



Stock code :5490

# **XAC Automation Corporation**

## **Handbook for the 2024 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 Wednesday, June 12, 2024

**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

Revised at Shareholders' Meeting, June 13, 2023

Article 1: Except where otherwise provided by the law, matters of the Company's shareholders' meetings shall be conducted in accordance with these rules.

Article 2: Each attending shareholder (or proxy) shall bring his/her attendance certificate and submit a sign-in card in place of attendance.

When a legal person is entrusted to attend a shareholders' meeting, it may only appoint one representative to attend.

Shareholders who wish to attend a shareholders' meeting via video conferencing shall register with the Company two days prior to the meeting.

Article 3: For each shareholder meeting, a shareholder may issue a proxy letter printed by the Company, specifying the scope of authorization and appointing a proxy to attend the shareholders' meeting.

A shareholder is limited to issuing a proxy letter to appoint one proxy only, and shall deliver it to the Company five days before the shareholders' meeting. In the event of duplicate proxy letters, the first one delivered shall prevail. However, where revocation of a previous proxy has been declared, this restriction shall not apply.

After the proxy letter is delivered to the Company, if a shareholder wishes to attend the shareholders' meeting in person or exercise his/her voting rights in writing or electronically, he/she shall notify the Company in writing two days before the shareholders' meeting that the proxy letter has not been revoked. If the revocation is overdue, the voting rights exercised by the authorized proxy in attendance shall prevail.

Article 4: Attendance and voting at shareholders' meetings shall be calculated based on the number of shares; the number of attending shares shall be calculated by adding the number of shares with voting rights exercised in writing or electronically to the number of shares registered in the signature book, attendance cards, and video conference platform.

Article 5: The shareholders' meeting shall be held at the Company's location, or at a place convenient for shareholders to attend and suitable for holding the shareholders' meeting. The starting time of the meeting shall be no earlier than 9am, nor later than 3pm.

When the Company holds a video shareholders' meeting, it is not subject to the restrictions on venue mentioned in the preceding paragraph.

For a shareholders' meeting held via video conferencing, shareholders' registration shall be accepted on the video conference platform thirty minutes before the start of the meeting. Shareholders who have completed registration shall be deemed to have personally attended.

Article 6: If the shareholders' meeting is convened by the Board of Directors, the Chairman of the Board shall serve as the meeting chair. If the Chair is on leave or is unable to exercise his/her powers for any reason, the Vice Chair shall act on his/her behalf. If there is no Vice Chair or the Vice Chair is also on leave or unable to exercise his/her powers for any reason, the Chair shall designate one managing director to act on his/her behalf; if the Company has no managing directors, one director shall be appointed to act on his/her behalf; if the chair does not designate a proxy, the

managing directors or directors shall elect one person from among themselves to act on their behalf.

The Company may appoint entrusted lawyers, accountants, and related personnel to attend shareholder meetings as observers.

Article 7: Once the scheduled meeting time has arrived, the meeting chair shall call the meeting to order and disclose information, such as the number of non-voting rights and the number of attending shares.

However, if the attending shareholders do not represent more than half of the total number of issued shares, the chair may announce a postponement of the meeting, with a maximum of two postponements and a total postponement time not exceeding one hour. If the share number is still insufficient after two delays, but the attending shareholders represent more than one-third of the total number of issued shares, a tentative resolution may be made in accordance with paragraph 1, Article 175 of the Company Act, and all shareholders shall be notified of the tentative resolution to convene another shareholders' meeting within one month. When a shareholders' meeting is held via video conferencing, shareholders who wish to attend the shareholders' meeting shall re-register with the Company in accordance with Article 2. Before the end of that meeting, if the number of shares represented by the attending shareholders has reached more than half of the total number of issued shares, the chair may, in accordance with Article 174 of the Company Act, resubmit the tentative resolution to the meeting for voting.

Article 8: If the shareholders' meeting is convened by the Board of Directors, the agenda shall be determined by the Board of Directors, and all proposals (including extempore motions and amendments to original proposals) shall be decided by voting. The meeting shall be held in accordance with the scheduled agenda, which shall not be changed without a resolution of the shareholders' meeting.

If the shareholders' meeting is convened by a person with the right to convene other than the Board of Directors, the provisions of the preceding paragraph shall apply *mutatis mutandis*.

Without a resolution, the chair shall not announce a meeting adjourned of his/her own accord before the scheduled agenda (including extempore motions) mentioned in the previous two paragraphs is concluded. If the chair violates the rules of procedure and declares the meeting adjourned, the members of the board of directors may elect one person as the chair with the consent of more than half of the voting rights of the attending shareholders to continue the meeting. After the meeting is adjourned, shareholders shall not elect another chair to continue the meeting at the original address or elsewhere.

Article 9: Before giving a shareholder's speech, each shareholder must first fill out a speech note that specifies the purpose of the speech, their shareholder account number (or attendance certificate number), and the account name. The chair shall designate the order of such speeches.

If an attending shareholder only provides a statement and does not give a speech, they shall be deemed not to have spoken. If the content of the speech does not match the record in the speech entry, the content of the speech shall prevail.

Each shareholder attending the same proposal shall speak no more than twice without the consent of the chair, and no single speech shall exceed five minutes. If a shareholder's speech violates regulations or exceeds the scope of the agenda, the chair may stop their speech.

When attending a shareholder's speech, other shareholders are not allowed to

interfere with their speech except with the consent of the chair and the speaking shareholder. Violators must be stopped by the chair.

When a corporate shareholder appoints two or more representatives to attend a shareholders' meeting, only one representative may speak on a proposal.

After attending the shareholder's speech, the chair may personally respond or designate personnel to respond. When discussing a proposal, the chair may announce conclusion of the discussion at an appropriate time, put the proposal to a vote, then arrange sufficient voting time.

Shareholders who participate in a shareholder meeting via video conferencing may, after the chair calls the meeting to order and before the announcement of the adjournment, ask questions in text form on the video platform. The number of questions for each proposal shall not exceed two, with a limit of 200 words each, and the provisions of the first to fifth paragraphs above shall not apply.

Article 10: Except where otherwise provided in the Company Act and or the Articles of Association, resolution on a proposal shall be made by a majority vote of the attending shareholders.

When there are amendments or substitutes to a proposal, the chair shall determine the order of voting together with the original proposal. If one of the proposals has been adopted, the other proposals shall be considered rejected, and there shall be no need for further voting. Shareholders who exercise their voting rights electronically shall be deemed to have waived their right to vote on any extempore motion or amendment to the original proposal at the shareholders' meeting.

The scrutineers and vote counters for voting on a proposal shall be designated by the chair, but the scrutineers must have shareholder status. The result of the vote shall be reported on site and recorded.

Article 11: During the meeting, the chair may declare a recess at his/her discretion. In case of force majeure, the chair may rule to temporarily suspend the meeting and announce the time for resuming the meeting based on the situation.

Article 12: If the venue for the meeting can no longer be used before the agenda (including extempore motions) of the shareholders' meeting is concluded, the shareholders' meeting may resolve to find another venue to continue the meeting.

The shareholders' meeting may, in accordance with Article 182 of the Company Act, resolve to postpone or resume the meeting within five days.

If the shareholders' meeting is convened via video conferencing, the vote shall be counted in one go after the chair announces the end of voting, and the voting and election results shall be announced.

If the shareholders' meeting is convened via video conferencing, at the time the meeting is called to order, the chair shall announce separately that except for the situations where there is no need to postpone or continue the meeting in accordance with Article 44-20 of the Regulations Governing the Administration of Shareholder Services of Public Companies, before the chair announces the adjournment of the meeting, if force majeure causes any obstacle to the video conferencing platform or participation via video conferencing for more than 30 minutes and the obstacle cannot be removed, the meeting shall be postponed or continued within five days, and the provisions of Article 182 of the Company Act shall not apply.

When handling the postponement or continuation of a shareholders' meeting in accordance with the provisions of the preceding paragraph, there is no need to re-discuss or re-resolve a proposal of which the voting and ballot counting have been completed, and the voting results or the list of directors elected has been announced.

For the postponement or continuation of a shareholders' meeting in accordance with the provisions of the second paragraph, the Company shall, in accordance with the provisions of Article 44-20 of the Regulations Governing the Administration of Shareholder Services of Public Companies, perform preparatory procedures in accordance with the original date of the shareholders' meeting and the provisions of each of the articles. Shareholders listed in the shareholder register based on which the suspension of transfer of ownership was originally scheduled for the shareholders' meeting shall have the right to attend the shareholders' meeting.

When the Company convenes a shareholders' meeting via video conferencing and a matter in the third paragraph occurs such that the video meeting cannot be continued, if the total number of shares present at the meeting still reaches the quorum for making resolutions after deducting the number of shares of shareholders attending the shareholders' meeting via video conferencing, the shareholders' meeting shall continue without the need to postpone or continue the meeting in accordance with the provisions of the third paragraph.

If any of the events mentioned in the preceding paragraphs require the continuation of the meeting, the number of shares of shareholders who participate in the shareholders' meeting via video conferencing shall be included in the total number of shares present at the shareholders' meeting. However, all proposals at the shareholders' meeting shall be deemed waived for such shareholders.

When the Company holds a shareholders' meeting via video conferencing, appropriate alternative measures must be provided for shareholders who have difficulty attending the meeting via video conferencing.

