	-	-	1,400	-	2170	Accounts payable	56,483	3	247,661	11
1136 Financial assets at amortized cost- current (Note 6 (3))	354,629	17	304,456	13	2201	Salaries and bonuses payable	95,468	5	127,183	5
1140 Contract assets – current (Note 6 (17))	44,418	2	23,977	1	2230	Current tax liabilities	4,470	-	40,854	2
1170 Accounts receivable, net (Notes 6 (4) and (17))	206,726	10	598,359	27	2280	Lease liabilities – current (Note 6 (9))	20,297	1	19,636	1
130X Inventories (Note 6 (5))	565,934	28	591,806	26	2300	Other current liabilities (Notes 6 (10) and (17))	72,390	4	93,681	4
1479 Other current assets	49,467	2	55,431	3		<b>Total current liabilities</b>	<b>249,219</b>	<b>13</b>	<b>529,028</b>	<b>23</b>
<b>Total current assets</b>	<b>1,843,726</b>	<b>91</b>	<b>2,073,936</b>	<b>92</b>		<b>Non-current liabilities:</b>				
<b>Non-current assets:</b>					2550	Provision – non-current (Note 6 (10))	347,434	17	5,032	-
1535 Financial assets at amortized cost – non-current (Note 8)	3,321	-	5,903	-	2570	Deferred tax liabilities (Note 6 (12))	41,829	2	44,141	2
1600 Property, plant and equipment (Note 6 (6))	69,175	3	75,599	4	2580	Lease liabilities – non-current (Note 6 (9))	36,233	2	46,806	2
1755 Right-of-use assets (Note 6 (7))	56,139	3	66,075	3	2640	Net defined benefit liabilities – non-current (Note 6 (11))	14,681	1	19,219	1
1780 Intangible assets (Note 6 (8))	3,411	-	4,016	-		<b>Total non-current liabilities</b>	<b>440,177</b>	<b>22</b>	<b>115,198</b>	<b>5</b>
1840 Deferred tax assets (Note 6 (12))	60,999	3	27,219	1		<b>Total liabilities</b>	<b>689,396</b>	<b>35</b>	<b>644,226</b>	<b>28</b>
1920 Refundable deposits	3,498	-	3,441	-		<b>Equity (Notes 6 (13) and (14)):</b>				
<b>Total non-current assets</b>	<b>196,543</b>	<b>9</b>	<b>182,253</b>	<b>8</b>	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)
						<b>Total equity</b>	<b>1,350,873</b>	<b>65</b>	<b>1,611,963</b>	<b>72</b>
<b>Total assets</b>	<b>\$ 2,040,269</b>	<b>100</b>	<b>2,256,189</b>	<b>100</b>		<b>Total liabilities and equity</b>	<b>\$ 2,040,269</b>	<b>100</b>	<b>2,256,189</b>	<b>100</b>

(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	<b>Operating revenue</b> (Note 6 (17))	\$ 1,404,426	100	1,578,726	100
5000	<b>Operating costs</b> (Notes 6 (5), (11), (16), 7 and 12)	913,513	65	1,000,567	63
	<b>Gross profit</b>	490,913	35	578,159	37
	<b>Operating expenses</b> (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)	-
	<b>Total operating expenses</b>	382,385	27	408,625	25
	<b>Net operating profit</b>	108,528	8	169,534	12
	<b>Non-operating revenue and expenses:</b>				
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	-
	<b>Net profit (loss) before tax</b>	(205,967)	(15)	175,201	12
7950	<b>Income tax expense (gain)</b> (Note 6 (12))	(40,493)	(3)	41,941	3
	<b>Profit (loss) for the year</b>	(165,474)	(12)	133,260	9
8300	<b>Other comprehensive income:</b>				
8310	<b>Items that will not be reclassified subsequently to profit or loss</b>				
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	<b>Items that may be reclassified subsequently to profit or loss</b>				
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)	-
	<b>Total items that may be reclassified subsequently to profit or loss</b>	9,983	1	1,580	-
8300	<b>Other comprehensive income</b>	14,173	1	3,754	-
	<b>Total comprehensive income</b>	<u>\$ (151,301)</u>	<u>(11)</u>	<u>137,014</u>	<u>9</u>
	<b>Earnings per share (NT\$)</b> (Note 6 (15))				
	Basic earnings per share	<u>\$ (1.79)</u>		<u>1.41</u>	
	Diluted earnings per share	<u>\$ (1.79)</u>		<u>1.38</u>	

(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
<b>Balance as of January 1, 2021</b>	\$ 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	-	-	-	-	-	-	-	-	-
<b>Balance as of December 31, 2021</b>	<u>962,131</u>	<u>85,428</u>	<u>417,277</u>	<u>19,169</u>	<u>238,359</u>	<u>674,805</u>	<u>(17,591)</u>	<u>(9,963)</u>	<u>(27,554)</u>	<u>(82,847)</u>	<u>1,611,963</u>
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	-	-	-	-	-	-	-	-	-
<b>Balance as of December 31, 2022</b>	<u>\$ 961,562</u>	<u>85,997</u>	<u>430,820</u>	<u>19,169</u>	<u>(52,067)</u>	<u>397,922</u>	<u>(7,608)</u>	<u>(4,182)</u>	<u>(11,790)</u>	<u>(82,818)</u>	<u>1,350,873</u>

(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)

	<b>2022</b>	<b>2021</b>
<b>Cash flows from operating activities:</b>		
<b>Net profit (loss) before income tax</b>	\$ (205,967)	175,201
<b>Adjustments:</b>		
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)
<b>Net cash generated from (used in) operating activities</b>	310,446	(265,198)
<b>Cash flows from investing activities:</b>		
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
<b>Net cash generated from (used in) investing activities</b>	(52,704)	61,730
<b>Cash flows from financing activities:</b>		
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)
<b>Net cash flows used in financing activities</b>	(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	<b>\$ 622,552</b>	<b>498,507</b>

(See accompanying notes to consolidated financial statement)

**XAC Automation Corp.  
2022 Deficit Compensation**

Unit:NT \$1000

Item	Subtotal
Beginning balance of retained earnings	109,216,219
Plus: net loss after tax	(165,473,831)
Plus: remeasurement of defined benefit plan	4,190,382
Accumulated deficit	(52,067,230)
Items for cover accumulated deficits	
Legal reserve	52,067,230
Ending Loss to be Recovered	0

Chairman:

Chang, Yung-Ming

Managerial Officer:

Chang, Yung-Ming

Accounting Director:

Hsu, Jen-Chien

Attachment VIII

**XAC Automation Corp.**  
**The Company's Articles of Incorporation**  
**Before and After amendment**

Article No.	Before amendment	After amendment	Explanation
Article 5	<p><u>Notices of the Company shall be given to each shareholder by letter or other means of written communication, and any announcement required by law shall be published in a prominent part of the daily newspaper in the place where the Company is located. If the competent securities authority has other regulations, the regulations shall be followed.</u></p>	<p><u>The announcement method of the Company shall be in accordance with Article 28 of the Company Act.</u></p>	<p>Amended in accordance with Article 28 of the Company Act.</p>
Article 6	<p>The <u>registered</u> total capital of the Company is set at NT\$ 1.2 billion, divided into 120 million shares with a par value of NT\$10 per share, and the Board of Directors is authorized to issue the shares in installments. A total of NT\$ 50 million in <u>registered</u> capital is reserved for the future issuance of employee stock options, totaling 5 million shares with a par value of NT\$10 per share, which may be issued in installments as resolved by the Board of Directors.</p> <p>The Company issued new shares with restricted employee rights to employees who meet certain control and subordination requirements set by the Board of Directors.</p> <p>When the Company issues new shares to reserve 10% to 15% of the total number of shares issued for subscription by employees, the employees who subscribe for shares include those who meet certain control and subordination requirements set by the Board of Directors.</p>	<p>The total capital of the Company is set at NT\$ <u>1.2</u> billion, divided into 120 million shares with a par value of NT\$10 per share, and the Board of Directors is authorized to issue the shares in installments. A total of NT\$ 50 million in capital is reserved for the future issuance of employee stock options, totaling 5 million shares with a par value of NT\$10 per share, which may be issued in installments as resolved by the Board of Directors.</p> <p>The Company issued new shares with restricted employee rights to employees who meet certain control and subordination requirements set by the Board of Directors.</p> <p><u>The Company's treasury shares acquired under the Company Act are transferred to employees of the Company who meet certain control and subordination requirements set by the Board of Directors.</u></p> <p>When the Company issues new shares to reserve 10% to 15% of the total number of shares issued for subscription by employees, the employees who subscribe for shares include those who meet</p>	<p>Amended in accordance with Article 167-1 of the Company Act.</p>

Article No.	Before amendment	After amendment	Explanation
		certain control and subordination requirements set by the Board of Directors.	
Article 11	<p>The shareholders' meeting shall be convened in accordance with the provisions of the Company Act.</p> <p>A shareholder may appoint a proxy to attend a shareholders' meeting in his/her/its behalf by executing a power of attorney issued by the Company stating therein the scope of power authorized to the proxy.</p> <p>In addition to the provisions of Article 177 of the Company Act, the method for a shareholder entrust others to attend a meeting shall also be in accordance with the</p> <p>Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies promulgated by the competent authority.</p>	<p>The shareholders' meeting shall be convened in accordance with the provisions of the Company Act.</p> <p><u>The Company's shareholders' meetings may be held by video conference or other means announced by the central competent authority.</u></p> <p>A shareholder may appoint a proxy to attend a shareholders' meeting in his/her/its behalf by executing a power of attorney issued by the Company stating therein the scope of power authorized to the proxy. In addition to the provisions of Article 177 of the Company Act, the method for a shareholder entrust others to attend a meeting shall also be in accordance with the "Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies" promulgated by the competent authority.</p>	<p>In response to the amendment to Article 172-2 of the Company Act announced on December 29, 2021, the requirements for video conference of shareholders' meeting is applicable to publicly listed companies.</p>
Article 16	<p>Matters relating to the resolutions of a shareholders' meeting shall be recorded in the meeting minutes. The meeting minutes shall be signed or sealed by the chairman of the meeting and a copy distributed to each shareholder within 20 days after the conclusion of the meeting. <u>The Company is a company that publicly issues shares</u>, and the distribution of minutes may be affected by means of public notice.</p>	<p>Matters relating to the resolutions of a shareholders' meeting shall be recorded in the meeting minutes. The meeting minutes shall be signed or sealed by the chairman of the meeting and a copy distributed to each shareholder within 20 days after the conclusion of the meeting. <u>The distribution of the minutes of shareholders' meeting as required in the preceding Paragraph may be affected by means of public notice.</u></p>	<p>Amended in accordance with Paragraph 2, Article 183 of the Company Act.</p>

Article No.	Before amendment	After amendment	Explanation
Article 19	The board of directors shall meet regularly and convened by the Chairman. The convener of the meeting shall notify all directors of the date, place and agenda of the meeting in writing seven days prior to the meeting. Such notice may be waived in writing by any director either before or after the meeting. <u>The Board of Directors may be convened on an ad hoc basis if necessary, and is not bound by the preceding provisions.</u> <u>Notice of the above-mentioned convention may be given in writing, by fax or by e-mail.</u>	The board of directors shall meet regularly and convened by the Chairman. The convener of the meeting shall notify all directors of the date, place and agenda of the meeting in writing by <u>facsimile or e-mail</u> seven days prior to the meeting. Such notice may be waived in writing by any director either before or after the meeting. <u>In the case of emergency, a meeting of the board of directors may be convened at any time.</u>	Amended in accordance with Article 204 of the Company Act.
Article 25	<u>The Company has 1 managerial officer and several deputy general managers.</u> The appointment, discharge and remuneration of these personnel shall be affected as approved by the board of directors.	The Company has one <u>managerial officer</u> , of whom the appointment, discharge and remuneration shall be affected as approved by the board of directors.	Amended in accordance with Article 29 of the Company Act.
Article 32		(Foregoing paragraphs omitted) <u>The 19th amendment was made on June 13, 2023.</u>	Added date and number of amendments.