Article 13: The chair may direct picketers and security personnel to assist in maintaining order at the meeting venue. When picketers or security personnel are present to assist in maintaining order, they must wear armbands displaying the word "picketer".

Article 14: The entire process of the shareholders' meeting shall be audio and video recorded, and the recordings shall be kept for at least one year.

If the shareholder meeting is held via video conferencing, the Company shall record and keep the information of registration, sign-in, check-in, questioning, voting, and company vote counting results of shareholders, and audio and video record the entire video conference.

The data and audio and video recordings mentioned in the preceding paragraph shall be properly kept by the Company for the duration of its existence, and the audio and video recordings shall be provided to the personnel entrusted with the handling of video conference affairs for safekeeping.

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

Article 16: These rules shall come into effect upon being approved by the shareholders' meeting. The same shall apply to any amendments.

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# **XAC Automation Corp.**

## **2024 Shareholders' Meeting Procedures**

Time: 9:00am on June 12, 2024 (Wednesday)

Location: No. 1, Industrial East Second Road, Hsinchu Science Park  
(Einstein Hall Conference Room of Technology Life Building)

Convening method: In-person shareholders' meeting

### **Counting the total number of attending shareholders and number of shares represented:**

**Meeting chair: CHANG, YENG-MING, Chairman**

#### **1. Meeting called to order**

#### **2. Chair's speech**

#### **3. Reports:**

- (1) 2023 business report
- (2) Audit Committee's review report
- (3) Indirect investment in mainland China
- (4) Extension of loans to others in 2023
- (5) Formulation of the Ethical Corporate Management Best Practice Principles
- (6) Handling of private-placement ordinary shares
- (7) Results of shareholders' proposals

#### **4. Matters for ratification:**

- (1) Ratification of the Company's business report and financial report for 2023. (proposed by the Board of Directors)
- (2) Ratification of the profit distribution and loss compensation plan for 2023. (proposed by the Board of Directors)

#### **5. Discussion matters:**

- (1) Discussion on the revision of the Company's Procedures for Endorsements and Guarantees. (proposed by the Board of Directors)
- (2) The Company's plan to handle private-placement ordinary shares. (proposed by the Board of Directors)

#### **6. Extempore motions**

#### **7. Meeting adjourned**

# XAC Automation Corp.

## 2024 Shareholders' Meeting Agenda

### **Reports**

#### **1. 2023 business report**

Explanation: Please refer to Attachment 1 (pages 7 to 9) of this manual for the 2023 business report.

#### **2. Audit Committee's review report**

Explanation: Please refer to Attachment 2 (page 12) of this manual for the Audit Committee's review report.

#### **3. Indirect investment in mainland China**

Explanation: Please refer to Attachment 3 (page 13) of this manual for information on indirect investment in mainland China as of December 31, 2023.

#### **4. Extension of loans to others in 2023**

Explanation: Please refer to Attachment 4 (page 13) of this manual for the situation of loans to others in 2023.

#### **5. Formulation of the Ethical Corporate Management Best Practice Principles**

Explanation: (1) In order to strengthen the corporate culture and sound development of the Company's ethical corporate management, and in accordance with the provisions of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, the Company plans to establish its Ethical Corporate Management Best Practice Principles.

(2) Please refer to Attachment 5 (pages 14 to 20) for the Ethical Corporate Management Best Practice Principles.



## **6. Handling of private-placement ordinary shares**

Explanation: (1) On June 13, 2023, the Company's shareholders' meeting authorized the Board of Directors to issue 9,600,000 private-placement ordinary shares in one go or in different tranches (up to three times), at appropriate times, within one year after the date of the resolution of the shareholders' meeting.

(2) This private placement will expire on June 12, 2023. In accordance with the board resolution on April 30, 2024, this private placement will not be continued in the remaining period.

## **7. Results of shareholders' proposals**

Explanation: There were no shareholder proposals at this general shareholders' meeting.

## **Matters for ratification**

### **1. Ratification of the Company's business report and financial report for 2023.** (proposed by the Board of Directors)

Explanation: (1) The Company's 2023 financial report has been audited by CPAs Cheng, An-Chi and Tseng, Mei-Yu of LPMG Taiwan, and an audit report has been issued.

(2) Please refer to Attachment 1 (pages 9 to 11) and Attachment 6 (pages 21 to 37) of this manual for the 2023 business report, the independent auditor's report and the aforementioned financial report.

Resolution:

### **2. Ratification of the profit distribution and loss compensation plan for 2023.** (proposed by the Board of Directors)

Explanation: (1) The Company's profit distribution and loss compensation plan for 2023 has been approved by the Board of Directors, and an audit report has been issued by the Audit Committee.

- (2) Please refer to Attachment 7 (page 38) of this manual for the profit distribution and loss compensation table for 2023.

Resolution:

### **Discussion Items**

**1. Discussion on the revision of the Company's Procedures for Endorsements and Guarantees.** (proposed by the Board of Directors)

Explanation: (1) In response to the revision of the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies, the Company plans to revise its Procedures for Endorsements and Guarantees.

- (2) Please refer to Attachment 8 (page 39) of this manual for the comparison table of the revised articles.

Resolution:

**2. The Company plans to undertake a private placement of ordinary shares, which is submitted for discussion.** (Submitted by the Board of Directors)

Explanation:

- (1) In order to court strategic investors and strengthen long-term cooperative relationships with strategic partners, thereby facilitating the Company's long-term operational and business development, the Company plans to undertake a cash capital increase and issue new shares by means of private placement (below, the "Private Placement of Ordinary Shares") in accordance with the provisions of Article 43-6 of the Securities and Exchange Act. This Private Placement of Ordinary Shares is expected to total no more than 9,600,000 shares, which shall be new ordinary shares with a par value of NT\$10 per share; the increase in the paid-in capital is expected to be no more than NT\$96,000,000.
- (2) In accordance with Article 43-6 of the Securities and Exchange Act as well as the provisions of the Directions for Public Companies Conducting Private Placements of Securities, the particulars of this Private Placement of Ordinary

Shares are explained below:

1. The basis and rationale for the setting of price:

(1) The price per share in this Private Placement of Ordinary Shares was determined prior to the Company's pricing date by using the following two calculation standards, and it is no less than 80% of the higher calculated price:

A. The share price was calculated based on the simple arithmetic average of the closing price of ordinary shares 1, 3, or 5 business days prior to the pricing date, excluding the allotment of free shares, ex-rights, and dividend distribution, but adding back the capital reduction and reverse ex-rights.

B. The share price was calculated based on the simple arithmetic average of the closing price of ordinary shares during the 30 business days prior to the pricing date, excluding the allotment of free shares, ex-rights, and dividend distribution, but adding back the capital reduction and reverse ex-rights.

(2) The Board of Directors is authorized to determine the actual pricing date and the actual private placement price, within the range approved through the resolution of the shareholders' meeting, based on the aforementioned pricing basis and depending on negotiation situations with specified persons and market conditions in the future.

(3) The pricing method for this Private Placement is based on the requirements stipulated in the Directions for Public Companies Conducting Private Placements of Securities. It also considers the Company's future prospects and the strict restrictions on the point in time for transfer, the counterparty, and the quantity of privately placed securities, along with factors such as no undertaking of listing on the TPEX within 3 years and poorer liquidity. Thus, the pricing of this Private Placement must be reasonable and will not have a significant impact on shareholders' equity.

2. The means of selecting the specified persons:

(1) With regard to the counterparty to this Private Placement of Ordinary Shares, the Company intends to court strategic investors based on market

conditions and the needs of the Company in compliance with Article 43-6 of the Securities and Exchange Act as well as Decree No. Chin-Kuan-Cheng-Fa-Tzu-1120383220 issued by the Financial Supervisory Commission on September 12, 2023. Currently, the determination of such specified persons has yet to be negotiated.

(2) The method, purpose, necessity, and expected benefits of selecting strategic investors as the counterparties:

A. Selection method and purpose:

The selection of counterparties is limited to strategic investors that are capable of strengthening the Company's market development, expanding the Company's operational scale, and will directly or indirectly benefit the Company's future operations. The Company expects to court strategic investors from industries related to payment system solutions.

B. Necessity:

The Company is deeply engaged in payment system solutions. Thus, in consideration of the Company's long-term development needs, it intends to court strategic partners to form an alliance. Coupled with the existing supply chain, this will improve overall production and sales capacity and jointly promote solutions to the world so as to achieve the Company's long-term development goals. Therefore, the introduction of strategic partners is necessary.

C. Expected benefits:

The introduction of strategic investors and the resulting alliance will help expand the Company's operating scale, increase the growth of channels, and thereby increase profits, which will have positive effects on shareholder equity.

3. The reasons necessitating the private placement:

(1) Reasons for not adopting public offering:

A private placement will facilitate measurement of market conditions and has advantages in terms of timeliness, feasibility, and issuance cost of capital raising. Furthermore, unlike public offerings, privately placed securities cannot be freely transferred for 3 years, which will

further secure the long-term cooperative relationship between the Company and its strategic investors. Therefore, the Company has not adopted the method of public offerings and has hereby undertaken a private placement of ordinary shares in accordance with the Securities and Exchange Act as well as other regulations.

(2) Quota for the private placement:

It is expected that this Private Placement of Ordinary Shares will not exceed 9,600,000 shares, with a par value of NT\$10 per share. Matters pertaining to this Private Placement, cash capital increase, and issuance of new shares are planned to be submitted to the shareholders' meeting for approval, and the Board of Directors will be authorized to process this private placement in one lump or in tranches (no more than three tranches) within 1 year from the date of the shareholders' meeting resolution, depending on the actual fundraising situation.

(3) Purpose of each tranche of privately placed funds:

To improve the Company's operational efficiency and strengthen its competitiveness in response to its long-term needs for strategic development.

(4) Expected benefits from each tranche:

The implementation of this plan will strengthen the Company's financial structure, improve operational efficiency, strengthen its industrial position, enhance long-term competitiveness, and have positive effects on shareholder equity.

4. There were no major changes in the management rights of the Company during the 1 year preceding the Board of Directors' resolution to conduct this Private Placement of Ordinary Shares. Moreover, the counterparties to this Private Placement of Ordinary Shares will be limited to strategic investors, which will have positive effects on the Company's business development.

5. Other matters required to be stated:

(1) In principle, the rights and obligations attached to the ordinary shares in this Private Placement are the same as those of the Company's previously issued ordinary shares. However, in accordance with Article 43-8 of the

Securities and Exchange Act, with the exception of the transfer counterparties and conditions stipulated in said article, in principle, privately placed ordinary shares are not freely transferable within 3 years of the delivery date. In accordance with the Securities and Exchange Act and other regulations, 3 years after the delivery date, the Company intends to first obtain a letter of consent issued by the Taipei Exchange confirming that it meets the TPEX listing criteria, and then submit applications to the competent authority in order to complete supplementary procedures for the public issuance of this Private Placement of Ordinary Shares and apply for listing on TPEX.

- (2) The main contents of this Private Placement of Ordinary Shares plan, including the actual number of privately placed shares, actual private placement price, selection of counterparties, record date, issuance conditions, planning items, purpose and progress of funds, expected benefits and other related matters, as well as all other matters pertaining to the issuance plan, are proposed to be submitted to the shareholders' meeting, which will authorize the Board of Directors to adjust, formulate, and handle such matters on the basis of market conditions. In the future, must there be regulatory changes or revision requests by the competent authority, or any need for change based on operational assessments or due to objective circumstances, the Board of Directors is granted full authority to handle such matters.
- (3) In addition to the aforementioned scope of authorization, it is proposed that the Shareholders' meeting authorize the Chair of the Board to sign, negotiate, and modify all contracts and documents related to the private placement of ordinary shares on behalf of the Company and to handle all matters necessary for the issuance of privately placed ordinary shares for the Company.

Resolution:

**Extempore Motions**

**Meeting Adjourned**

## Attachment 1

### Business Report

#### 1. Business Report for 2023

##### (1) Implementation results of business plan:

The Company's net revenue in 2023 was NT\$767,333,000, a decrease of 45.36% compared to NT\$1,404,426,000 in 2022. The net loss after tax was NT\$172,558,000, a increase of 4.28% compared to the net loss after tax of NT\$165,474,000 in 2022. The basic loss per share is NT\$1.85.

##### (2) Budget execution status:

The Company did not publicly disclose its financial forecast for 2023, so this is not applicable.

##### (3) Financial revenue and expenditure, and profitability:

2023 Financial analysis	Item	%, Times, Days
Financial structure	Debt Ratio	36.56%
Solvency	Current Ratio	649.89%
	Quick Ratio	468.23%
Operating Ability	Accounts Receivable Turnover Rate, Collection Days for Receivables	3.52 times, 103.69 days
	Inventory Turnover Rate, Average Days of Sale	0.99 times, 368.68 days
Profitability	Return on Assets	(8.83)%
	Return on Shareholder Equity	(13.66)%
	Net profit rate	(22.49)%

##### (4) R&D status

We have completed the development of the next generation Android 12 platform and its desktop and handheld trading terminals; we have also completed PCI PTS 6.x security certification. Furthermore, with regard to the SoftPOS solution, we have completed the development of CPoC and are currently undergoing PCI security certification.

(5) Re-investment in affiliates and their operation profile

December 31, 2023

Unit: Thousand NT\$

Re-investment affiliated relationship	Original investment amount		Carrying amount held at the end of the period	The invested company's profit and loss for the current period
	End of current period	End of last period		
XAC invested to Samoa Value Investment Limited	168,889	168,889	416,603	(3,790)
XAC invested to US ZAKUS,INC	37,145	37,145	64,931	3,337
Value Investment invested to XAC Automation Corporation (Suzhou)	165,841 (Note 1)	165,841 (Note 1)	437,899	(3,098)

Note 1: The cumulative original investment amount remitted from Taiwan at the end of this period does not include XAC Automation Corporation (Suzhou)'s 2008 reinvestment of NT\$58,201,000 for capital increase.

At present, XAC's Taiwan parent company is responsible for the Group's strategic planning (major decision-making, R&D, marketing, and sales functions). It bears the main risks and serves as the Group's operation headquarters.

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

ZAKUS, the US subsidiary, is a research and development base for XAC's front-end technology. We recruit R&D talents who specialize in new product front-end technology from local sources and provide R&D design for the Taiwan parent company's product platform. At the same time, the team is responsible for constructing the core technology of payment software and solutions required for the long-term development of the Company.

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

## 2. Summary of Business Plan for 2024

### (1) Development Strategy

The development strategy of XAC is twofold: to develop device payment solutions suitable for merchants to use in various channels based on EMV fully integrated and semi-integrated solutions, and to develop various solutions on the XCE platform that enable customers to engage in automated business activities. The specific development direction is as follows:

1. Development of digital payment solutions.
2. Establishment of strategic partners
  - The unified channel system suppliers are the main partners; establishing strategic partners in different industries (vertical).
  - Establish channels for major regions of the world: the Americas, Japan, EMEA and APAC.

### (2) Impact of the external competitive environment, regulatory environment, and overall business environment



1. The external competitive environment has the following obvious trends:

- The trend of cloud POS systems has been confirmed; combined with payment and other business management software, it can achieve a complete security system and provide big data for strategic analysis and decision-making.
- Cloud products have a more pressing demand for security.
- The differentiation of regional demand has significantly increased.

2. Regulatory environment:

- In the past, the cash flow system industry was regulated by the governments of various countries and protected based on their national conditions. However, the inevitable trend of liberalization and openness in the modern age has created favorable conditions for XAC to enter the world market.
- Our continuous efforts are directed at the diversity and variability formed by the unique global standards (EMV/PCI) of the financial system and the unique needs of various regions.

3. Overall business environment:

Countries around the world are developing alternative payment and commerce enabling systems. The evolution of O2O and the digital economy have brought great business opportunities, but security requirements and the expectation of high quality have not changed. XAC's advantage is the foundation it has strived to establish and accumulate, but the corresponding proportions of software, system integration, and solution development are increasing. This is both a challenge and an opportunity!

(3) Market Prospect and Future Outlook

Cloud IT systems and mobile internet are two major trends that have significantly impacted business models, resulting in changes and challenges for almost all industries. XAC will develop secure payment solutions for unified channel integrated systems based on payment security technology, various payment reading technologies, and secure cloud POS technology, as well as commercial automation solutions mainly based on the XCE platform for cloud computing services.

The growth of XAC lies in providing the safest and most convenient payment system solutions for different customers and regions and seizing the business opportunities brought by merchants' unified channel integration systems.

The Company's revenue performance in 2023 was not ideal, mainly due to several major clients' continuous depletion of the high inventory levels established during the pandemic period last year. Nevertheless, observation of recent order status and information provided by customers are evidence that the Company's revenue can gradually recover in 2024. Furthermore, the Company launched multiple new products on the market in the second half of 2023, which is expected to drive stable growth in overall sales this year.

Thank you for all your support!

Chair: CHANG, YENG-MING

Manager: HU, HSUAN-TSUNG

Accounting Supervisor: HSU, JEN-CHIEN

## **Attachment 2**

### **XAC Automation Corporation Audit Committee Audit Review Report**

The company board of directors submits the 2023 business report, financial reports, earning distribution or loss off-setting proposals. Within theses, the financial report (including parent company only financial report and consolidated financial report) were audited by the certified public accountants CHENG, AN-CHIH and TSENG, MEI-YU of KPMG Taiwan. After review by the Audit Committee, the aforementioned business report, financial report, earning distribution or loss off-setting proposals, etc. are determined to have no inaccuracies. This report has been hereby prepared in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act. Please take it under advisement.

Respectfully submitted to the

The Company's 2024 General Shareholders Meeting

XAC Automation Corporation

Audit Committee Convener: HUANG, HSU-NAN 

March 7, 2024

**Attachment 3****Indirect investment in mainland Chin**

As of December 31, 2023

Name of mainland investee company	XAC Automation (Suzhou) Corp.
Main business	Production and sales of electronic financial transaction terminals and their components, transaction data security protection devices and their components, and multifunctional smart card reading and writing machines and their components
Paid-in capital	US\$6.8 million (US\$5 million cash investment; US\$1.8 million capital increase from earnings)
Shareholding ratio of the Company's direct or indirect investment	100%
Investment amount approved by the MOEA Investment Commission	US\$7.795 million
Cumulative investment amount remitted by the Company from Taiwan to mainland China (notes 1 and 2)	US\$5.995 million

Note 1: Beijing Tongjinhua Technology Co., Ltd., a subsidiary indirectly invested by the Company, has completed the liquidation of all rights and obligations in 2020 and has been deregistered. The Company has remitted a total amount of NT\$25,715 thousand (US\$800 thousand), which still needs to be included in the cumulative amount remitted from Taiwan to mainland China in accordance with the regulations of the MOEA Investment Commission.