## Attachment IX

### **XAC Automation Corp.**

#### **Rules of Procedure for Shareholders' Meetings (Proposed Amendments)**

Promulgate by the Shareholders' Meeting on June 13, 2023

- Article 1 The Shareholders' Meeting of the Company shall be conducted in accordance with these Rules, unless otherwise specified by laws and regulations.
- Article 2 The attending shareholders (or their proxies) shall bring along their attendance cards and hand in the attendance cards instead of signing in.
- When a juristic person is appointed to attend as proxy, it may designate only one person to represent it in the meeting.
- If a shareholders' meeting is held by video conference, shareholders who wish to attend by video should register with the Company two days prior to the shareholders' meeting.
- Article 3 For each shareholders' meeting, a shareholder may appoint a proxy to attend the meeting by providing the proxy form issued by the Company and stating the scope of the proxy's authorization.
- A shareholder may issue only one proxy form and appoint only one proxy for any given shareholders' meeting, and shall deliver the proxy form to the Company at least five days before the date of the shareholders' meeting. When duplicate proxy forms are delivered, the one received earliest shall prevail. However, a declaration made to cancel the previous proxy appointment is not subject to the aforementioned rule.
- After a proxy form has been delivered to the Company, if the shareholder intends to attend the meeting in person or to exercise voting rights by correspondence or electronically, a written notice of proxy cancellation shall be submitted to the Company at least two business days before the meeting date. If the cancellation notice is submitted after that time, votes cast at the meeting by the proxy shall prevail.
- Article 4 Attendance and voting at shareholders' meetings shall be calculated on the basis of shares. The number of shares represented by shareholders present at the meeting shall be calculated based on the number of shares counted via the sign-in book or the attendance cards handed in and on the video conference platform, plus the number of shares for which voting rights are exercised by written or electronic means.
- Article 5 The venue for a shareholders' meeting shall be the premises of the Company, or a place easily accessible to shareholders and suitable for a shareholders' meeting. The meeting may begin no earlier than 9:00 a.m. and no later than 3:00 p.m.
- When the Company convenes a shareholders' meeting by means of video conference, it is not subject to the limitations for place of shareholders' meeting in

the preceding paragraph.

When a shareholders' meeting is held by video conference, shareholders shall check in on the video conference platform 30 minutes prior to the meeting and shareholders who have checked in shall be deemed to be present in person.

Article 6 If the board meeting of the Company is convened by the Chairman, it shall also be chaired by the Chairman. If the Chairman is on leave or cannot exercise powers due to other reasons, the Vice Chairman shall act on his/her behalf. If no Vice Chairman is appointed or if the Vice Chairman is also on leave or cannot exercise powers due to other reasons, the Chairman shall designate one managing director to act on his/her behalf; if no managing director is appointed, the Chairman shall designate one director to act on his/her behalf, and if the Chairman does not designate any person, the chairman of the meeting shall be elected from among managing directors or directors.

The Company may appoint its attorneys, certified public accountants, or related persons retained by it to attend a shareholders' meeting in a non-voting capacity.

Article 7 Upon the opening time of the meeting, the chairman shall immediately announce opening and announce the relevant information such as non-voting rights and shares represented by shareholders present.

Only when the meeting is not attended by shareholders holding more than half of all issued shares, can the chairman announce adjournment. Such adjournments are limited to two times and the time of adjournment cannot exceed one hour in total. If the number of shareholders present is still insufficient after the second adjournment but these shareholders hold more than one-third of the total number of issued shares, the resolution made at the meeting shall be considered as a false resolution in accordance with Paragraph 1, Article 175 of the Company Act, and all shareholders shall be notified of the false resolution and a shareholders' meeting shall be reconvened within one month; if the shareholders' meeting is held by video conference, the shareholders who wish to attend by video shall re-register with the Company in accordance with Article 2. When, prior to conclusion of the meeting, the attending shareholders represent a majority of the total number of issued shares, the chair may resubmit the tentative resolution for a vote by the shareholders' meeting pursuant to Article 174 of the Company Act.

Article 8 If a shareholders' meeting is convened by the board of directors, the meeting agenda shall be set by the board of directors. Votes shall be cast on each proposal in the agenda (including extempore motions and amendments to the original proposals set out in the agenda). The meeting shall proceed in the order set by the agenda, which may not be changed without a resolution of the shareholders' meeting.

The provisions of the preceding paragraph apply mutatis mutandis to a shareholders' meeting convened by a party with the power to convene that is not the board of directors.

The chair may not declare the meeting adjourned prior to completion of deliberation on the meeting agenda of the preceding two paragraphs (including extempore motions), except by a resolution of the shareholders' meeting. If the

chair declares the meeting adjourned in violation of the rules of procedure, the board members shall elect a new chairman in accordance agreement of a majority of the votes represented by the attending shareholders, and then continue the meeting. After the adjournment of the meeting, the shareholders shall not elect a chairman to continue the meeting at the original site or another place.

Article 9 Before speaking, an attending shareholder must specify on a speaker's slip the subject of the speech, his/her shareholder account number (or attendance card number), and account name. The order in which shareholders speak will be set by the chairman.

A shareholder in attendance who has submitted a speaker's slip but does not actually speak shall be deemed to have not spoken. When the content of the speech does not correspond to the subject given on the speaker's slip, the spoken content shall prevail.

Except with the consent of the chairman, a shareholder may not speak more than twice on the same proposal, and a single speech may not exceed 5 minutes. If the shareholder's speech violates the rules or exceeds the scope of the agenda item, the chairman may terminate the speech.

When an attending shareholder is speaking, other shareholders may not speak or interrupt unless they have sought and obtained the consent of the chair and the shareholder who has the floor; the chair shall stop any violation.

When a corporate shareholder appoints two or more representatives to attend a shareholders' meeting, only one of the representatives so appointed may speak on the same proposal.

After an attending shareholder has spoken, the chair may respond in person or direct relevant personnel to respond. When a proposal is discussed, the chairman may declare the end of the discussion at an appropriate time, put it to a vote, and arrange sufficient time for voting.

If a shareholders' meeting is held by video conference, shareholders attending by video may ask questions by text on the video conference platform after the chairman announces the meeting opening and before the meeting is closed. No more than two questions may be asked on each proposal, each question shall be limited to two hundred words, and provisions in Paragraphs 1 to 5 do not apply.

Article 10 Except as otherwise provided in the Company Act and in the Company's Articles of Incorporation, the adoption of a proposal shall require an affirmative vote of a majority of the voting rights represented by the attending shareholders.

When there is an amendment or an alternative to a proposal, the chair shall present the amended or alternative proposal together with the original proposal and decide the order in which they will be put to a vote. When any one among them is passed, the other proposals will then be deemed rejected, and no further voting shall be required. Shareholders exercising their voting rights electronically on extempore motions and amendments to the original proposals of the shareholders' meeting shall be deemed as abstained.

Vote monitoring and counting personnel for the voting on a proposal shall be appointed by the chair, provided that all monitoring personnel shall be shareholders



of the Company. The voting results shall be announced on site at the meeting with a record made.

Article 11 In the course of a meeting, the Chairman may, at his discretion, declare a rest. In the event of an irresistible event, the chairman may determine to suspend the meeting and, as the case may be, declare the time for its resumption.

Article 12 If the meeting venue is no longer available for continued use and not all of the items (including extempore motions) on the meeting agenda have been addressed, the shareholders' meeting may adopt a resolution to resume the meeting at another venue.

A resolution may be adopted at a shareholders' meeting to defer or resume the meeting within five days in accordance with Article 182 of the Company Act.

When a shareholders' meeting is held by means of video conference, a one-time counting of votes shall be conducted after the chairman announces the end of the voting and the results of voting and election shall be announced.

If the shareholders' meeting is convened via video conferencing, the chairman shall, at the time of announcing the commencement of the meeting, separately declare that, except for the circumstances specified in Article 44-20 of the Regulations Governing the Administration of Shareholder Services of Public Companies that require no adjournment or continuation of the meeting, if, prior to announcing the closing of the meeting by the chairman, and due to force majeure circumstances, any disruption occurs in the video conferencing platform or in participation by means of video conferencing for more than 30 minutes and cannot be resolved, the meeting shall be adjourned or resumed within five days, and the provisions of Article 182 of the Company Act shall not apply.

When the shareholders' meeting is adjourned or resumed in accordance with the provisions of the preceding paragraph, there is no need to re-discuss and resolve the proposals of which the voting and counting of votes have completed, and the voting results or list of directors elected have been announced.

When the Company adjourns or continues the meeting in accordance with the provisions of Paragraph 2, it shall follow the provisions of Article 44-20 of the Regulations Governing the Administration of Shareholder Services of Public Companies, conduct relevant advance operations in accordance with the original date of the shareholders' meeting and the provisions of the article., and shareholders listed in the register of shareholders whose transfer of ownership is closed at the original shareholders' meeting are entitled to attend the shareholders' meeting.

When the Company holds the shareholders' meeting with assistance of video conferencing and the video conference fail to continue as specified in Paragraph 3, if the total number of shares present still reaches the legal quorum for the shareholders' meeting after deducting the number of shares represented by shareholders attending via video conferencing, the shareholders' meeting shall continue without any adjournment or resumption of the meeting in accordance with the Paragraph 3.

In the event that the meeting shall be resumed as specified in the preceding

paragraph, the number of shares represented by shareholders participating in the shareholders' meeting via video shall be included in the total number of shares of shareholders present, but they shall be deemed to be abstained for all proposals at that meeting.

When the Company convenes the shareholders' meeting via video conferencing, it shall provide appropriate alternative measures for shareholders who have difficulty attending the shareholders' meeting via video conferencing.

Article 13 The chair may direct the proctors or security personnel to help maintain order at the meeting venue. When proctors or security personnel help maintain order at the meeting venue, they shall wear an armband bearing the word "Proctor."

Article 14 The proceedings of the shareholders' meeting shall be recorded in terms of audio and video and the audio and video recordings shall be kept for at least one year.  
When the Company will convene a shareholders' meeting with video conferencing, it shall keep and preserve records of information on matters including shareholder registration, registration for participation in video conferencing, sign-in, raising of questions, voting, and the results of the votes counted by the Company, and continuously audio and video record, without interruption, the proceedings of the video conference from beginning to end.

The information and audio and video recording under the preceding paragraph shall be properly kept by the Company during the entirety of its existence, and copies of the audio and video recording shall be provided to and kept by the entity engaged to handle video conferencing matters.

Article 15 Matters not specified in these Regulations shall be handled in accordance with the provisions of the Company Act, the Articles of Association of the Company and other relevant laws and regulations.

Article 16 The Rules shall be implemented after having been approved by a shareholders' meeting. Subsequent amendments thereto shall be affected in the same manner.

Attachment X

**XAC Automation Corp.**  
**Procedures for Acquisition or Disposal of Assets**  
**Before and After Amendments**

Article No.	Before Amendment	After Amendment	Explanation
Article 1	These procedures are <u>established in accordance with the</u> "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" issued via Tai-Cai-Zheng-Zi No. 0910006105 dated December 10, 2002 by the Securities and Futures Commission of the Ministry of Finance (hereinafter referred to as "SFC") and other related provisions.	These procedures are established in accordance with Article 36-1 of the Securities and Exchange Act and the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" formulated by the Financial Supervisory Commission (hereinafter referred to as "FSC") and other related provisions.	Please refer to instructions on the adjustment of organizational structure of the Executive Yuan.
Article 2	<b>Asset <u>definitions</u></b>	<b><u>Scope of application of assets</u></b>	Content corrections as appropriate.
Article 4	<p><b>Degree and levels of authority delegated</b>  (Omitted)</p> <p>II. For acquisition or disposal of financial instrument investments,</p> <p><u>A. When the investment amount does not exceed NT \$30 million, the head of the Finance Department will decide the feasibility of the transaction and submit it to the Vice President of Operations for approval.</u></p> <p><u>B. When the investment amount exceeds NT\$30 million but not more than NT\$80 million, the transaction shall be reviewed by the head of the Finance Department before submitted to the Chairman for approval.</u></p> <p><u>C. When the investment amount exceeds NT\$80 million, the transaction shall be reviewed by the head of the Finance Department and submitted to the Chairman for approval before being submitted to the board of directors for approval.</u></p>	<p><b>Degree and levels of authority delegated</b>  (Omitted)</p> <p>II. For acquisition or disposal of financial instrument investments,</p> <p><u>A. When the investment amount does not exceed NT\$80 million, the transaction shall be reviewed by the head of the Finance Department before submitted to the Chairman for approval.</u></p> <p><u>B. When the investment amount exceeds NT\$80 million, the transaction shall be reviewed by the head of the Finance Department and submitted to the Chairman for approval before being submitted to the board of directors for approval.</u></p> <p>(Omitted)</p>	<p>1. Since there is no longer a vice president of operations in the organization structure, the approval authority is revised accordingly.</p> <p>2. In accordance with the provisions of Article 14-4 of the Certificate and Exchange Law, a public entity shall have an audit committee or supervisor, and the Company has set up an audit committee in accordance with the law, so the part related to "supervisor" is deleted.</p>