Note 2: Suzhou Tongjinhua Technology Co., Ltd., a subsidiary indirectly invested by the Company, has completed the liquidation of all rights and obligations in 2023 and has been deregistered. The Company has remitted a total amount of NT\$6,345 thousand (US\$195 thousand), which still needs to be included in the cumulative amount remitted from Taiwan to mainland China in accordance with the regulations of the MOEA Investment Commission.

**Attachment4****Extension of loans to others in 2023**

Unit: Thousand NT\$

Companies that Lend Funds	Borrower	Financial Statement Account	Maximum Amount for the Period	Ending Balance	Actual Amount Drawn	Interest Rate	Amount of Transactions (Note)	Reasons for Short-term Financing	Allowance for doubtful accounts	Collateral		Individual funding limits	Maximum limit of fund financing
										Item	Value		
The Company	XAC Suzhou	Other receivables - related parties	64,830 (USD2,000 in thousands)	61,450	0	6.607%	0	Working capital needs	-	-	-	117,510	235,019

Note: Pursuant to the Procedures of Lending Funds to Others Parties, the aggregate financing amount for a short-term period shall not exceed 20% of the net worth of the Company.

The individual financing amount shall not exceed the trade amount between the two parties in the recent year; the transaction amount refers to the higher amount of purchase or sale between the two parties; the individual financing amount for a short-term period shall not exceed 10% of the net worth of the Company.

## **Attachment 5**

### **XAC Automation Corp Ethical Corporate Management Best Practice Principles**

Formulated November 8, 2023

#### **Article 1 (Purpose and Scope of Application)**

The Best Practice Principles is established in order to strengthen the corporate culture and sound development of the Company's ethical corporate management, and provide a reference framework for establishing good business operations, this code of conduct is hereby formulated.

The scope of application of these Best Practice Principles applies to the subsidiaries of the company, consortium legal persons in which the Company directly or indirectly contributes more than 50% of the total funds, and other institutions or legal persons over which the Company has substantial control, and other group enterprises and organizations (hereinafter referred to as group enterprises and organizations).

The company personnel referred to in this code include directors, managers and other employees.

The managers referred to in these Best Practice Principles include the president or those of an equivalent level, vice presidents or those of an equivalent level, assistant vice presidents or those of an equivalent level, head of finance department, head of accounting department, and other persons with the right to manage company affairs and the right to sign.

The employees referred to in these Best Practice Principles refer to those who are employed by the Company to engage in work and receive salaries.

#### **Article 2 (Prohibition of Unethical Behavior)**

Company personnel, employees, and individuals with substantive control (hereinafter referred to as substantive controllers) shall not directly or indirectly offer, promise, demand or accept any improper benefits, or engage in other unethical or illegal behaviors or behaviors violating their fiduciary obligations in the process of business activities, in order to obtain or maintain benefits (hereinafter referred to as unethical behaviors).

The objects of the aforementioned behaviors include public officials, political candidates, political parties or party officials, as well as any public or private enterprises or institutions and their directors, managers, employees, substantive controllers or other interested parties.

#### **Article 3 (Patterns of Benefits)**

The benefits referred to in these Best Practice Principles refer to anything of value, including cash in any form or name, gifts, commissions, positions, services, privileges, rebates, hospitality, etc. However, this restriction is not applicable when it belongs to normal social customs, and is occasional and does not affect specific rights and obligations.

#### **Article 4 (Compliance with Laws and Regulations)**

The Company complies with the Company Act, Securities and Exchange Act, Business Entity Accounting Act, Political Donations Act, Anti-Corruption Act, Government Procurement Act, Act on Recusal of Public Servants Due to Conflicts of Interest, TWSE/TPEX listed company related regulations and or other business conduct related laws and regulations, which serve as the basic prerequisites for implementing ethical corporate management.

#### **Article 5 (Policies)**

The Company adheres to the business philosophy of integrity, transparency and responsibility, formulates policies based on ethics which are approved by the board of directors, and establishes a sound corporate governance and risk control mechanism to create a sustainable business environment.

#### **Article 6 (Prevention Plan)**

The Ethical Corporate Management Best Practice Principles formulated by the Company clearly and comprehensively sets out specific ethical corporate management practices and prevention plans for unethical behavior (hereinafter referred to as the prevention plan), including operating procedures, behavior guidelines and training.

The Company's formulation of the prevention plan must comply with laws and regulations of the location where the Company, group enterprises and organizations operate.

During the process of formulating the prevention plan, the Company must communicate with its personnel, important business partners or other stakeholders.

#### **Article 7 (Scope of the Prevention Plan)**

The Company has established an evaluation mechanism for the risk of unethical behavior to regularly analyze and evaluate business activities with a high risk of unethical behavior within its business scope based on which the Company formulates the prevention plan, and regularly reviews the appropriateness and effectiveness of the prevention plan.

The Company's prevention plan includes preventive measures for the following behaviors

1. Offering and accepting bribery.
2. Offering illegal political donations.
3. Improper charitable donations or sponsorships.
4. Offering or accepting unreasonable gifts, hospitality, or other improper benefits.
5. Infringement of business secrets, trademark rights, patents, copyrights, and other intellectual property rights.
6. Engaging in unfair competition behavior.
7. Products and services that directly or indirectly harm the rights, health and safety of consumers or other stakeholders during research and development,

procurement, manufacturing, provision or sales

#### **Article 8 (Commitment and Execution)**

The Company, group enterprises and organizations explicitly state the policy of ethical corporate management in its regulations, external documents and company websites; in addition, the board of directors and management actively implement the commitment of the ethical corporate management policy, and firmly implement it in internal management and business activities.

The Company has prepared and properly preserved documented information regarding the ethical corporate management policy, statements, commitments and implementation in the first and second paragraphs.

#### **Article 9 (Ethical Corporate Management Business Activities)**

The Company conducts business activities in a fair and transparent manner based on the principle of ethical corporate management.

Before conducting business transactions, the Company examines the legality of agents, suppliers, customers or other business transaction partners and whether there is any unethical behavior involved, in order to avoid engaging in transactions with parties with unethical behavior.

#### **Article 10 (Prohibition of Offering and Accepting bribery)**

The personnel, appointees and substantive controllers of the Company shall not, in the performance of their business, directly or indirectly offer, promise, demand or accept any form of improper advantage to or from customers, agents, contractors, suppliers, public officials or other interested parties.

#### **Article 11 (Prohibition of Providing Illegal Political Donations)**

The personnel, appointees and substantive controllers of the Company who directly or indirectly make donations to political parties or organizations or individuals involved in political activities shall comply with the Political Donations Act and internal operating procedures of the Company, and shall not use it to seek business benefits or trading advantages.

#### **Article 12 (Prohibition of Improper Charitable Donations or Sponsorships)**

The personnel, appointees and substantive controllers of the Company shall comply with laws and internal operating procedures for charitable donations or sponsorships, and shall not engage in disguised bribery.

#### **Article 13 (Prohibition of Unreasonable Gifts, Entertainment or Other Improper Benefits)**

The personnel, appointees and substantive controllers of the Company shall not directly or indirectly provide or accept any unreasonable gifts, hospitality, or other improper benefits for establishing business relationships or influencing business transactions.

#### **Article 14 (Prohibition of Infringement of Intellectual Property Rights)**

The personnel, appointees and substantive controllers of the Company shall comply with regulations on intellectual property, internal operating procedures and contractual provisions. No use, leakage, disposal, damage or other infringement of intellectual property rights is allowed without the consent of the intellectual property right owner.

#### **Article 15 (Prohibition of Engagement in Unfair Competition)**

The Company shall engage in business activities in accordance with competition regulations, and shall not fix prices, manipulate bidding, restrict production and quotas, or share or divide the market by allocating customers, suppliers, business regions or business types.

#### **Article 16 (Preventing Harm to Stakeholders by Products or Services)**

The personnel, appointees and substantive controllers of the Company shall comply with regulations and international standards in the research and development, procurement, manufacturing, provision, or sales process of products and services, ensure the transparency and security of product and service information, formulate and publicly disclose policies to protect the rights and interests of customers or other stakeholders, and implement them in operational activities to prevent products or services from directly or indirectly damaging the rights, health, and safety of customers or other stakeholders. When it is fully recognized that the goods or services pose a risk to the safety and health of customers or other stakeholders, the principle is to immediately recycle the batch of products or stop the services.

#### **Article 17 (Organization and Responsibility)**

The personnel, appointees and substantive controllers of the Company shall fulfill their duty of care as good managers, supervise the Company to prevent unethical behavior, and constantly review its implementation effectiveness and continuous improvement to ensure the implementation of the ethical corporate management policy.

The Company has established a Corporate Governance Division to improve ethical corporate management. It is responsible for formulating and supervising the implementation of policies and prevention plans for ethical corporate management and mainly responsible for the following matters, and regularly (at least once a year) reports to the board of directors.