Article No.	Before Amendment	After Amendment	Explanation
	<p>(Omitted)</p> <p><u>If the Company acquires or disposes of assets that should be approved by the Board of Directors in accordance with the preceding paragraph or other legal requirements, the Company shall send the information of the directors' objections to each supervisor if there is a record or written statement of objections from the directors.</u></p> <p>When the <u>Company has independent directors</u>, the opinions of each independent director shall be fully considered when the transaction of acquisition or disposal of assets is submitted to the board of directors for discussion in accordance with the Paragraphs 1 to 5, and the opinions and reasons for their agreement or disagreement shall be included in the minutes of the meeting.</p> <p><u>If the Company has established an audit committee in accordance with the Securities and Exchange Act, the preceding matter shall be approved by at least one-half of all members of the audit committee and submitted to the board of directors for resolution. If not approved by more than one-half of all members of the audit committee, it shall be approved by two-thirds of all directors before implementation, and the resolution of the audit committee shall be recorded in the minutes of the board of directors' meeting. "All members of the audit committee" and "all directors" above-mentioned refer to the actual incumbents.</u></p>	<p>When the Company submits an asset acquisition or disposal transaction to the board of directors for discussion, <u>the opinions of each independent director shall be fully considered.</u> If an independent director expresses objections and there are records or written statements, the opinions and reasons for their agreement or dissent shall be included in <u>the minutes</u> of the board of directors' meeting.</p>	<p>3. The duplicate of "The audit committee's resolution procedure shall be compliant with Article 14-5 of the Securities and Exchange Act" is deleted as there is no need to repeat.</p> <p>4. Content corrections as appropriate.</p>
Article 6	<p><b>Assessment and operating procedures</b></p> <p>I. Securities (Omitted)</p> <p>If the transaction amount of the acquisition or disposal of securities reaches 20% of the Company's paid-in capital or NT\$300 million or more, a</p>	<p><b>Assessment and operating procedures</b></p> <p>I. Securities (Omitted)</p> <p>if the amount of the transaction for acquiring or disposing of securities is 20% of the Company's paid-in capital or NT\$ 300 million or more, the</p>	<p>1. The provisions in this article is amended in accordance with Article 9 of the "Regulations Governing the Acquisition and</p>

Article No.	Before Amendment	After Amendment	Explanation
	<p>CPA shall be engaged prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price. <u>If the CPA is required to provide an expert report, he or she should comply with the provisions of Auditing Standard No. 20 issued by the Accounting Research and Development Foundation of the Republic of China (ARDF). This requirement does not apply, however, to publicly quoted prices of securities that have an active market, or where otherwise provided by regulations of the Financial Supervisory Commission (FSC).</u></p> <p>II. Property, equipment or right-of-use assets thereof (Omitted)</p> <p>(III) <u>The matters to be recorded in the appraisal report are as follows:</u></p> <ol style="list-style-type: none"> <li>1. <u>The matters that shall be recorded as stipulated by the technical rules for property appraisal.</u></li> <li>2. <u>Matters related to professional appraiser and their officers.</u> <ol style="list-style-type: none"> <li>(1) <u>Name, capital, organizational structure and composition of the professional appraiser.</u></li> <li>(2) <u>Name, age, academic experience (with attestation), number of years engaged in the appraisal, and number of appraisal cases undertaken of the appraiser.</u></li> <li>(3) <u>Relationship between professional appraiser, their officer and the entrusting party.</u></li> <li>(4) <u>Issuance of a statement that the matters contained in the appraisal report are not</u></li> </ol> </li> </ol>	<p>Company shall additionally engage a CPA prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price This requirement does not apply, however, to publicly quoted prices of securities that have an active market, or where otherwise provided by regulations of the Financial Supervisory Commission (FSC).</p> <p>II. Property, equipment or right-of-use assets thereof (Omitted)</p>	<p>Disposal of Assets by Public Companies" and the FAQs, and the provisions similar to "the CPA shall handle the case according to the provisions of Auditing Standard No. 20 issued by ARDF" in Paragraph 1, Subparagraph 4 of Paragraph 2 and Paragraph 3 are deleted.</p> <ol style="list-style-type: none"> <li>2. The matters to be recorded in the appraisal report should be regulated by the experts themselves, and there is no need to restrict their content in Subparagraph 3, Paragraph 2, Article 6.</li> <li>3. The provisions in this article is modified in accordance with Article 5 of the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" and the FAQs, and Paragraph 4 of Article 6 is amended accordingly to clarify the procedures and responsibilities to be followed by</li> </ol>

Article No.	Before Amendment	After Amendment	Explanation
	<p><u>false or concealed.</u></p> <p>(5) <u>Date of issuance of the appraisal report.</u></p> <p>3. <u>Basic information on the subject matter of the survey, which shall include at least the name of the subject matter and its nature, location, area and other information.</u></p> <p>4. <u>Comparative examples of property transactions in the area where the subject matter locates.</u></p> <p>5. <u>In the case of a limited price or a specific price for an appraised category, the conditions of the limited price or specific price and whether the conditions are currently met, and the reason and reasonableness of the difference from the normal price, and whether the limited price or specific price is sufficient as a reference for the purchase and sale price.</u></p> <p>6. <u>In the case of a joint construction contract, the reasonable allocation ratio between both parties shall be stated.</u></p> <p>7. <u>Estimation of land appreciation tax.</u></p> <p>8. <u>Whether the difference of more than 20% in the estimated price between professional appraisers on the same day has been handled in accordance with Article 41 of the Real Estate Appraiser Act.</u></p> <p>9. <u>Attachments including details of the appraisal of the subject property, ownership registration information, transcript of the cadastral map, sketch of the urban plan, location map of the subject property, proof of land zoning, and photographs of</u></p>		<p>external experts, and to specify that professional appraisers and their officers, CPAs, attorneys, and securities underwriters that provide the Company with appraisal reports or opinions shall comply with the self-regulatory rules of the industry associations to which they belong in addition to the current practices of accepting and conducting cases.</p> <p>4. In view of the fact that the work performed by experts in issuing appraisal reports or opinions on reasonableness is not an audit of financial statements, the wording "auditing" in Point 2, Subparagraph 4, Paragraph 6 is changed to "conducting".</p> <p>5. In order to conform to the experts' actual evaluation on the data sources and parameters used, the wording "completeness, correctness and reasonableness"</p>

Article No.	Before Amendment	After Amendment	Explanation
	<p><u>the subject property in its current condition.</u></p> <p>(IV) Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, <u>a CPA shall be engaged to handle the case according to the provisions of Auditing Standard No. 20 issued by ARDF and to render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:</u></p> <ol style="list-style-type: none"> <li>1. <u>The discrepancy between the appraisal result and the transaction amount is 20% or more of the transaction amount.</u></li> <li>2. The discrepancy between the appraisal results of two or more professional appraisers is 10% or more of the transaction amount.</li> </ol> <p>(V) No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date. provided, where the publicly announced current value for the same period is used and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser. The term "professional appraiser" refers to a property appraiser or other</p>	<p>(III) Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a CPA shall be engaged to render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:</p> <ol style="list-style-type: none"> <li>1. <u>The discrepancy between the appraisal result and the transaction amount is 20% or more of the transaction amount.</u></li> <li>2. The discrepancy between the appraisal results of two or more professional appraisers is 10% or more of the transaction amount.</li> </ol> <p>(IV) No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date. provided, where the publicly announced current value for the same period is used and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser. The term "professional appraiser" refers to a property appraiser or other person duly authorized by</p>	<p>in Point 3, Subparagraph 4, Article 6 is changed to "appropriateness and reasonableness" and the wording "correct and reasonable" in Point 4 is changed to "appropriate and reasonable".</p> <p>6. Content and No. corrections as appropriate.</p>

Article No.	Before Amendment	After Amendment	Explanation
	<p>person duly authorized by law to engage in the value appraisal of real property or equipment.</p> <p>III. Intangible assets or right-of-use assets thereof or membership Where a public company acquires or disposes of intangible assets or right-of-use assets thereof or memberships and the transaction amount reaches 20% or more of paid-in capital or NT\$300 million or more, except in transactions with a domestic government agency, the Company shall engage a CPA prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price, and <u>the CPA shall handle the case according to the provisions of Auditing Standard No. 20 issued by ARDF.</u></p> <p>(Omitted)</p> <p>VI. Professional appraisers and their officers, CPAs, attorneys, and securities underwriters that provide the Company with appraisal reports, CPA's opinions, attorney's opinions, or underwriter's opinions shall meet the following requirements: (Omitted) (IV) When issuing an appraisal report or opinion, the personnel referred to in the preceding paragraph shall comply with the following provisions: 1. <u>Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.</u> 2. <u>When auditing a case, they shall appropriately plan and execute adequate working procedures, in order to produce a conclusion and use the conclusion as the</u></p>	<p>law to engage in the value appraisal of real property or equipment.</p> <p>III. Intangible assets or right-of-use assets thereof or membership Where a public company acquires or disposes of intangible assets or right-of-use assets thereof or memberships and the transaction amount reaches 20% or more of paid-in capital or NT\$300 million or more, except in transactions with a domestic government agency, the Company shall engage a CPA prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price.</p> <p>(Omitted)</p> <p>VI. Professional appraisers and their officers, CPAs, attorneys, and securities underwriters that provide the Company with appraisal reports, CPA's opinions, attorney's opinions, or underwriter's opinions shall meet the following requirements: (Omitted) When issuing an appraisal report or opinion, the personnel referred to in the preceding paragraph shall <u>comply with the self-regulatory rules of the industry associations to which they belong and with the following provisions:</u> (I) Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence. (II) When <u>conducting</u> a case, they shall appropriately plan and execute adequate working procedures, in order to produce a</p>	



Article No.	Before Amendment	After Amendment	Explanation
	<p>basis for issuing the report or opinion. The related working procedures, data collected, and conclusion shall be fully and accurately specified in the case working papers.</p> <p>3. They shall undertake an item-by-item evaluation of the <u>completeness, correctness and reasonableness</u> of the sources of data used, the parameters, and the information, as the basis for issuance of the appraisal report or the opinion.</p> <p>4. They shall issue a statement attesting to the professional competence and independence of the personnel who prepared the report or opinion, and that they have evaluated and found that the information used is <u>correct</u> and reasonable, and that they have complied with applicable laws and regulations.</p> <p>VII. Where the Company acquires or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal report or CPA opinion.</p>	<p>conclusion and use the conclusion as the basis for issuing the report or opinion. The related working procedures, data collected, and conclusion shall be fully and accurately specified in the case working papers.</p> <p>(III) They shall undertake an item-by-item evaluation of the <u>appropriateness</u> and reasonableness of the sources of data used, the parameters, and the information, as the basis for issuance of the appraisal report or the opinion.</p> <p>(IV) They shall issue a statement attesting to the professional competence and independence of the personnel who prepared the report or opinion, and that they have evaluated and found that the information used is <u>appropriate</u> and reasonable, and that they have complied with applicable laws and regulations.</p> <p>VII. Where the Company acquires or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal report or CPA opinion.</p>	
Article 6-1	<p>The calculation of the transaction amounts referred to in the preceding three paragraphs shall be done in accordance with Paragraph 2, Article 8 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a <u>CPA's opinion has been obtained need not be counted toward the transaction</u></p>	<p>The calculation of the transaction amounts referred to in the preceding three paragraphs shall be done in accordance with Paragraph 2, Article 8 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been announced in accordance with the Procedures <u>need not be counted toward the transaction amount.</u></p>	Content corrections as appropriate.

Article No.	Before Amendment	After Amendment	Explanation
	<u>amount.</u>		
Article 8	<p><b>Public announcement and regulatory filing procedures</b> Under any of the following circumstances, a <u>public company</u> acquiring or disposing of assets shall publicly announce and report the relevant information on the FSC's designated website in the appropriate format as prescribed by regulations within 2 days counting inclusively from the date of occurrence of the event: (Omitted)</p> <p>VI. Where an asset transaction other than any of those referred to in the preceding five subparagraphs, a disposal of receivables by a financial institution, or an investment in Mainland China area reaches 20% or more of paid-in capital or NT\$300 million. provided, this shall not apply to the following circumstances:</p> <p>(I) <u>Trading of domestic government bonds.</u></p> <p>(II) Trading of bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.</p> <p>(Omitted)</p> <p>The "date of occurrence" mentioned in the Paragraph 1 refers to, <u>in principle</u>, the date of contract signing, date of payment, date of consignment trade, date of transfer, dates of boards of directors' resolutions, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier. provided, for investment for which approval of the competent authority is required, the earlier of the above date or the</p>	<p><b>Public announcement and regulatory filing procedures</b> Under any of the following circumstances, <u>the Company</u> shall, when acquiring or disposing of assets, publicly announce and report the relevant information on the FSC's designated website in the appropriate format as prescribed by regulations within 2 days counting inclusively from the date of occurrence of the event: (Omitted)</p> <p>VI. Where an asset transaction other than any of those referred to in the preceding five subparagraphs, a disposal of receivables by a financial institution, or an investment in Mainland China area reaches 20% or more of paid-in capital or NT\$300 million. provided, this shall not apply to the following circumstances:</p> <p>(I) <u>Trading of domestic government bonds or foreign government bonds with a rating that is not lower than the sovereign rating of Taiwan.</u></p> <p>(II) Trading of bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.</p> <p>(Omitted)</p> <p>The "date of occurrence" mentioned in the Paragraph 1 <u>refers to</u> the date of contract signing, date of payment, date of consignment trade, date of transfer, dates of boards of directors' resolutions, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier. provided, for investment for which approval of the competent authority is required, the earlier of the above date or the date of receipt of approval by the competent authority shall apply.</p>	<p>1. The provisions in this article is amended in accordance with Article 31 of the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" and the FAQs, Point 1 is added in Subparagraph 6, Paragraph 1 considering that public companies are currently exempted from making public announcements for the trading of domestic government bonds, and specify that the Company is also exempted from making public announcements for trading of foreign government bonds with a rating that is not lower than the sovereign rating of Taiwan.</p> <p>2. Content corrections as appropriate.</p>