#### **Article 18 (Compliance with Laws and Regulations on Business Execution)**

The personnel, appointees and substantive controllers of the Company shall comply with laws, regulations and prevention plans in their execution of business.

#### **Article 19 (Avoidance of Interests by Directors and Managers)**

The Company shall develop policies to prevent conflicts of interest, in order

to identify, monitor and manage the risks of unethical behavior that may arise from conflicts of interest, and provide appropriate channels for directors, managers and other stakeholders attending or participating in the board meeting to proactively explain whether they have any potential conflicts of interest with the Company.

Directors and managers of the Company and other interested parties attending or participating in the board meeting who have an interest in any proposal presented at the board meeting shall explain the important content of their interest at the current board meeting. If there is a risk of harm to the interests of the Company, they shall not participate in the discussion and voting sessions and shall avoid the discussion and voting, and shall not exercise their voting rights on behalf of other directors. Directors shall also exercise self-discipline and not improperly support each other.

The personnel, appointees and substantive controllers of the Company shall not use their positions or influence in the Company to gain undue benefits for themselves or their spouses, parents or children, or any other person.

#### **Article 20 (Accounting and Internal Control)**

The Company shall establish effective accounting and internal control systems for business activities with high risks of unethical behavior. There shall be no external accounts or confidential accounts kept, and the Company shall review them at any time to ensure the continuous effectiveness of the design and implementation of the systems.

The internal audit unit of the Company shall formulate audit plans based on the evaluation results of the unethical behavior risk, and regularly audit the compliance with the aforementioned systems, and may appoint CPAs to conduct audits. If necessary, professional personnel may be appointed for assistance.

The results of the aforementioned audit shall be reported to the senior management and the Corporate Governance Division, and an audit report shall be prepared and submitted to the Board of Directors

#### **Article 21 (Procedures and Guidelines for Conduct)**

The Company has established ethical management standards, which specifically regulate the matters needing attention for company personnel and substantive controllers when performing business. The contents cover the following matters:

1. Criteria for offering or accepting improper benefits.
2. Procedures of providing legal political donations.
3. Regulations on avoiding conflicts of interest related to job duties, as well as procedures for filing and disposal.
4. Confidentiality regulations for confidential and commercially sensitive data obtained in business.
5. Regulations and disposal procedures for suppliers, customers and business transaction counterparties involving unethical behavior.
6. Disposal procedures for discovery of violations of the Ethical Corporate Management Best Practice Principles.



## 7. Disciplinary action against violators.

### **Article 22 (Training or Advocacy Activities and Assessment)**

The Company regularly conducts training, and advocacy for directors, managers, employees, appointees and substantive controllers, and invites transaction counterparties to participate and fully understand the Company's determination, policies and prevention plans as well as the consequences of unethical behavior.

The Company will incorporate the ethical corporate management policy into employee performance evaluation, and integrate it into human resources related measures and reward and punishment system policies.

### **Article 23 (Accusation System)**

The Company has established a specific accusation system, which covers:

1. Establish appropriate accusation channels for internal and external personnel to use within the Company.
2. If the accusation involves directors or senior executives, the person or unit responsible for handling the accusation shall report it to independent directors, and establish categories of accused matters and the corresponding standard operating procedures for investigation.
3. After the investigation of the accusation is completed, follow-up measures shall be taken in accordance with the severity of the circumstances, and if necessary, they shall be reported to the competent authority or transferred to judicial authorities for investigation.
4. Record and keep the acceptance of accusation cases, investigation process, investigation results, and related document produced.
5. The identity of the whistleblower and the accusation content shall be kept confidential, and anonymous accusation shall be allowed.
6. Measures need to be set up to protect the whistleblower from improper treatment due to accusation.
7. Reward measures for whistleblowers.

When the Company's designated personnel or unit responsible for accepting accusations discovers significant violations or that the Company is at risk of significant damage after investigation, a report must be immediately prepared and the Audit Committee be notified in writing.

### **Article 24 (Punishment and Appeal System)**

If the object to whom these Best Practice Principles apply violates the ethical corporate management regulations, he/she shall be punished in accordance with the provisions of the Company's Employee Reward and Punishment Management Measures based on the severity of the situation.

The Company has an appeal system in place as a means of relief in accordance with regulations for those who violate the Best Practice Principles.

**Article 25 (Disclosure of Information)**

The Company discloses the implementation status of the Ethical Corporate Management Best Practice Principles on the company website and in its annual report and prospectus, and discloses the content of the Ethical Corporate Management Best Practice Principles on the Market Observation Post System.

**Article 26 (Review of and Amendment to Ethical Corporate Management Policy and Measures)**

The Company always pays attention to the development of domestic and international standards related to ethical corporate management, and encourages company personnel to provide suggestions, review and improve the ethical corporate management policy and measures formulated by the Company, in order to enhance the effectiveness of its implementation.

**Article 27 (Implementation)**

These Best Practice Principles shall be implemented after being approved by the board of directors and submitted to the shareholders' meeting. The same procedure applies for its revision.

When submitting the Best Practice Principles to the board meeting for discussion, the opinions of each independent director shall be fully considered, and their objections or reservations shall be recorded in the minutes of the board meeting. If an independent director is unable to personally attend the board meeting to express objections or reservations, unless there are legitimate reasons, he/she shall issue a written opinion in advance which shall be recorded in the minutes of the board meeting.

**Article 28**

These Best Practice Principles were established on November 8, 2023.

## **Attachment 6**

### **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, 2023 and 2022, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years ended December 31, 2023 and 2022, 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, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), Interpretations developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

#### **Basis for Opinion**

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

#### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statement for the year ended December 31, 2023. 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 (7) 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 parent-company-only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance (including members of the Audit Committee) are responsible for overseeing XAC Automation Corporation's financial reporting process.

## **Auditors' Responsibilities for the Audit of the Parent-Company-Only Financial Statements**

Our objectives are to obtain reasonable assurance about whether the parent-company-only financial statements as a whole is free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high degree of assurance, but is not a guarantee that an audit misstatement when it exists. Misstatement can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of those parent-company-only financial statements.

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

- I. Identify and assess risks of material misstatement of the parent-company-only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- II. Obtain an understanding of the internal controls relevant to the audit in order to design the audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of XAC Automation Corporation's internal controls.
- III. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and relevant disclosures made by management.

- IV. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on XAC Automation Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent-company-only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause XAC Automation Corporation to cease to continue as a going concern.
- V. Evaluated the overall presentation, structure and content of the parent-company-only financial statements, including the disclosures, and whether the parent-company-only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- VI. Obtain sufficient and appropriate audit evidence regarding the financial information of the investment in entities accounted for using equity method to express an opinion on the parent-company-only financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

For the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent-company-only financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are An-Chih Cheng and Mei-Yu Tseng.

KPMG

Taipei, Taiwan (Republic of China)

March 7, 2024

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, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollar)

		2023.12.31		2022.12.31				2023.12.31		2022.12.31	
Assets		Amount	%	Amount	%	Liabilities and Equity		Amount	%	Amount	%
<b>Current assets:</b>						<b>Current liabilities:</b>					
1100	Cash and cash equivalents (Note 6 (1))	\$ 628,959	33	578,390	29	2120	Financial liabilities at fair value through profit or loss - current				
1110	Financial assets at fair value through profit or loss - current						(Note 6 (2))	\$ -	-	111	-
	(Note 6 (2))	403	-	-	-	2170	Accounts payable	2,526	-	11,883	1
1136	Financial assets at amortized cost – current (Note 6 (3))	195,547	11	354,560	18	2180	Accounts payables to related parties (Note 7)	183,525	10	105,806	6
1140	Contract assets - current (Note 6 (18))	10,832	1	44,418	2	2201	Salaries and bonuses payable	48,218	3	58,636	3
1170	Accounts receivable, net (Notes 6 (4) and (18))	225,588	12	206,726	11	2230	Current tax liabilities	5,878	-	4,482	-
130X	Inventories (Note 6 (5))	136,486	7	180,510	9	2280	Lease liabilities – current (Note 6 (10))	3,415	-	3,926	-
1479	Other current assets	5,576	-	6,155	-	2300	Other current liabilities (Notes 6 (11) and (18))	58,684	3	44,117	2
	<b>Total current assets</b>	<u>1,203,391</u>	<u>64</u>	<u>1,370,759</u>	<u>69</u>		<b>Total current liabilities</b>	<u>302,246</u>	<u>16</u>	<u>228,961</u>	<u>12</u>
<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))	345,303	18	344,965	17
1550	Investments accounted for using equity method (Note 6(6))	481,534	25	488,498	25	2570	Deferred tax liabilities (Note 6 (13))	41,805	2	41,829	2
1600	Property, plant and equipment (Note 6 (7))	60,607	3	65,803	3	2580	Lease liabilities – non-current (Note 6 (10))	13,896	1	13,621	1
1755	Right-of-use assets (Note 6 (8))	17,139	1	17,430	1	2640	Net defined benefit liabilities – non-current (Note 6 (12))	13,076	1	14,681	1
1780	Intangible assets (Note 6 (9))	3,249	-	3,149	-		<b>Total non-current liabilities</b>	<u>414,080</u>	<u>22</u>	<u>415,096</u>	<u>21</u>
1840	Deferred tax assets (Note 6 (13))	95,350	5	46,763	2		<b>Total liabilities</b>	<u>716,326</u>	<u>38</u>	<u>644,057</u>	<u>33</u>
1920	Refundable deposits	2,130	-	528	-		<b>Equity</b> (Notes 6 (14) and (15)):				
1930	Long-term accounts receivable, net (Notes 6 (4) and (18))	26,021	2	-	-	3110	Common stock	961,522	51	961,562	48
	<b>Total non-current assets</b>	<u>688,030</u>	<u>36</u>	<u>624,171</u>	<u>31</u>	3200	Capital surplus	82,291	4	85,997	4
							Retained earnings:				
						3310	Legal reserve	378,753	20	430,820	22
						3320	Special reserve	19,169	1	19,169	1
						3350	Undistributed earnings (accumulated deficit)	(170,906)	(9)	(52,067)	(3)
								<u>227,016</u>	<u>12</u>	<u>397,922</u>	<u>20</u>
						3400	Other Equity	(12,916)	(1)	(11,790)	(1)
						3500	Treasury stock	(82,818)	(4)	(82,818)	(4)
							<b>Total equity</b>	<u>1,175,095</u>	<u>62</u>	<u>1,350,873</u>	<u>67</u>
<b>Total assets</b>		<u>\$ 1,891,421</u>	<u>100</u>	<u>1,994,930</u>	<u>100</u>	<b>Total liabilities and equity</b>		<u>\$ 1,891,421</u>	<u>100</u>	<u>1,994,930</u>	<u>100</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 Comprehensive Income**