Article No.	Before Amendment	After Amendment	Explanation
	<p>date of receipt of approval by the competent authority shall apply. <u>"Within the preceding year"</u> as used in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction. Items duly announced need not be counted toward the transaction amount.</p> <p>The Company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by the Company and any subsidiaries that are not domestic public companies and enter the information in the prescribed format into the information reporting website designated by the FSC by the 10th day of each month.</p>	<p>"Within the preceding year" as used in Paragraph 2 refers to the year preceding the date of occurrence of the current transaction. Items duly announced need not be counted toward the transaction amount.</p> <p>The Company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by the Company and any subsidiaries that are not domestic public companies and enter the information in the prescribed format into the information reporting website designated by the FSC by the 10th day of each month.</p>	
Article 13	<p>(Omitted)</p> <p>The calculation of the transaction amount referred to in the preceding paragraph shall be made in accordance with <u>Article 6-1</u> herein.</p> <p>(Omitted)</p>	<p>(Omitted)</p> <p>The calculation of the transaction amount referred to in the preceding paragraph shall be made in accordance with <u>Paragraph 1, Article 6</u> herein.</p> <p>(Omitted)</p>	Content corrections as appropriate.
Article 14	<p>When the Company intends to acquire or dispose of real property or right-of-use assets thereof from or to a related party, or when it intends to acquire or dispose of assets other than real property or right-of-use assets thereof from or to a related party and the transaction amount reaches 20% or more of paid-in capital, 10% or more of the company's total assets, or NT\$300 million or more, except in trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, the company may not proceed to enter into a transaction contract or make a payment until the following matters have been <u>approved by the board of directors and recognized by the supervisors:</u></p>	<p>When the Company intends to acquire or dispose of real property or right-of-use assets thereof from or to a related party, or when it intends to acquire or dispose of assets other than real property or right-of-use assets thereof from or to a related party and the transaction amount reaches 20% or more of paid-in capital, 10% or more of the company's total assets, or NT\$300 million or more, except in trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, the company may not proceed to enter into a transaction contract or make a payment until the following matters have been <u>agreed by more than one-half of all members of the audit committee and approved by the board of directors:</u></p>	<ol style="list-style-type: none"> <li>1. The reason for the amendment to original Paragraph 1 is the same as the for Article 4.</li> <li>2. The provisions in this article is amended in accordance with Article 15 of the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" and the FAQs, and a new Paragraph 4 is added to enhance the management of transactions with related parties, and considering</li> </ol>

Article No.	Before Amendment	After Amendment	Explanation
	<p>(Omitted)</p> <p><u>The calculation of the transaction amounts referred to in the preceding paragraph shall be done in accordance with Paragraph 2, Article 8 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the board of directors and recognized by the supervisors in accordance with the Procedures need not be counted toward the transaction amount.</u></p> <p>With respect to the types of transactions listed below, when to be conducted between the Company and its subsidiaries, or between its subsidiaries in which it directly or indirectly holds 100% of the issued shares or authorized capital, the company's board of directors may pursuant to Subparagraph 3, Paragraph 1, Article 4 delegate the board chairman to decide such matters when the transaction amount is less than NT\$ 50 million and have the decisions subsequently submitted to and ratified by the next board of directors meeting:</p> <ol style="list-style-type: none"> <li><u>1. Acquisition or disposal of equipment or right-of-use assets thereof held for business use.</u></li> <li><u>2. Acquisition or disposal of real property right-of-use assets held for business use.</u></li> </ol> <p><u>If the Company has established an audit committee in accordance with the Securities and Exchange Act, the preceding matter shall be approved by at least one-half of all members of the audit committee and submitted to the board of directors for resolution. If not approved by more than one-half of all members of the audit committee, it shall be approved by two-thirds of all directors before implementation, and the resolution of the audit committee shall be recorded in the minutes of the</u></p>	<p>(Omitted)</p> <p>With respect to the types of transactions listed below, when to be conducted between the Company and its subsidiaries, or between its subsidiaries in which it directly or indirectly holds 100% of the issued shares or authorized capital, the company's board of directors may pursuant to Subparagraph 3, Paragraph 1, Article 4 delegate the board chairman to decide such matters when the transaction amount is less than NT\$ 50 million and have the decisions subsequently submitted to and ratified by the next board of directors meeting:</p> <ol style="list-style-type: none"> <li><u>I. Acquisition or disposal of equipment or right-of-use assets thereof held for business use.</u></li> <li><u>II. Acquisition or disposal of real property right-of-use assets held for business use.</u></li> </ol> <p><u>If the Company or a subsidiary thereof that is not a domestic public company will have a transaction set out in paragraph 1 and the transaction amount will reach 10% or more of the Company's total assets, the Company shall submit the materials in paragraph 1 to the shareholders' meeting for approval before the transaction contract may be entered into and any payment made. However, this restriction does not apply to transactions between the Company and its subsidiaries or between its subsidiaries.</u></p>	<p>that there is no need for transactions between the parent company and its subsidiaries or between subsidiaries to be approved by resolution of the shareholders' meeting.</p> <p>3. The original Paragraph 2 is changed to Paragraph 5 after amendment, considering the added Paragraph 4 that specifies the calculation of the transaction amount shall also be submitted to the shareholders' meeting for approval.</p> <p>4. The resolution procedure of the Audit Committee is the same as that stipulated in Article 14-5 of the Evidence Submission Law, and there is no need to elaborate further, so it is deleted.</p>

Article No.	Before Amendment	After Amendment	Explanation
	<p><u>board of directors' meeting. "All members of the audit committee" and "all directors" above-mentioned refer to the actual incumbents.</u></p>	<p><u>The calculation of the transaction amounts referred to in Paragraph 1 and the preceding paragraph shall be made in accordance with Paragraph 2 Article 8, herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the shareholders' meeting, audit committee and board of directors need not be counted toward the transaction amount.</u></p>	
Article 17	<p>(Omitted)</p> <p>II. <u>Supervisors shall comply with Article 218 of the Company Act. The preceding part of this subparagraph shall apply to the independent directors as members of the audit committee.</u></p> <p>(Omitted)</p> <p><u>The Company has established an audit committee in accordance with the Securities and Exchange Act, the preceding matter shall be approved by at least one-half of all members of the audit committee and submitted to the board of directors for resolution. If not approved by more than one-half of all members of the audit committee, it shall be approved by two-thirds of all directors before implementation, and the resolution of the audit committee shall be recorded in the minutes of the board of directors' meeting. "All members of the audit committee" and "all directors" above-mentioned refer to the actual incumbents.</u></p>	<p>(Omitted)</p> <p>II. <u>The provisions related to the independent directors as the members of the Audit Committee shall be handled in accordance with Article 218 of the Company Act.</u></p> <p>(Omitted)</p>	<ol style="list-style-type: none"> <li>1. The reason for the amendment is the same as that for Article 4.</li> <li>2. The resolution procedure of the Audit Committee is the same as that stipulated in Article 14-5 of the Evidence Submission Law, and there is no need to elaborate further, so it is deleted.</li> </ol>

Article No.	Before Amendment	After Amendment	Explanation
Article 22	<p><b>Regular evaluation methods and the handling of irregular circumstances</b></p> <p><u>(I)</u> The board of directors shall designate senior management personnel to pay continuous attention to monitoring and controlling derivatives trading risk, and periodically evaluate whether derivatives trading performance is consistent with established operational strategy and whether the risk undertaken is within the company's permitted scope of tolerance.</p> <p><u>(II)</u> Senior management personnel authorized by the board of directors shall periodically evaluate the risk management measures currently employed are appropriate and are faithfully conducted in accordance with these Procedures.</p> <p><u>(III)</u> When irregular circumstances are found in the course of supervising trading and profit-loss circumstances, appropriate measures shall be adopted by the financial supervisor and a report immediately made to the board of directors ◦ <u>Where a company has independent directors, an independent director shall be present at the board meeting and express an opinion.</u></p>	<p><b>Regular evaluation methods and the handling of irregular circumstances</b></p> <p><u>I.</u> The board of directors shall designate senior management personnel to pay continuous attention to monitoring and controlling derivatives trading risk, and periodically evaluate whether derivatives trading performance is consistent with established operational strategy and whether the risk undertaken is within the company's permitted scope of tolerance.</p> <p><u>II.</u> Senior management personnel authorized by the board of directors shall periodically evaluate the risk management measures currently employed are appropriate and are faithfully conducted in accordance with these Procedures.</p> <p><u>III.</u> When irregular circumstances are found in the course of supervising trading and profit-loss circumstances, appropriate measures shall be adopted by the financial supervisor and a report immediately made to the board of directors ◦ An independent director shall be present at the board meeting and express an opinion.</p>	No. and content corrections as appropriate.
Article 25	<p>"Assets acquired or disposed through mergers, demergers, acquisitions, or transfer of shares in accordance with law" mentioned in the Regulations refers to assets acquired or disposed through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, <u>Financial Holding Company Act, Financial Institution Merger Act</u> and other acts, or to transfer of shares from another company through issuance of new shares of</p>	<p>"Assets acquired or disposed through mergers, demergers, acquisitions, or transfer of shares in accordance with law" mentioned in these Regulations refers to assets acquired or disposed through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act and other acts, or to transfer of shares from another company through issuance of new shares of its own as the consideration therefor (hereinafter "transfer of shares") under Article 156-3 of the Company</p>	Amended according to the actual situation of the Company.

Article No.	Before Amendment	After Amendment	Explanation
	its own as the consideration therefor (hereinafter "transfer of shares") under Article 156-3 of the Company Act.	Act.	
Article 34	<p><b>Penalties</b> Any directors, <u>supervisors</u> and managerial officers of the Company who violate these Procedures or the Regulations Governing the Acquisition and Disposal of Assets by Public Companies and damage the Company's interests shall be discharged.</p> <p>If relevant executives of the Company violate these Procedures or the Regulations, they shall be punished in accordance with the Company's regulations for assessment and rewards and punishments.</p>	<p><b>Penalties</b> Any directors and managerial officers of the Company who violate these Procedures or the Regulations Governing the Acquisition and Disposal of Assets by Public Companies and damage the Company's interests shall be discharged.</p> <p>If relevant executives of the Company violate these Procedures or the Regulations, they shall be punished in accordance with the Company's regulations for assessment and rewards and punishments.</p>	The reason for the amendment is the same as that for Article 4.
Article 35	<p>After these Procedures have been <u>approved by the board of directors</u>, they shall be submitted to each supervisor, and then to a shareholders' meeting for approval; the same applies when the procedures are amended. <u>If any director expresses dissent and it is contained in the minutes or a written statement, the company shall submit the director's dissenting opinion to each supervisor.</u></p> <p><u>When the Company has independent directors</u>, the opinions of each independent director shall be fully considered when the Procedures for Acquisition or Disposal of Assets is submitted to the board of directors for discussion in accordance with the preceding paragraphs, and the opinions and reasons for their agreement or disagreement shall be included in the minutes of the meeting.</p> <p><u>If the Company has established an</u></p>	<p>After these <u>Procedures have been agreed by the audit committee and approved by the board of directors</u>, they shall be submitted to a shareholders' meeting for approval; the same applies when the procedures are amended.</p> <p>The opinions of each independent director shall be fully considered when the Procedures for Acquisition or Disposal of Assets is submitted to the board of directors for discussion in accordance with the preceding paragraphs, and the opinions and reasons for their agreement or disagreement shall be included in the minutes of the meeting.</p>	<ol style="list-style-type: none"> <li>1. The reason for the amendment is the same as that for Article 4.</li> <li>2. The resolution procedure of the Audit Committee is the same as that stipulated in Article 14-5 of the Evidence Submission Law, and there is no need to elaborate further, so it is deleted.</li> </ol>

Article No.	Before Amendment	After Amendment	Explanation
	<u>audit committee, the committee shall exercise its relevant functions and powers in accordance with Article 14-5 of the Securities and Exchange Act, and the provisions of these Procedures concerning the supervisor shall be applied mutatis mutandis to the committee.</u>		
Article 36	These Procedures were formulated on June 2, 2004. (Omitted)	These Procedures were formulated on June 2, 2004. (Omitted) <u>The 11th amendment was made on June 13, 2023.</u>	Added date and number of amendments.