**For the years ended December 31, 2023 and 2022**

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

		<b>2023</b>		<b>2022</b>	
		<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
4000	<b>Operating revenue</b> (Note 6 (18))	\$ 767,333	100	1,404,417	100
5000	<b>Operating costs</b> (Notes 6 (5), (12), 7 and 12)	653,639	85	989,283	70
	<b>Gross profit</b>	113,694	15	415,134	30
	<b>Operating expenses</b> (Notes 6 (12), 7 and 12):				
6100	Selling and marketing expenses	26,268	3	28,161	2
6200	General and administrative expenses	74,844	10	69,701	5
6300	Research and development expenses	240,374	31	210,360	15
6450	Expected credit impairment gain (Note 6 (4))	762	-	(167)	-
	<b>Total operating expenses</b>	342,248	44	308,055	22
	<b>Net operating profit</b>	(228,554)	(29)	107,079	8
	<b>Non-operating revenue and expenses:</b>				
7020	Other gains and losses (Note 6 (19))	(3,987)	-	(313,800)	(23)
7070	Share of profit (loss) of subsidiaries accounted for using equity method (Note 6(6))	(527)	-	(4,393)	-
7100	Interest revenue (Note 6 (19))	14,191	1	4,565	-
7510	Interest expense (Notes 6 (10) and (19))	(249)	-	(262)	-
		9,428	1	(313,890)	(23)
	<b>Net profit (loss) before tax</b>	(219,126)	(28)	(206,811)	(15)
7950	<b>Income tax expense (gain)</b> (Note 6 (13))	(46,568)	(6)	(41,337)	(3)
	<b>Profit (loss) for the year</b>	(172,558)	(22)	(165,474)	(12)
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))	2,065	-	5,238	-
8349	Income tax related to items that will not be reclassified subsequently (Note 6 (13))	(413)	-	(1,048)	-
		1,652	-	4,190	-
8360	<b>Items that may be reclassified subsequently to profit or loss</b>				
8361	Exchange differences on translation of foreign financial statements	(6,635)	(1)	12,478	1
8399	Income tax related to items that may be reclassified subsequently (Note 6 (13))	1,327	-	(2,495)	-
	<b>Total items that may be reclassified subsequently to profit or loss</b>	(5,308)	(1)	9,983	1
8300	<b>Other comprehensive income</b>	(3,656)	(1)	14,173	1
	<b>Total comprehensive income</b>	\$ (176,214)	(23)	(151,301)	(11)
	<b>Earnings per share (NT\$)(Note 6 (15))</b>				
	Basic earnings per share	\$ (1.85)		(1.79)	
	Diluted earnings per share	\$ (1.85)		(1.79)	

(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, 2023 and 2022**  
(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	Treasury stock	Total equity
<b>Balance as of January 1, 2022</b>	\$ 962,131	85,428	417,277	19,169	238,359	674,805	(17,591)	(9,963)	(27,554)	1,611,963
Net Loss	-	-	-	-	(165,474)	(165,474)	-	-	-	(165,474)
Other comprehensive income	-	-	-	-	4,190	4,190	9,983	-	-	14,173
Total comprehensive income	-	-	-	-	(161,284)	(161,284)	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
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>(82,818)</u>	<u>1,350,873</u>
Net loss	-	-	-	-	(172,558)	(172,558)	-	-	-	(172,558)
Other comprehensive income	-	-	-	-	1,652	1,652	(5,308)	-	-	(3,656)
Total comprehensive income	-	-	-	-	(170,906)	(170,906)	(5,308)	-	-	(176,214)
Appropriation and distribution of earnings:										
Legal reserve used to cover accumulated deficits	-	-	(52,067)	-	52,067	-	-	-	-	-
Compensation costs of restricted stock award	-	-	-	-	-	-	-	943	-	943
Cancellation of restricted stock award	(40)	(3,706)	-	-	-	-	-	3,239	-	(507)
<b>Balance as of December 31, 2023</b>	<u>\$ 961,522</u>	<u>82,291</u>	<u>378,753</u>	<u>19,169</u>	<u>(170,906)</u>	<u>227,016</u>	<u>(12,916)</u>	<u>-</u>	<u>(82,818)</u>	<u>1,175,095</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, 2023 and 2022**

(Expressed in thousands of New Taiwan dollars)

	<u>2023</u>	<u>2022</u>
<b>Cash flows from operating activities:</b>		
Net loss before income tax	\$ (219,126)	(206,811)
<b>Adjustments:</b>		
Adjustments to reconcile loss (profit)		
Depreciation	11,134	11,086
Amortization	1,298	199
Expected credit impairment loss (reversal gains)	762	(167)
Interest expenses	249	262
Interest revenue	(14,191)	(4,565)
Compensation costs of share-based payment	745	3,781
Provision (reversal) for inventory valuation	(1,707)	7,533
Share of profit (loss) of subsidiaries accounted for using equity method	527	4,393
Loss on disposal of property, plant, and equipment	1	-
Unrealized valuation loss (gain) on financial assets and liabilities	(514)	436
Gains on lease modifications	-	(315)
Total adjustment to reconcile profit	<u>(1,696)</u>	<u>22,643</u>
Changes in assets and liabilities:		
Contract assets	33,586	(20,441)
Accounts receivable (including long-term accounts receivable)	(45,645)	391,800
Inventories	45,731	(24,560)
Other operating assets	1,187	4,891
Accounts payable	(9,357)	(27,557)
Accounts payables to related parties	77,719	(145,110)
Provision	1,879	330,377
Other operating liabilities	2,054	(21,384)
Net defined benefit liabilities	460	(348)
Total changes in assets and liabilities	<u>107,614</u>	<u>487,668</u>
Cash generated from (used in) operations	(113,208)	303,500
Interest received	13,804	4,387
Interest paid	(249)	(262)
Income tax paid	(341)	(24,225)
<b>Net cash generated from (used in) operating activities</b>	<u>(99,994)</u>	<u>283,400</u>
<b>Cash flows from investing activities:</b>		
Acquisition of property, plant, and equipment	(2,609)	(4,337)
Acquisition of intangible assets	(590)	(164)
Disposal of property, plant and equipment	(1,602)	-
(Increase) decrease in financial assets at amortized cost	159,400	(50,000)
<b>Net cash generated from (used in) investing activities</b>	<u>154,599</u>	<u>(54,501)</u>
<b>Cash flows from financing activities:</b>		
Cash dividends paid	-	(115,599)
Adjustment of the acquisition of treasury shares	-	29
Cancellation of restricted stock award	(507)	-
Repayment of lease liabilities	(4,083)	(4,028)
<b>Net cash flows used in financing activities</b>	<u>(4,590)</u>	<u>(119,598)</u>
Effects of exchange rate changes on cash and cash equivalents	554	10,687
Net increase in cash and cash equivalents	50,569	119,988
Cash and cash equivalents at the beginning of the period	578,390	458,402
Cash and cash equivalents at the end of the period	<u>\$ 628,959</u>	<u>578,390</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, 2023 and 2022, 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, 2023 and 2022, 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, 2023 and 2022, 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, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on 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, 2023 and 2022, on which we have issued an unmodified opinions.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the IFRSs, IASs interpretations as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance (including members of the Audit Committee) are responsible for overseeing the Group's financial reporting process.

## Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole is free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high degree of assurance, but is not a guarantee that an audit misstatement when it exists. Misstatement can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of those consolidated financial statements.

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

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

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are An-Chih Cheng and Mei-Yu Tseng.

KPMG

Taipei, Taiwan (Republic of China)  
March 7, 2024

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, 2023 and 2022**

(Expressed in Thousands of New Taiwan Dollar)

		<b>2023.12.31</b>		<b>2022.12.31</b>				<b>2023.12.31</b>		<b>2022.12.31</b>	
<b>Assets</b>		<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>			<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
<b>Current assets:</b>											
1100	Cash and cash equivalents (Note 6 (1))	\$ 675,498	37	622,552	32	2120	Financial liabilities at fair value through profit or loss - current				
1110	Financial assets at fair value through profit or loss - current (Note 6 (2))	589	-	-	-	2170	(Note 6 (2))	\$ 667	-	111	-
1136	Financial assets at amortized cost- current (Note 6 (3))	195,690	11	354,629	17	2201	Accounts payable	61,051	3	56,483	3
1140	Contract assets - current (Note 6 (17))	10,832	-	44,418	2	2230	Salaries and bonuses payable	77,866	4	95,468	5
1170	Accounts receivable, net (Notes 6 (4) and (17))	225,588	12	206,726	10	2280	Current tax liabilities	5,888	-	4,470	-
130X	Inventories (Note 6 (5))	446,201	24	565,934	28	2300	Lease liabilities - current (note 6 (9))	11,864	1	20,297	1
1479	Other current assets	41,898	2	49,467	2		Other current liabilities (Notes 6 (10) and (17))	88,290	5	72,390	4
	<b>Total current assets</b>	<b>1,596,296</b>	<b>86</b>	<b>1,843,726</b>	<b>91</b>		<b>Total current liabilities</b>	<b>245,626</b>	<b>13</b>	<b>249,219</b>	<b>13</b>
<b>Non-current assets:</b>						2550	<b>Non-current liabilities:</b>				
1535	Financial assets at amortized cost – non-current (Note 8)	6,859	-	3,321	-	2570	Provision – non-current (Note 6 (10))	347,168	19	347,434	17
1600	Property, plant and equipment (Note 6 (6))	64,718	4	69,175	3	2580	Deferred tax liabilities (Note 6 (12))	41,851	2	41,829	2
1755	Right-of-use assets (Note 6 (7))	41,886	2	56,139	3	2640	Lease liabilities – non-current (Note 6 (9))	29,621	2	36,233	2
1780	Intangible assets (Note 6 (8))	3,374	-	3,411	-		Net defined benefit liabilities – non-current (Note 6 (11))	13,076	1	14,681	1
1840	Deferred tax assets (Note 6 (12))	108,228	6	60,999	3		<b>Total non-current liabilities</b>	<b>431,716</b>	<b>24</b>	<b>440,177</b>	<b>22</b>
1920	Refundable deposits	5,055	-	3,498	-		<b>Total liabilities</b>	<b>677,342</b>	<b>37</b>	<b>689,396</b>	<b>35</b>
1930	Long-term accounts receivable, net (Notes 6 (4) and (17))	26,021	2	-	-	3110	<b>Equity</b> (Notes 6 (13) and (14)):				
	<b>Total non-current assets</b>	<b>256,141</b>	<b>14</b>	<b>196,543</b>	<b>9</b>	3200	Common stock	961,522	52	961,562	47
							Capital surplus	82,291	4	85,997	4
							Retained earnings:				
						3310	Legal reserve	378,753	20	430,820	21
						3320	Special reserve	19,169	1	19,169	1
						3350	Undistributed earnings (accumulated deficit)	(170,906)	(9)	(52,067)	(3)
								227,016	12	397,922	19
						3400	Other Equity	(12,916)	(1)	(11,790)	(1)
						3500	Treasury stock	(82,818)	(4)	(82,818)	(4)
							<b>Total equity</b>	<b>1,175,095</b>	<b>63</b>	<b>1,350,873</b>	<b>65</b>
<b>Total assets</b>		<b>\$ 1,852,437</b>	<b>100</b>	<b>2,040,269</b>	<b>100</b>		<b>Total liabilities and equity</b>	<b>\$ 1,852,437</b>	<b>100</b>	<b>2,040,269</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, 2023 and 2022**

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

		<b>2023</b>		<b>2022</b>	
		<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
4000	<b>Operating revenue</b> (Note 6 (17))	\$ 767,333	100	1,404,426	100
5000	<b>Operating costs</b> (Notes 6 (5), (11), 7 and 12)	576,811	75	913,513	65
	<b>Gross profit</b>	190,522	25	490,913	35
	<b>Operating expenses</b> (Notes 6 (11), 7 and 12):				
6100	Selling and marketing expenses	33,911	4	41,164	3
6200	General and administrative expenses	108,569	14	102,254	7
6300	Research and development expenses	275,615	36	239,134	17
6450	Expected credit impairment gain (Note 6 (4))	762	-	(167)	-
	<b>Total operating expenses</b>	418,857	54	382,385	27
	<b>Net operating profit (loss)</b>	(228,335)	(29)	108,528	8
	<b>Non-operating revenue and expenses:</b>				
7020	Other gains and losses (Note 6 (18))	(3,088)	-	(318,089)	(23)
7100	Interest revenue (Note 6 (18))	14,403	1	4,763	-
7510	Interest expense (Notes 6 (9) and (18))	(898)	-	(1,169)	-
		10,417	1	(314,495)	(23)
	<b>Net loss before tax</b>	(217,918)	(28)	(205,967)	(15)
7950	<b>Income tax gain</b> (Note 6 (12))	(45,360)	(6)	(40,493)	(3)
	<b>Loss for the year</b>	(172,558)	(22)	(165,474)	(12)
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))	2,065	-	5,238	-
8349	Income tax related to items that will not be reclassified subsequently (Note 6 (12))	(413)	-	(1,048)	-
		1,652	-	4,190	-
8360	<b>Items that may be reclassified subsequently to profit or loss</b>				
8361	Exchange differences on translation of foreign financial statements	(6,635)	(1)	12,478	-
8399	Income tax related to items that may be reclassified subsequently (Note 6 (12))	1,327	-	(2,495)	-
	<b>Total items that may be reclassified subsequently to profit or loss</b>	(5,308)	(1)	9,983	1
8300	<b>Other comprehensive income</b>	(3,656)	(1)	14,173	1
	<b>Total comprehensive income</b>	<u>\$ (176,214)</u>	<u>(23)</u>	<u>(151,301)</u>	<u>(11)</u>
	<b>Earnings per share (NT\$)(Note 6 (15))</b>				
	Basic earnings per share	<u>\$ (1.85)</u>		<u>(1.79)</u>	
	Diluted earnings per share	<u>\$ (1.85)</u>		<u>(1.79)</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, 2023 and 2022**  
(Expressed in thousands of New Taiwan dollars)

	Retained earnings						Other equity items				
	Common stock	Capital surplus	Legal reserve	Special reserve	Undistributed earnings	Total	Exchange differences on translation of foreign operations	Unearned employee compensation	Total	Treasury stock	Total equity
					(accumulated deficit)						
Balance as of January 1, 2022	\$ 962,131	85,428	417,277	19,169	238,359	674,805	(17,591)	(9,963)	(27,554)	(82,847)	1,611,963
Net loss	-	-	-	-	(165,474)	(165,474)	-	-	-	-	(165,474)
Other comprehensive income	-	-	-	-	4,190	4,190	9,983	-	9,983	-	14,173
Total comprehensive income	-	-	-	-	(161,284)	(161,284)	9,983	-	9,983	-	(151,301)
Appropriation and distribution of earnings:											
Legal reserve	-	-	13,543	-	(13,543)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(115,599)	(115,599)	-	-	-	-	(115,599)
Discounts on the acquisition of treasury shares	-	-	-	-	-	-	-	-	-	29	29
Compensation costs of restricted stock award	-	-	-	-	-	-	-	5,781	5,781	-	5,781
Cancellation of restricted stock award	(569)	569	-	-	-	-	-	-	-	-	-
Balance as of December 31, 2022	961,562	85,997	430,820	19,169	(52,067)	397,922	(7,608)	(4,182)	(11,790)	(82,818)	1,350,873
Net loss	-	-	-	-	(172,558)	(172,558)	-	-	-	-	(172,558)
Other comprehensive income	-	-	-	-	1,652	1,652	(5,308)	-	(5,308)	-	(3,656)
Total comprehensive income	-	-	-	-	(170,906)	(170,906)	(5,308)	-	(5,308)	-	(176,214)
Appropriation and distribution of earnings:											
Legal reserve used to cover accumulated deficits	-	-	(52,067)	-	52,067	-	-	-	-	-	-
Compensation costs of restricted stock award	-	-	-	-	-	-	-	943	943	-	943
Cancellation of restricted stock award	(40)	(3,706)	-	-	-	-	-	3,239	3,239	-	(507)
Balance as of December 31, 2023	\$ 961,522	82,291	378,753	19,169	(170,906)	227,016	(12,916)	-	(12,916)	(82,818)	1,175,095

(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, 2023 and 2022**  
(Expressed in thousands of New Taiwan dollars)