# Appendix I

## XAC Automation Corp.

### Articles of Incorporation (Before Amendment)

#### Chapter 1 General Principles

- Article 1 The company is organized in accordance with the provisions of the Company Act regarding "Company Limited by Shares" and named as XAC automation Corp.
- Article 2 The Company's operating business includes:
- I. Research, develop, produce, manufacture and sell the following products:
    - (I) Electronic financial transaction terminals and their components.
    - (II) Transaction data security devices and their components.
    - (III) Multi-function smart card readers/writers and their components.
  - II. System integration of the above products and their technical consultation and maintenance.
  - III. The import and export trade business of above products.
- Article 3 The total amount of reinvestment of the Company may exceed 40% of the paid-in capital.
- Article 3-1 The Company may make endorsements/guarantees for external entities for the needs of the Company's business or investment.
- Article 4 The Company is headquartered in the Hsinchu Science Park and may establish branches at home and abroad according to resolutions of the boards of directors and approval by the competent authority, if necessary.
- Article 5 Notices of the Company shall be given to each shareholder by letter or other means of written communication, and any announcement required by law shall be published in a prominent part of the daily newspaper in the place where the Company is located. If the competent securities authority has other regulations, the regulations shall be followed.

#### Chapter 2 Capital Stock

- Article 6 The registered total capital of the Company is set at NT\$ 1.2 billion, divided into 120 million shares with a par value of NT\$10 per share, and the Board of Directors is authorized to issue the shares in installments.
- A total of NT\$ 50 million in registered capital is reserved for the future issuance of employee stock options, totaling 5 million shares with a par value of NT\$10 per share, which may be issued in installments as resolved by the Board of Directors.
- The Company issued new shares with restricted employee rights to employees who meet certain control and subordination requirements set by the Board of Directors.
- When the Company issues new shares to reserve 10% to 15% of the total number of shares issued for subscription by employees, the employees who subscribe for shares include those who meet certain control and subordination requirements set by the Board of Directors.
- Article 7 Due to the public offering of shares, the Company is exempted from the

printing of share certificates, but shall register the issued shares with a centralized securities depository enterprise in accordance with the law.

Article 8 The administration of shareholder services of the Company shall comply with the Regulations Governing the Administration of Shareholder Services of Public Companies promulgated by the competent authority.

Article 9 The registration of the transfer of shares shall not be made 60 days before the annual shareholders' meeting, 30 days before the extraordinary shareholders' meeting or 5 days before the base date on which the company decides to distribute dividends and bonuses or other benefits.

### **Chapter 3 Shareholders' Meeting**

Article 10 Shareholders' meetings shall be of two types: annual meeting and extraordinary meeting. Annual meetings shall be convened once a year within six months after the end of each fiscal year. Extraordinary meetings may be duly convened according to relevant laws whenever Aurora deems necessary.

Article 11 The shareholders' meeting shall be convened in accordance with the provisions of the Company Act.

A shareholder may appoint a proxy to attend a shareholders' meeting in his/her/its behalf by executing a power of attorney issued by the Company stating therein the scope of power authorized to the proxy. In addition to the provisions of Article 177 of the Company Act, the method for a shareholder entrust others to attend a meeting shall also be in accordance with the "Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies" promulgated by the competent authority.

Article 12 The following matters of the Company shall be resolved by the shareholders' meeting:

- (I) Amendments to the Articles of Association.
- (II) Increase or decrease in total capital of the Company.
- (III) Dissolution or liquidation of the Company.
- (IV) Election of directors.
- (V) Earnings distribution.
- (VI) Other matters that shall be resolved by the shareholders' meeting as specified by law.

Article 13 If a shareholders' meeting is convened by the board of directors, the meeting shall be chaired by the board chairman. When the board chairman is absent, one of the directors shall be appointed to act as the chairperson. Where the board chairman does not make such a designation, the directors shall select one person from among themselves to serve as the chairperson. If a shareholders' meeting is convened by a party with power to convene but other than the board of directors, the convening party shall chair the meeting. When there are two or more such convening parties, they shall mutually select a chair from among themselves.

Article 14 Resolutions at a shareholders' meeting shall, unless otherwise provided in related acts, be adopted by a majority vote of the shareholders present in person or via their proxies, who represent more than one-half of the total number of voting shares.

In accordance with the regulations of the competent authority, the shareholders of the Company can also exercise their voting rights electronically, and the shareholders who exercise their voting rights electronically shall be deemed to be

present in person, and the relevant matters shall be compliant with applicable laws and regulations.

Article 15 Each shareholder of the Company shall have one vote per share, except in the case of non-voting shares as stipulated in Article 179 of the Company Act.

Article 16 Matters relating to the resolutions of a shareholders' meeting shall be recorded in the meeting minutes. The meeting minutes shall be signed or sealed by the chairman of the meeting and a copy distributed to each shareholder within 20 days after the conclusion of the meeting. The Company is a company that publicly issues shares, and the distribution of minutes may be affected by means of public notice.

#### **Chapter 4 Director, audit committee and managerial officer**

Article 17 The Company shall have five to nine directors, who shall be elected by the board of shareholders for a term of three years and shall be eligible for re-election. Among the directors, there shall be at least three independent directors. The total shareholding ratio of all directors shall be in accordance with the provisions of the competent authority in charge of securities affairs.

Article 17-1 In the process of electing directors, the number of votes exercisable in respect of one share shall be the same as the number of directors to be elected, and the total number of votes per share may be consolidated for election of one candidate or may be split for election of two or more candidates. A candidate to whom the ballots cast represent a prevailing number of votes shall be deemed a director elect.

A candidates nomination system shall be adopted by the Company for election of the directors as set forth in Article 192-1 of the Company Act. Receipt of nominations and announcements of candidates for directors shall be handled in accordance with the relevant provisions of the Company Act and the Securities and Exchange Act. The election of independent directors and non-independent directors shall be held concurrently, provided that the number of independent directors and non-independent directors elected are calculated separately.

Article 18 When the number of vacancies in the board of directors of the Company equals to one third of the total number of directors, the board of directors shall convene, within 60 days, a special meeting of shareholders to elect succeeding directors to fill the vacancies, and their term of office shall be limited to the period of original term of office.

Article 19 The board of directors shall meet regularly and convened by the Chairman. The convener of the meeting shall notify all directors of the date, place and agenda of the meeting in writing seven days prior to the meeting. Such notice may be waived in writing by any director either before or after the meeting. The Board of Directors may be convened on an ad hoc basis if necessary, and is not bound by the preceding provisions.

Notice of the above-mentioned convention may be given in writing, by fax or by e-mail.

Article 20 The functions and powers of the board include:

- I. Formulation of business policies.
- II. Review of budgets and final accounts.
- III. Proposing of capital increase or decrease.
- IV. Proposing of earnings distribution or appropriation of profit and loss.
- V. Review of remuneration paid to employees and directors.

- VI. Proposing of amendments to the Articles of Association.
  - VII. Review of important rules and regulations of the Company.
  - VIII. Resolution on the establishment, reorganization or dissolution of branches.
  - IX. Appointment and discharge of the Company's managers.
  - X. Approval of property disposals.
  - XI. Other functions and powers conferred by the Company Act or resolution of shareholders' meeting.
- Article 20-1 For the remuneration of directors, the board of directors is authorized by to determine it based on their participations and contributions of the directors to the Company's operations and with reference to the industry norm.
- Article 21 Unless otherwise provided in the Company Act, resolutions of the Board of Directors shall be adopted by a majority of the directors at a meeting attended by a majority of the directors.
- Article 22 A director may entrust another director to attend the board of directors in writing, but one director can only be entrusted by another one director.
- Article 23 The Company has established an audit committee in accordance with the provisions of Article 14-4 of the Securities and Exchange Act, which is composed of all independent directors.
- Article 24 The exercise of the functions and powers of the audit committee and its members and related matters shall be compliant with the Securities and Exchange Act and other relevant acts.
- Article 25 The Company has one general manager and several deputy general managers. The appointment, discharge and remuneration of these personnel shall be affected as approved by the board of directors.
- Article 26 The managerial officer of the Company has a duty of confidentiality with respect to the Company's trade secret information, know-how and expertise and shall strictly observe the confidentiality of such information.

## **Chapter 5 Accounting**

- Article 27 At the end of each fiscal year of the Company, the board of directors shall prepare the following statements and submit them to the annual shareholders' meeting for acknowledgement in accordance with law.
1. Business report.
  2. Financial statements.
  3. Proposal on surplus earning distribution or appropriation of profit and loss.
- Article 28 If there is any profit of the Company in the fiscal year, 3% to 12% of the profit shall be allocated for the remuneration to employees and not more than 3% for the remuneration to directors. However, if the company still has accumulated losses, the profit shall be retained in advance for recovery of losses.
- The counterparties to whom compensation shall be distributed in cash or stock as stated in the preceding paragraph includes the employees of Aurora's subordinate companies that meet certain criteria.
- Article 29 If there is any surplus in the Company's annual accounts, the Company shall first pay taxes and make up for the past losses, and then allocate 10% for the statutory surplus reserve, unless the statutory surplus reserve has reached the amount of the paid-in capital of the Company; in addition, a special surplus reserve may be provisioned in accordance with the Company's operating needs and laws and

regulations, which shall be retained by the board of directors as appropriate. If there is any surplus and undistributed earnings at the beginning of the same period, the board of directors shall propose a plan for the earnings distribution and submit it to the shareholders' meeting for distribution.

The Company may authorize the distributable dividends and bonuses in whole or in part may be paid in cash after a resolution has been adopted by a majority vote at a meeting of the board of directors attended by two-thirds of the total number of directors; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting.

The dividend policy of the Company shall be determined in accordance with the Company Act and the Articles of Association of the Company, and in accordance with the Company's capital and financial structure, operating conditions, surplus, the nature of the industry in which it belongs to and the current period and based on surplus after deducting the statutory reserve according to law. For the distribution of earnings, cash dividends are preferred over stock dividends, but stock dividends may be distributed at a rate of not more than 50% of the total dividends for the year.

Article 29-1 Where the Company incurs no loss, it may, pursuant to a resolution to be adopted by a shareholders' meeting as required in Article 241 of the Company Act, distribute its statutory surplus reserve and capital reserve, in whole or in part, by issuing new shares which shall be distributable as dividend shares to its original shareholders in proportion to the number of shares being held by each of them or by cash; the Company may authorize the distribution in cash after a resolution has been adopted by a majority vote at a meeting of the board of directors attended by two-thirds of the total number of directors and such distribution shall be submitted to the shareholders' meeting. In case of distribution by issuing new shares, the distribution shall be approved by resolution of a shareholders' meeting.

Article 29-2 The shares repurchased by the Company according to law shall be transferred to the employees at an average price lower than the actual repurchased shares; and the issuance of employee stock options at a closing price lower than the ordinary shares of the Company on the issue date shall be approved by two-third of the voting rights exercised by the shareholders present at the shareholders' meeting who represent a majority of the outstanding shares of the Company.

## **Chapter 6    Miscellaneous**

Article 30 The organization and important rules and regulations of the Company shall be formulated separately by the board of directors.

Article 31 Matters not stipulated in these Articles of Association shall be handled in accordance with the Company Act and relevant laws and ordinances.

Article 32 The Articles of Association of the Company was formulated by the consent of all promoters on March 12, 1997, and came into effect after being approved and registered by the competent authority, and the same will apply when the Articles of Association of the Company is amended thereafter.

The 1st amendment to the Articles of Association was made on November 3, 1997.

The 2nd amendment to the Articles of Association was made on May 31, 1999.

The 3rd amendment was made on July 18, 2000.

The 4th amendment was made on June 20, 2001.  
The 5th amendment was made on May 28, 2002.  
The 6th amendment was made on June 17, 2003.  
The 7th amendment was made on June 2, 2004.  
The 8th amendment was made on May 27, 2005.  
The 9th amendment was made on June 8, 2006.  
The 10th amendment was made on May 27, 2008.  
The 11th amendment was made on May 27, 2010.  
The 12th amendment was made on May 25, 2012.  
The 13th amendment was made on May 24, 2013.  
The 14th amendment was made on June 11, 2015.  
The 15th amendment was made on June 16, 2016.  
The 16th amendment was made on June 9, 2017.  
The 17th amendment was made on June 8, 2018.  
The 18th amendment was made on June 10, 2019.

**XAC Automation Corp.**

**Chairman: Chang, Yung-Ming**

## **Appendix II**

### **XAC Automation Corp. Procedures for Acquisition and Disposal of Assets (Before Amendment)**

#### **Section I Acquisition or Disposal of Assets**

##### **Article 1 Basis**

These Procedure are established in accordance with the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" issued via Tai-Cai-Zheng-Zi No. 0910006105 dated December 10, 2002 by the Securities and Futures Commission of the Ministry of Finance (hereinafter referred to as "SFC") and other related provisions.

##### **Article 2 Asset definitions**

- I. Investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depositary receipts, call (put) warrants, beneficial interest securities, and asset-backed securities.
- II. Property (including land, houses and buildings, investment property, and construction enterprise inventory) and equipment.
- III. Memberships.
- IV. Intangible assets (including patents, copyrights, trademarks and franchise rights).
- V. right-of-use assets.
- VI. Derivatives.
- VII. Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law.
- VIII. Other major assets.

##### **Article 3 Units responsible for implementation**

- I. Acquisition or disposal of long-term equity investment securities: The General Manager shall instruct a person in charge or establish a project group to evaluate and implement.
- II. Acquisition or disposal of financial instruments: The Financial Department shall be responsible for evaluation and implementation.
- III. Acquisition or disposal of property, equipment or right-of-use assets thereof: The General Affairs Department shall be responsible for evaluation and implementation.
- IV. Acquisition or disposal of intangible assets or right-of-use assets thereof or memberships: The General Manager shall instruct a person in charge or establishes a project team to evaluate and implement.
- V. Acquisition or disposal of derivatives: The Financial Department shall be responsible for evaluation and implementation.
- VI. Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law and other major assets: The General Affairs Department shall be responsible for evaluation and

implementation.

#### **Article 4 Degree and levels of authority delegated**

The acquisition or disposal of the Company's assets shall be handled in accordance with the following degrees of authority delegated and procedures:

- I. Acquisition or disposal of long-term securities investments,
  - A. When the investment amount does not exceed NT \$30 million, the transaction shall be reviewed by the head of the Finance Department before submitted to the Chairman for approval, and shall be reported to the latest board meeting.
  - B. When the investment amount exceeds NT\$30 million, the transaction shall be reviewed by the head of the Finance Department and submitted to the Chairman for approval before being submitted to the board of directors for approval.
- II. For acquisition or disposal of financial instrument investments,
  - A. When the investment amount does not exceed NT \$30 million, the head of the Finance Department will decide the feasibility of the transaction and submit it to the Vice President of Operations for approval.
  - B. When the investment amount exceeds NT\$30 million but not more than NT\$80 million, the transaction shall be reviewed by the head of the Finance Department before submitted to the Chairman for approval.
  - C. When the investment amount exceeds NT\$80 million, the transaction shall be reviewed by the head of the Finance Department and submitted to the Chairman for approval before being submitted to the board of directors for approval.
- III. Acquisition or disposal of property, equipment or right-of-use assets thereof,
  - A. When the investment amount does not exceed NT \$50 million, the transaction shall be submitted for approval in accordance with the authorities stipulated in the "Summary Table of Various Authorities" of the Company.
  - B. When the investment amount exceeds NT\$50 million, the transaction shall be reviewed by the head of the responsible department and submitted to the Chairman for approval before being submitted to the board of directors for approval.
- IV. The acquisition or disposal of intangible assets or right-of-use assets thereof or memberships shall be handled by the unit in charge of implementation after submitting relevant information to the board of directors for approval.
- V. The acquisition or disposal of derivatives shall be handled in accordance with the relevant provisions in Section 3 of the Procedures.
- VI. For assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law, the transactions shall be handled in accordance with the relevant provisions in Section 4 of the Procedures.

If the Company acquires or disposes of assets that should be approved by the Board of Directors in accordance with the preceding paragraph or other legal requirements, the Company shall send the information of the directors' objections to each supervisor if there is a record or written statement of objections from the directors.



When the Company has independent directors, the opinions of each independent director shall be fully considered when the transaction of acquisition or disposal of assets is submitted to the board of directors for discussion in accordance with the Paragraphs 1 to 5, and the opinions and reasons for their agreement or disagreement shall be included in the minutes of the meeting.

If the Company has established an audit committee in accordance with the Securities and Exchange Act, the preceding matter shall be approved by at least one-half of all members of the audit committee and submitted to the board of directors for resolution. If not approved by more than one-half of all members of the audit committee, it shall be approved by two-thirds of all directors before implementation, and the resolution of the audit committee shall be recorded in the minutes of the board of directors' meeting. "All members of the audit committee" and "all directors" above-mentioned refer to the actual incumbents.

#### **Article 5 Means of price determination and supporting reference materials**

- I. For the acquisition or disposal of securities that have been traded in a centralized trading market or at the Taipei Exchange (hereinafter referred to as "TPEX"), the price shall be determined according to the transaction price at that time.
- II. For the acquisition or disposal of securities traded in a non-centralized trading market or at OTC market, the price shall be determined by taking into account the net value per share, profitability, future development potential and by reference to the transaction price at that time, or by reference to the market rate of interest, the nominal interest rate of bond and the debtor's bond credit rating at that time.
- III. For the acquisition or disposal of property or right-of-use assets thereof, the price shall be determined by reference to the present value announced, the appraised value, the actual transaction price of the adjacent property.
- IV. For the acquisition or disposal of equipment or right-of-use assets thereof, the price shall be determined by way of price comparison, negotiation or tendering.
- V. For the acquisition or disposal of memberships, the price shall be determined by either price comparison or negotiation.
- VI. For the acquisition or disposal of intangible assets or right-of-use assets thereof, the price shall be determined in accordance with relevant laws and regulations and contractual provisions.
- VII. For the acquisition or disposal of derivatives, the price shall be determined in accordance with the relevant provisions in Section 3 of the Procedures.
- VIII. For the acquisition or disposal of assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law, the price shall be determined in accordance with the relevant provisions in Section 4 of the Procedures.

#### **Article 6 Assessment and operating procedures**

##### **I. Securities**

The Company shall, when acquiring or disposing of securities, prior to the date of occurrence of the event, obtain financial statements of the issuing company for the most recent period, certified or reviewed by a CPA, for reference in appraising the transaction price.

If the transaction amount of the acquisition or disposal of securities reaches 20%

of the Company's paid-in capital or NT\$300 million or more, a CPA shall be engaged prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price. If the CPA is required to provide an expert report, he or she should comply with the provisions of Auditing Standard No. 20 issued by the Accounting Research and Development Foundation of the Republic of China (ARDF). This requirement does not apply, however, to publicly quoted prices of securities that have an active market, or where otherwise provided by regulations of the Financial Supervisory Commission (FSC).

II. Property, equipment or right-of-use assets thereof

In acquiring or disposing of property, equipment, or right-of-use assets thereof where the transaction amount reaches 20% of the company's paid-in capital or NT\$300 million or more, the Company, unless transacting with a domestic government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment or right-of-use assets thereof held for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions:

- (I) Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the board of directors; the same procedure shall also be followed whenever there is any subsequent change to the terms and conditions of the transaction.
- (II) Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.
- (III) The matters to be recorded in the appraisal report are as follows:
  1. The matters that shall be recorded as stipulated by the technical rules for property appraisal.
  2. Matters related to professional appraiser and their officers.
    - (1) Name, capital, organizational structure and composition of the professional appraiser.
    - (2) Name, age, academic experience (with attestation), number of years engaged in the appraisal, and number of appraisal cases undertaken of the appraiser.
    - (3) Relationship between professional appraiser, their officer and the entrusting party.
    - (4) Issuance of a statement that the matters contained in the appraisal report are not false or concealed.
    - (5) Date of issuance of the appraisal report.
  3. Basic information on the subject matter of the survey, which shall include at least the name of the subject matter and its nature, location, area and other information.
  4. Comparative examples of property transactions in the area where the subject matter locates.
  5. In the case of a limited price or a specific price for an appraised category,

the conditions of the limited price or specific price and whether the conditions are currently met, and the reason and reasonableness of the difference from the normal price, and whether the limited price or specific price is sufficient as a reference for the purchase and sale price.

6. In the case of a joint construction contract, the reasonable allocation ratio between both parties shall be stated.
  7. Estimation of land appreciation tax.
  8. Whether the difference of more than 20% in the estimated price between professional appraisers on the same day has been handled in accordance with Article 41 of the Real Estate Appraiser Act.
  9. Attachments including details of the appraisal of the subject property, ownership registration information, transcript of the cadastral map, sketch of the urban plan, location map of the subject property, proof of land zoning, and photographs of the subject property in its current condition.
- (IV) Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a CPA shall be engaged to handle the case according to the provisions of Auditing Standard No. 20 issued by ARDF and to render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:
1. The discrepancy between the appraisal result and the transaction amount is 20% or more of the transaction amount.
  2. The discrepancy between the appraisal results of two or more professional appraisers is 10% or more of the transaction amount.
- (V) No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date. provided, where the publicly announced current value for the same period is used and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser.

The term "professional appraiser" refers to a property appraiser or other person duly authorized by law to engage in the value appraisal of real property or equipment.

III. Intangible assets or right-of-use assets thereof or membership

Where a public company acquires or disposes of intangible assets or right-of-use assets thereof or memberships and the transaction amount reaches 20% or more of paid-in capital or NT\$300 million or more, except in transactions with a domestic government agency, the Company shall engage a CPA prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price, and the CPA shall handle the case according to the provisions of Auditing Standard No. 20 issued by ARDF.

IV. Derivatives

Refer to the relevant provisions in Section 3 of the Procedures.

V. Assets acquired or disposed of in connection with mergers, demergers,

acquisitions, or transfer of shares in accordance with law

Refer to the relevant provisions in Section 4 of the Procedures.

- VI. Professional appraisers and their officers, CPAs, attorneys, and securities underwriters that provide the Company with appraisal reports, CPA's opinions, attorney's opinions, or underwriter's opinions shall meet the following requirements:
- (I) May not have previously received a final and unappealable sentence to imprisonment for 1 year or longer for a violation of the Act, the Company Act, the Banking Act of The Republic of China, the Insurance Act, the Financial Holding Company Act, or the Business Entity Accounting Act, or for fraud, breach of trust, embezzlement, forgery of documents, or occupational crime. However, this provision does not apply if 3 years have already passed since completion of service of the sentence, since expiration of the period of a suspended sentence, or since a pardon was received.
  - (II) May not be a related party or de facto related party of any party to the transaction.
  - (III) If the company is required to obtain appraisal reports from two or more professional appraisers, the different professional appraisers or appraisal officers may not be related parties or de facto related parties of each other.
  - (IV) When issuing an appraisal report or opinion, the personnel referred to in the preceding paragraph shall comply with the following provisions:
    - 1. Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.
    - 2. When auditing a case, they shall appropriately plan and execute adequate working procedures, in order to produce a conclusion and use the conclusion as the basis for issuing the report or opinion. The related working procedures, data collected, and conclusion shall be fully and accurately specified in the case working papers.
    - 3. They shall undertake an item-by-item evaluation of the completeness, correctness and reasonableness of the sources of data used, the parameters, and the information, as the basis for issuance of the appraisal report or the opinion.
    - 4. They shall issue a statement attesting to the professional competence and independence of the personnel who prepared the report or opinion, and that they have evaluated and found that the information used is correct and reasonable, and that they have complied with applicable laws and regulations.
- VII. Where the Company acquires or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal report or CPA opinion.

#### **Article 6-1**

The calculation of the transaction amounts referred to in the preceding three paragraphs shall be done in accordance with Paragraph 2, Article 8 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a

professional appraiser or a CPA's opinion has been obtained need not be counted toward the transaction amount.

#### **Article 7 Retention of data**

The Company shall, when acquiring or disposing of assets, keep all relevant contracts, meeting minutes, log books, appraisal reports and CPA, attorney, and securities underwriter opinions at the company, where they shall be retained for 5 years except where another act provides otherwise.

#### **Article 8 Public announcement and regulatory filing procedures**

Under any of the following circumstances, a public company acquiring or disposing of assets shall publicly announce and report the relevant information on the FSC's designated website in the appropriate format as prescribed by regulations within 2 days counting inclusively from the date of occurrence of the event:

- I. Acquisition or disposal of real property or right-of-use assets thereof from or to a related party, or acquisition or disposal of assets other than real property or right-of-use assets thereof from or to a related party where the transaction amount reaches 20% or more of paid-in capital, 10% or more of the company's total assets, or NT\$300 million or more. provided, this shall not apply to trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.
- II. Merger, demerger, acquisition, or transfer of shares.
- III. Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the company.
- IV. Where equipment or right-of-use assets thereof for business use are acquired or disposed of, and furthermore the transaction counterparty is not a related party, and the transaction amount reaches NT \$500 million or more.
- V. Where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and furthermore the transaction counterparty is not a related party, and the amount the company expects to invest in the transaction reaches NT\$500 million.
- VI. Where an asset transaction other than any of those referred to in the preceding five subparagraphs, a disposal of receivables by a financial institution, or an investment in Mainland China area reaches 20% or more of paid-in capital or NT\$300 million. provided, this shall not apply to the following circumstances:
  - (I) Trading of domestic government bonds.
  - (II) Trading of bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.

The amount of transactions above shall be calculated as follows:

- I. The amount of any individual transaction.
- II. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same transaction counterparty within the preceding year.
- III. The cumulative transaction amount of acquisitions and disposals (cumulative

acquisitions and disposals, respectively) of real property or right-of-use assets thereof within the same development project within the preceding year.

IV. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.

The term "Investments in Mainland China" as used in the first paragraph refers to investments in Mainland China approved by the Ministry of Economic Affairs Investment Commission or conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.

The "date of occurrence" mentioned in the Paragraph 1 refers to, in principle, the date of contract signing, date of payment, date of consignment trade, date of transfer, dates of boards of directors' resolutions, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier. provided, for investment for which approval of the competent authority is required, the earlier of the above date or the date of receipt of approval by the competent authority shall apply.

"Within the preceding year" as used in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction. Items duly announced need not be counted toward the transaction amount.

The Company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by the Company and any subsidiaries that are not domestic public companies and enter the information in the prescribed format into the information reporting website designated by the FSC by the 10th day of each month.

#### **Article 9 Announcements and declarations**

The Company shall, in accordance with the provisions of the preceding Article, handle the announcements and declarations, of which the content shall be compliant with the relevant regulations of FSC.

#### **Article 10 Amendment to announcement**

When the Company at the time of public announcement makes an error or omission in an item required in Article 8 to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety within two days counting inclusively from the date of knowing of such error or omission. Where any of the following circumstances occurs with respect to a transaction that the Company has already publicly announced and reported in accordance with Article 8, a public report of relevant information shall be made on the information reporting website designated by the FSC within 2 days counting inclusively from the date of occurrence of the event:

- I. Change, termination, or rescission of a contract signed in regard to the original transaction.
- II. The merger, demerger, acquisition, or transfer of shares is not completed by the scheduled date set forth in the contract.
- III. Change in the originally publicly announced and reported information.

#### **Article 11 Control procedures for the acquisition and disposal of assets by subsidiaries**

The acquisition and disposal of assets by subsidiaries of the Company shall be

handled in accordance with the provisions of the Company.

Information required to be publicly announced and reported in accordance with the provisions of Article 8 on acquisitions and disposals of assets by the Company's subsidiary that is not itself a public company in Taiwan shall be reported by the Company.

The paid-in capital or total assets of the Company shall be the standard applicable to a subsidiary referred to in the preceding paragraph in determining whether, relative to 20% of the paid-in capital or 10% of the total assets, it reaches a threshold requiring public announcement and regulatory filing under Article 8.

For the calculation of 10% of total assets, the total assets stated in the most recent parent company only financial statement or individual financial statement prepared under the Regulations Governing the Preparation of Financial Reports by Securities Issuers shall be used.

The aforementioned "subsidiary" shall be as defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

**Article 12** The total amounts of property and right-of-use assets thereof or securities acquired by the Company and each of its subsidiaries not for business use and limits on individual securities are as follows:

- I. Assets acquired by the Company and each of its subsidiaries, such as the assets of land, plant and equipment for business use, shall not be limited.
- II. The total amount of property and right-of-use assets thereof acquired by the Company not for business use shall not exceed 50% of the net value of the Company, and not exceed 30% of the net value for a subsidiary.
- III. The net amount of short-term securities trading engaged in short-term fund procurement shall not exceed 40% of the net value of the Company, and the net value of securities acquired from the same company shall not exceed 20% of the net value of the Company, and not exceed 20% and 10% respectively for a subsidiary.
- IV. The total amount of securities acquired for long-term investment shall not exceed 40% of the paid-in capital of the Company, and the amount of securities acquired the same Company shall not exceed 20% of the paid-in capital of the Company, and not exceed 20% and 10% respectively for a subsidiary.

## **Section II Transaction with related party**

**Article 13** When the Company engages in any acquisition or disposal of assets from or to a related party, in addition to ensuring that the necessary resolutions are adopted and the reasonableness of the transaction terms is appraised, if the transaction amount reaches 10% or more of the Company's total assets, the Company shall also obtain an appraisal report from a professional appraiser or a CPA's opinion in compliance with the provisions of the preceding Section and this Section.

The calculation of the transaction amount referred to in the preceding paragraph shall be made in accordance with Article 6-1 herein.

The “related party” mentioned in the preceding paragraph shall be as defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers. When judging whether a transaction counterparty is a related party, in addition to legal formalities, the substance of the relationship shall also be considered.

**Article 14** When the Company intends to acquire or dispose of real property or right-of-use assets thereof from or to a related party, or when it intends to acquire or dispose of assets other than real property or right-of-use assets thereof from or to a related party and the transaction amount reaches 20% or more of paid-in capital, 10% or more of the company's total assets, or NT\$300 million or more, except in trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, the company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the board of directors and recognized by the supervisors:

- I. The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.
- II. The reason for choosing the related party as a transaction counterparty.
- III. With respect to the acquisition of real property or right-of-use assets thereof from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Article 15 and Article 16.
- IV. The date and price at which the related party originally acquired the real property, the original transaction counterparty, and that transaction counterparty's relationship to the company and the related party.
- V. Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.
- VI. An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the preceding article.
- VII. Restrictive covenants and other important stipulations associated with the transaction.

The calculation of the transaction amounts referred to in the preceding paragraph shall be done in accordance with Paragraph 2, Article 8 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the board of directors and recognized by the supervisors in accordance with the Procedures need not be counted toward the transaction amount.

With respect to the types of transactions listed below, when to be conducted between the Company and its subsidiaries, or between its subsidiaries in which it directly or indirectly holds 100% of the issued shares or authorized capital, the company's board of directors may pursuant to Subparagraph 3, Paragraph 1, Article 4 delegate the board chairman to decide such matters when the transaction amount is less than NT\$ 50 million and have the decisions subsequently submitted to and ratified by the next board of directors meeting:

1. Acquisition or disposal of equipment or right-of-use assets thereof held for



business use.

2. Acquisition or disposal of real property right-of-use assets held for business use.

If the Company has established an audit committee in accordance with the Securities and Exchange Act, the preceding matter shall be approved by at least one-half of all members of the audit committee and submitted to the board of directors for resolution. If not approved by more than one-half of all members of the audit committee, it shall be approved by two-thirds of all directors before implementation, and the resolution of the audit committee shall be recorded in the minutes of the board of directors' meeting. "All members of the audit committee" and "all directors" above-mentioned refer to the actual incumbents.

**Article 15** The Company shall, when acquiring property or right-of-use assets thereof from a related party, evaluate the reasonableness of the transaction costs by the following means:

- I. Based upon the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer. "Necessary interest on funding" is imputed as the weighted average interest rate on borrowing in the year the Company purchases the property; provided, it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.
- II. Total loan value appraisal from a financial institution where the related party has previously created a mortgage on the property as security for a loan; provided, the actual cumulative amount loaned by the financial institution shall have been 70% or more of the financial institution's appraised loan value of the property and the period of the loan shall have been 1 year or more. However, this shall not apply where the financial institution is a related party of one of the transaction counterparties.

Where land and premises thereupon are combined as a single property purchased or leased in one transaction, the transaction costs for the land and the premises may be separately appraised in accordance with either of the means listed in the preceding paragraph.

When the Company acquires property or right-of-use assets thereof from a related party and appraises the cost of the real property or right-of-use assets thereof in accordance with the preceding two paragraphs, it shall also engage a CPA to check the appraisal and render a specific opinion.

Where the Company acquires property or right-of-use assets thereof from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with the preceding article, and the preceding three paragraphs do not apply:

- I. The related party acquired the property or right-of-use assets thereof through inheritance or as a gift.
- II. More than 5 years will have elapsed from the time the related party signed the contract to obtain the property or right-of-use assets thereof to the signing date for the current transaction.
- III. The property is acquired through signing of a joint development contract with

the related party, or through engaging a related party to build real property, either on the company's own land or on rented land.

- IV. The property right-of-use assets for business use are acquired by the Company with its subsidiaries, or by its subsidiaries in which it directly or indirectly holds 100% of the issued shares or authorized capital.

**Article 16** When the results of the Company's appraisal conducted in accordance with Paragraph 1 and Paragraph 2 of the preceding Article are uniformly lower than the transaction price, the matter shall be handled in compliance with Article 17. However, where the following circumstances exist, objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional property appraiser and a CPA have been obtained, this restriction shall not apply:

- I. Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:
- (I) Where undeveloped land is appraised in accordance with the means in the preceding Article, and structures according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price. The "Reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction division over the most recent 3 years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.
  - (II) Completed transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market sale or leasing practices.
- II. Where the Company, when acquiring property, or obtaining property right-of-use assets through leasing, from a related party, provides evidence that the terms of the transaction are similar to the terms of completed transactions involving neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year.

Completed transactions involving neighboring or closely valued parcels of land in the preceding paragraph in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value; transactions involving similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50% of the property in the planned transaction; within the preceding year refers to the year preceding the date of occurrence of the acquisition of the property or obtainment of the right-of-use assets thereof.

**Article 17** Where the Company acquires property or right-of-use assets thereof from a related party and the results of appraisals conducted in accordance with the preceding two articles are uniformly lower than the transaction price, the following steps shall be

taken:

- I. A special reserve shall be set aside in accordance with Paragraph 1, Article 41 of the Securities and Exchange Act against the difference between the property transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. Where the Company uses the equity method to account for its investment in another company, then the special reserve called for under Paragraph 1, Article 41 of the Securities and Exchange Act shall be set aside pro rata in a proportion consistent with the share of the Company's equity stake in the other company.
- II. Supervisors shall comply with Article 218 of the Company Act. The preceding part of this subparagraph shall apply to the independent directors as members of the audit committee.
- III. Actions taken pursuant to the preceding two subparagraphs shall be reported to a shareholders' meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.

Where the Company has set aside a special reserve under the preceding paragraph, it may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased or leased at a premium, or they have been disposed of, or the leasing contract has been terminated, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the FSC has given its consent.

When the Company obtains property or right-of-use assets thereof from a related party, it shall also comply with the preceding two paragraphs if there is other evidence indicating that the acquisition was not an arms length transaction.

The Company has established an audit committee in accordance with the Securities and Exchange Act, the preceding matter shall be approved by at least one-half of all members of the audit committee and submitted to the board of directors for resolution. If not approved by more than one-half of all members of the audit committee, it shall be approved by two-thirds of all directors before implementation, and the resolution of the audit committee shall be recorded in the minutes of the board of directors' meeting. "All members of the audit committee" and "all directors" above-mentioned refer to the actual incumbents.

### **Section III Engaging in Derivatives Trading**

#### **Article 18 Trading principles and strategies**

- I. Types of derivatives that may be traded
  - (I) "Derivatives" mentioned in the Procedures refer to forward contracts, options contracts, futures contracts, leverage contracts, or swap contracts, whose value is derived from a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable; or hybrid contracts combining the above contracts; or hybrid contracts or structured products containing embedded derivatives.

- (II) The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) contracts.
  - (III) Matters relating to bond margin transactions shall be handled mutatis mutandis in accordance with the relevant provisions of the Procedures.
- II. Operating or hedging strategies:  
The trading of derivatives shall be aimed at hedging risk. Derivatives to trade shall be selected to hedge the risks arising from the Company's business operations, and the counterparties shall be the financial institutions that the Company usually deals with as far as possible to avoid credit risks.
- III. Segregation of duties:  
Finance Department: Responsible for foreign exchange management system, such as collecting foreign exchange market information, judging trends and risks, familiar with financial instruments and operating skills. It also, under the instructions from the financial supervisor, authorizes the management of exchange positions, and avoids risks in accordance with the Company's policies.  
Accounting Department: responsible for the confirmation, settlement and registration of transactions.  
Audit Department: Measures, monitors and controls the risks of transactions conducted by the Finance Department and reports to the Board of Directors when there are significant deficiencies.
- IV. Essentials of performance evaluation:  
For trading of derivatives, the details of the operations shall be recorded in the derivative log book on a daily basis to grasp the profit or loss situations; in addition, the monthly, quarterly, semi-annual and annual settlement of foreign exchange gains and losses shall be made.
- V. Limit on total amount of derivatives contracts:  
(I) The Finance Department shall control the overall position of the Company to avoid trading risks; the total amount of contracts for forward foreign exchange operations shall not exceed the total amount of foreign currency actually demanded for import and export of the Company.  
(II) Other derivative transactions shall not exceed NT\$ 10 million or the equivalent US dollars.  
(III) Maximum loss limit on total trading and for individual contracts: The maximum loss on total trading is limited to 10% of the total contract amount, and that on individual contract is limited to 20% of the individual contract amount. When the loss exceeds the limit, the Company should convene relevant personnel to discuss at any time.

## **Article 19 Procedures**

- I. Limit of amount authorized:

The Company engages in derivative commodity trading in accordance with the following authorized amounts:

- (I) Routine hedging transactions: The trading must be submitted to the supervisor authorized by the Chairman for approval on a case-by-case basis, and if the amount exceeds NT\$ 30 million, the trading must be approved by the Chairman and reported at the latest board meeting
  - (II) Other non-hedge derivatives: The trading must be approved by the Chairman and reported at the latest board meeting.
- II. Executing unit and trading process:
- (I) Execution of trading: The trading personnel of the Finance Department shall trade with financial institutions within the limit on amount authorized, and if the amount exceeds the limit specified in the preceding paragraph, they shall obtain prior written approval in accordance with the above provisions.
  - (II) Confirmation of trading: The accountant confirms the trading based on the relevant certificates, produces accounting entries, and registers the accounting accounts.

## **Article 20 Risk management measures**

- I. Scope of risk management:
- (I) Credit risk management: The counterparties are limited to banks that have business dealings with the Company. After the trading, the registrant shall immediately register the credit control form and regularly reconcile it with the counterparty bank.
  - (II) Market price risk management: Registrants shall check at any time that the total transaction amount meets the limits set out in this procedure. The Accounting Department shall conduct a market valuation at any time and pay attention to the possible impact of future market price fluctuations on the position held.
  - (III) Liquidity and cash flow risk management: In order to ensure market liquidity, in selection of financial instruments, the financial institutions to trade with must have sufficient equipment, information and trading capabilities, and traders should always pay attention to the Company's cash flow to ensure that there are sufficient cash payments at the time of delivery.
  - (IV) Operational risk management: the compliance with limits on amount authorized and operating processes must be ensured.
  - (V) Legal risk management: Any documents to be signed with counterparty bank must be reviewed by legal personnel before they can be signed.
- II. Personnel engaging in derivative trading, confirmation and delivery must be different.
- III. Risk measurement, supervision and control personnel shall be from different departments than those mentioned in the preceding subparagraph, and shall report to the board of directors or to senior executives who are not responsible for the trading or this part of the decision-making.
- IV. Positions held by derivatives trading shall be evaluated at least once a week,

provided that hedging transactions for business needs shall be evaluated at least twice a month, and the evaluation report shall be submitted to the senior executives authorized by the board of directors.

**Article 21 Internal audit system**

The internal audit personnel shall periodically make a determination of the suitability of internal controls on derivatives and conduct a monthly audit of how faithfully derivatives trading by the trading department adheres to the procedures for engaging in derivatives trading, prepare an audit report, submit it with the implementation of the annual audit plan for internal audit operations to FSC for review (in the prescribed format and via the Internet-based information system) before the end of February of next year, and report the improvements to FSC for review via the Internet-based information system before the end of May of next year. If any material violation is discovered, the audit committee shall be notified in writing.

**Article 22 Regular evaluation methods and the handling of irregular circumstances**

- (I) The board of directors shall appoint a senior executive to monitor and control derivatives trading risks at all times, and shall periodically evaluate whether derivatives trading performance is consistent with established operational strategy and whether the risk undertaken is within the Company's permitted scope of tolerance.
- (II) Senior management personnel authorized by the board of directors shall periodically evaluate the risk management measures currently employed are appropriate and are faithfully conducted in accordance with these Procedures.
- (III) When irregular circumstances are found in the course of supervising trading and profit-loss circumstances, appropriate measures shall be adopted by the financial supervisor and a report immediately made to the board of directors. Where a company has independent directors, an independent director shall be present at the board meeting and express an opinion.

**Article 23 Disclosure of Information**

- I. If the losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the company, the Company shall publicly announce and report the relevant information on the FSC's designated website within 2 days counting inclusively from the date of occurrence of the event.
- II. The Company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by the Company and any subsidiaries that are not public companies in Taiwan and enter the information in the prescribed format into the information reporting website designated by FSC by the 10th day of each month.

**Article 24** The Company shall, when engaging in derivatives trading, establish a log book in which details of the types and amounts of derivatives trading engaged in, board of directors approval dates, and the matters required to be periodically evaluated for derivatives trading shall be recorded in detail in the log book for review.

#### **Section IV Business Combinations, Splits, Acquisitions, and Transfers of Shares**

**Article 25** "Assets acquired or disposed through mergers, demergers, acquisitions, or transfer of shares in accordance with law" mentioned in the Regulations refers to assets acquired or disposed through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and other acts, or to transfer of shares from another company through issuance of new shares of its own as the consideration therefor (hereinafter "transfer of shares") under Article 156-3 of the Company Act.

**Article 26** The Company shall, when conducting a merger, demerger, acquisition, or transfer of shares, prior to convening the board of directors to resolve on the matter, engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the board of directors for discussion and approval. However, the requirement of obtaining an aforesaid opinion on reasonableness issued by an expert may be exempted in the case of a merger by a public company of a subsidiary in which it directly or indirectly holds 100% of the issued shares or authorized capital, and in the case of a merger between subsidiaries in which the public company directly or indirectly holds 100% of the respective subsidiaries' issued shares or total capital.

**Article 27** A public company participating in a merger, demerger, acquisition, or transfer of shares shall prepare a public report to shareholders detailing important contractual content and matters relevant to the merger, demerger, or acquisition prior to the shareholders meeting and include it along with the expert opinion referred to in the preceding Article when sending shareholders notification of the shareholders meeting for reference in deciding whether to approve the merger, demerger, or acquisition. Provided, where a provision of another act exempts a company from convening a shareholders meeting to approve the merger, demerger, or acquisition, this restriction shall not apply.

Where the shareholders meeting of any one of the companies participating in a merger, demerger, or acquisition fails to convene or pass a resolution due to lack of a quorum, insufficient votes, or other legal restriction, or the proposal is rejected by the shareholders meeting, the companies participating in the merger, demerger or acquisition shall immediately publicly explain the reason, the follow-up measures, and the preliminary date of the next shareholders meeting.

**Article 28** The Company shall, when participating in a merger, demerger, or acquisition, convene a board of directors meeting and shareholders meeting on the day of the transaction to resolve matters relevant to the merger, demerger, or acquisition, unless another act provides otherwise or the FSC is notified in advance of extraordinary circumstances and grants consent.

The Company and other companies participating in a transfer of shares shall convene a board meeting on the day of the transaction, unless another act provides otherwise or the FSC is notified in advance of extraordinary circumstances and grants consent.

When participating in a merger, demerger, acquisition, or transfer of another

company's shares, a company that is listed on an exchange or has its shares traded on an OTC market shall prepare a full written record of the following information and retain it for 5 years for reference:

- I. Basic identification data for personnel: Including the occupational titles, names, and national ID numbers (or passport numbers in the case of foreign nationals) of all persons involved in the planning or implementation of any merger, demerger, acquisition, or transfer of another company's shares prior to disclosure of the information.
- II. Dates of material events: Including the signing of any letter of intent or memorandum of understanding, the hiring of a financial or legal advisor, the execution of a contract, and the convening of a board meeting.
- III. Important documents and minutes: Including merger, demerger, acquisition, and share transfer plans, any letter of intent or memorandum of understanding, material contracts, and minutes of board meetings.

When participating in a merger, demerger, acquisition, or transfer of another company's shares, a company that is listed on an exchange or has its shares traded on an OTC market shall, within 2 days counting inclusively from the date of passage of a resolution by the board of directors, report (in the prescribed format and via the Internet-based information system) the information set out in Subparagraphs 1 and 2 of the preceding Paragraph to the FSC for review.

Where any of the companies participating in a merger, demerger, acquisition, or transfer of another company's shares is neither listed on an exchange nor has its shares traded on an OTC market, the company(s) so listed or traded shall sign an agreement with such company whereby the latter is required to abide by the provisions of the preceding two paragraphs.

**Article 29** The Company or all other personnel participating in or privy to the plan for merger, demerger, acquisition, or transfer of shares shall issue a written undertaking of confidentiality and may not disclose the content of the plan prior to public disclosure of the information and may not trade, in their own name or under the name of another person, in any stock or other equity security of any company related to the plan for merger, demerger, acquisition, or transfer of shares.

**Article 30** The Company may not, when participating in a merger, demerger, acquisition, or transfer of shares, arbitrarily alter the share exchange ratio or acquisition price unless under the below-listed circumstances, and shall stipulate the circumstances permitting alteration in the contract for the merger, demerger, acquisition, or transfer of shares:

- I. Cash capital increase, issuance of convertible corporate bonds, or the issuance of bonus shares, issuance of corporate bonds with warrants, preferred shares with warrants, stock warrants, or other equity based securities.
- II. An action, such as a disposal of major assets, that affects the Company's financial operations.
- III. An event, such as a major disaster or major change in technology, that affects shareholders' equity or security price.
- IV. An adjustment where any of the companies participating in the merger,



demerger, acquisition, or transfer of shares from another company, repurchase the treasury stock.

- V. An increase or decrease in the number of entities or companies participating in the merger, demerger, acquisition, or transfer of shares.
- VI. Other terms/conditions that the contract stipulates may be altered and that have been publicly disclosed.

**Article 31** The contract for participation by the Company in a merger, demerger, acquisition, or of shares shall record the rights and obligations of the companies participating in the merger, demerger, acquisition, or transfer of shares, and shall also record the following:

- I. Handling of breach of contract.
- II. Principles for the handling of equity-type securities previously issued or treasury stock previously repurchased by any company that is extinguished in a merger or that is demerged.
- III. The amount of treasury stock participating companies are permitted under law to buy back after the record date of calculation of the share exchange ratio, and the principles for handling thereof.
- IV. The manner of handling changes in the number of participating entities or companies.
- V. Progress schedule for plan execution, and anticipated completion date.
- VI. Scheduled date for convening the legally mandated shareholders meeting if the plan exceeds the deadline without completion, and relevant procedures.

**Article 32** After public disclosure of the information, if any company participating in the merger, demerger, acquisition, or share transfer intends further to carry out a merger, demerger, acquisition, or share transfer with another company, all of the participating companies shall carry out anew the procedures or legal actions that had originally been completed toward the merger, demerger, acquisition, or share transfer; except that where the number of participating companies is decreased and a participating company's shareholders meeting has adopted a resolution authorizing the board of directors to alter the limits of authority, such participating company may be exempted from calling another shareholders meeting to resolve on the matter anew.

**Article 33** Where any of the companies participating in a merger, demerger, acquisition, or transfer of shares is not a public company, the Company shall sign an agreement with the non-public company whereby the latter is required to abide by the provisions of Article 28, Article 29 and Article 32.

## **Section V      Miscellaneous**

### **Article 34 Penalties**

Any directors, supervisors and managerial officers of the Company who violate these Procedures or the Regulations Governing the Acquisition and Disposal of Assets by Public Companies and damage the Company's interests shall be discharged.

If relevant executives of the Company violate these Procedures or the Regulations,

they shall be punished in accordance with the Company's regulations for assessment and rewards and punishments.

**Article 35** After these Procedures have been approved by the board of directors, they shall be submitted to each supervisor, and then to a shareholders' meeting for approval; the same applies when the procedures are amended. If any director expresses dissent and it is contained in the minutes or a written statement, the company shall submit the director's dissenting opinion to each supervisor.

When the Company has independent directors, the opinions of each independent director shall be fully considered when the Procedures for Acquisition or Disposal of Assets is submitted to the board of directors for discussion in accordance with the preceding paragraphs, and the opinions and reasons for their agreement or disagreement shall be included in the minutes of the meeting.

If the Company has established an audit committee, the committee shall exercise its relevant functions and powers in accordance with Article 14-5 of the Securities and Exchange Act, and the provisions of these Procedures concerning the supervisor shall be applied *mutatis mutandis* to the committee.

**Article 36** These Procedures were formulated on June 2, 2004.

The 1st amendment was made on May 27, 2005.

The 2nd amendment was made on June 7, 2007.

The 3rd amendment was made on May 27, 2010.

The 4th amendment was made on April 26, 2012.

The 5th amendment was made on May 24, 2013.

The 6th amendment was made on May 27, 2014.

The 7th amendment was made on June 16, 2016.

The 8th revision was made on June 9, 2017.

The 9th revision was made on June 10, 2019.

The 10th amendment was made on June 10, 2020.

## Appendix III

### XAC Automation Corp. Current Shareholding of Directors

- I. As of the book closure day of this annual shareholders' meeting on April 15, 2023, the paid-in capital of the Company was NT\$ 961,562,010, and the issued shares totalled 96,156,201.
- II. According to Article 26 of the Securities and Exchange Act, the minimum number of shares to be held by all directors is 7,692,497.
- III. The shareholdings of directors recorded in the register of shareholders on the book closure day of this shareholders' meeting are as follows:

Book closure day: April 15, 2023

Title	Name	Date of appointment	Term of office	Number of shares held
Director	Chang, Yung-Ming	June 14, 2022	Three years	3,417,036
Director	Teng, Wan-Sheng	June 14, 2022	Three years	1,850,111
Director	Tseng, Tsung-Lin	June 14, 2022	Three years	386,004
Director	Fu Li Investment Co., Ltd. Representative: Chuang, Yung-Shun	June 14, 2022	Three years	2,050,000
Independent Director	Huang, Hsu-Nan	June 14, 2022	Three years	0
Independent Director	Hsueh, Jung-Yin	June 14, 2022	Three years	0
Independent Director	Tseng, Ching-Yi	June 14, 2022	Three years	58,000
<b>Total</b>				<b>7,761,151</b>

## Appendix IV

### Effect of the Bonus Shares Proposed to Issue at the Shareholders' Meeting on the Company's Operating Performance and Earnings Per Share:

The Company did not issue bonus shares in the current year, so it is not applicable.