	2023	2022
<b>Cash flows from operating activities:</b>		
Net loss before income tax	\$ (217,918)	(205,967)
<b>Adjustments:</b>		
Adjustments to reconcile loss (profit)		
Depreciation	28,000	29,217
Amortization	1,494	4,110
Expected credit impairment loss (reversal gain)	762	(167)
Interest expenses	898	1,169
Interest revenue	(14,403)	(4,763)
Compensation costs of share-based payment	943	5,781
Provision for inventory valuation and obsolescence loss	50,512	35,015
Loss on disposal of property, plant, and equipment	1	1
Unrealized valuation loss (gain) on financial assets and liabilities	(33)	1,498
Other adjustments to reconcile profit, net	-	(640)
Total adjustment to reconcile profit	68,174	71,221
Changes in assets and liabilities:		
Contract assets	33,586	(20,441)
Accounts receivable (including long-term accounts receivable)	(45,645)	391,800
Inventories	107,813	11,783
Other operating assets	8,177	5,964
Accounts payable	4,568	(191,178)
Provision	1,311	330,303
Net defined benefit liabilities	460	(348)
Other operating liabilities	(3,760)	(51,634)
Total changes in assets and liabilities	106,510	476,249
Cash generated from (used in) operations	(43,234)	341,503
Interest received	13,942	4,590
Interest paid	(898)	(1,169)
Income tax paid	(123)	(34,478)
<b>Net cash generated from (used in) operating activities</b>	(30,313)	310,446
<b>Cash flows from investing activities:</b>		
Acquisition of property, plant, and equipment	(4,709)	(4,994)
Acquisition of intangible assets	(649)	(235)
Increase in refundable deposits	(1,557)	(57)
(Increase) decrease in financial assets at amortized cost	155,862	(47,418)
<b>Net cash generated from (used in) investing activities</b>	148,947	(52,704)
<b>Cash flows from financing activities:</b>		
Cash dividends paid	-	(115,599)
Cancellation of restricted stock award	(507)	-
Adjustment of the acquisition of treasury shares	-	29
Repayment of lease liabilities	(19,159)	(20,068)
<b>Net cash flows used in financing activities</b>	(19,666)	(135,638)
Effects of exchange rate changes on cash and cash equivalents	(46,022)	1,941
Net increase in cash and cash equivalents	52,946	124,045
Cash and cash equivalents at the beginning of the period	622,552	498,507
Cash and cash equivalents at the end of the period	<u>\$ 675,498</u>	<u>622,552</u>

(See accompanying notes to consolidated financial statement)

**Attachment 7**

## XAC Automation Corp

## Profit Distribution and Loss Compensation Table for 2023

Unit: NTD

Item	Subtotal
Undistributed earnings at beginning of period	0
Add: Net loss after tax for the current period	(172,558,447)
Add: Remeasurement of defined welfare plans Current period change	1,651,935
Loss to be compensated	(170,906,512)
Appropriation item	
Legal reserve	170,906,512
Loss to be compensated at end of period	0

Chair: CHANG, YENG-MING

Manager: HU, HSUAN-TSUNG

Accounting Supervisor : HSU, JEN-CHIEN

**Attachment 8**

**XAC Automation Corp**  
**Comparison Table of Articles of Procedures for**  
**Endorsements/Guarantees before and after Amendment**

Article No.	Post-amendment	Pre-amendment	Explanation
Article 7	<p><b>Seal Usage and Storage Procedures</b></p> <p>The special seal for external guarantees by the Company shall be the seal applied for registration with the Ministry of Economic Affairs, and shall be kept by the <u>President</u>; the same shall apply for any changes. When handling endorsements and guarantees, the Company's prescribed operating procedures must be followed on the use seals and the issuance of bills. If the Company provides guarantees to foreign companies, the guarantee letters issued by the Company must be signed by the <u>President</u>.</p>	<p><b>Seal Usage and Storage Procedure</b></p> <p>The special seal for external guarantees by the Company shall be the seal applied for registration with the Ministry of Economic Affairs, and shall be kept by the <u>Chairperson</u>; the same shall apply for any changes. When handling endorsements and guarantees, the Company's prescribed operating procedures must be followed on the use seals and the issuance of bills. If the Company provides guarantees to foreign companies, the guarantee letters issued by the Company must be signed by the <u>Chairperson</u>.</p>	<p>The custodian of seals is changed in line with the Company's organizational adjustment.</p>

Article 12	<p><b>Implementation and Revision:</b></p> <p>After the resolution of the board meeting, these measures shall be submitted to the Audit Committee and submitted to the shareholders' meeting for recognition before implementation. If a director expresses objections and there are records or written statements in place, the Company shall submit such objection to the Audit Committee and to the shareholders' meeting for discussion. The same shall apply for the revision.</p> <p><u>When the Company has established independent directors, when submitting these Procedures to the board meeting for discussion in accordance with the provisions of the preceding paragraph, the opinions of each independent director must be fully considered. If independent directors have objections or reservations, they must be recorded in the minutes of the board meeting.</u></p> <p><u>The formulation or revision of these Procedures requires the consent of more than half of all the members of the Audit Committee and a resolution of the board meeting. The provision in paragraph 2 does not apply.</u></p> <p><u>If the preceding paragraph is not approved by more than half of all the members of the Audit Committee, it</u></p>	<p><b>Implementation and Revision:</b></p> <p>After the resolution of the board meeting, these measures shall be submitted to the Audit Committee and submitted to the shareholders' meeting for recognition before implementation. If a director expresses objections and there are records or written statements in place, the Company shall submit such objection to the Audit Committee and to the shareholders' meeting for discussion. The same shall apply for the revision. <u>When the Company has established independent directors, when submitting these Procedures to the board meeting for discussion in accordance with the provisions of the preceding paragraph, the opinions of each independent director must be fully considered. If independent directors have objections or reservations, they must be recorded in the minutes of the board meeting.</u></p> <p><u>The provisions of paragraphs 3 to 5 of Article 20 of the Company's Procedures for Extension of Loans to Others of the Company shall apply mutatis mutandis to the formulation or revision of this Procedures.</u></p>	<p>Due to the addition of articles in the Procedures for Extension of Loans to Others, this article is simultaneously revised by referring to the article numbering.</p> <p>However, in order to facilitate readers to review the content, the current explanation of paragraphs 3 to 5 of Article 21 of the Procedures for Extension of Loans to Others is added here, and the paragraph explanation adjusted.</p>
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	<p><u>may be approved by more than two-thirds of all directors, and the resolution of the Audit Committee shall be recorded in the minutes of the board meeting.</u></p> <p><u>All the members of the Audit Committee referred to in the third paragraph and all directors referred to in the preceding paragraph shall be calculated based on the actual incumbents.</u></p>		
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## **Appendix 1**

### **XAC Automation Corp Procedures for Endorsements/Guarantees (pre-amendment)**

Revised by the shareholders' meeting on June 10, 2019

#### **I. Purpose:**

These Procedures are specially formulated to strengthen the management of external endorsements and guarantees by the Company and reduce operational risks.

#### **II. Scope:**

- (1) Financing endorsements/guarantees: Endorsements or guarantees made for the purpose of bills discount for financing, as well as the issuance of bills to non-financial institutions as collateral for the financing purpose of the Company.
- (2) Tariff endorsements/guarantees: Endorsements/guarantees made for the Company or other companies related to tariff matters.
- (3) Other endorsements/guarantees: Matters that cannot be included in the first two endorsements/guarantees.
- (4) The Company's provision of movable or immovable property as collateral to establish a pledge or mortgage for a loan from another company shall also be handled in accordance with the provisions of this Procedures.

#### **III. Objects of Endorsements/Guarantees: In accordance with the following:**

1. Companies with business dealings with the Company.
2. Companies in which the Company directly or indirectly holds more than 50% of their voting shares.
3. Companies that directly or indirectly hold more than 50% of the voting rights in the Company.

Companies in which the Company directly or indirectly holds more than 90% of their voting shares may provide endorsements/guarantees among themselves. However, before endorsements/guarantees are made, they shall submit a report to the board meeting of the Company for resolution, and the amount shall not exceed 10% of the Company's net worth. However, this restriction does not apply to endorsements and guarantees among companies in which the Company directly or indirectly holds 100% of their voting shares.

The subsidiaries and parent company referred to in these Procedures shall be recognized in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

The net value referred to in these Procedures refers to the equity attributable to the owners of the parent company on the balance sheet as stipulated in the Regulations Governing the Preparation of Financial Reports by Securities



Issuers .

#### IV. Endorsement/Guarantee Limits

##### 1. Approval limits:

- (1) The total amount of endorsements and guarantees provided by the Company shall not exceed 100% of the Company's paid-in capital.
  - (2) The guarantee amount of the Company for a single company shall not exceed 50% of the Company's paid-in capital.
  - (3) the Company's endorsement and guarantee amount for a single company shall not exceed 10% of the endorsed company's net value as in its latest financial statements. The net value shall be based on the latest financial statements audited, certified or reviewed by a certified public accountant.
  - (4) The total amount of external endorsements and guarantees by the Company and its subsidiaries as a whole shall not exceed 50% of the Company's net value, and the endorsement and guarantee limit for a single enterprise is 10% of the Company's net value. If the total amount of endorsements and guarantees provided by the Company and its subsidiaries as a whole reaches 50% of the Company's net asset value, the necessity and reasonableness shall be explained at the shareholders' meeting.
2. Companies applying for endorsements/guarantee shall not have any of the following circumstances:
- (1) The cumulative amount of endorsements/guarantees has exceeded the limits stated below.
  - (2) Those with a history of debt disputes or bad credit records.
  - (3) Those not affiliated with the Company or with no business relationship with the Company.
  - (4) Those rejected by the board of directors.

#### V. Operating Procedures:

1. The applying enterprise shall fill out the Application Form for Guarantee.
2. The undertaking personnel shall fill out the Guarantee Application Evaluation Form and submit it to the board meeting for discussion and resolution, or the Chair for review and approval.

The evaluation items include the necessity and reasonableness of the endorsement/guarantee, whether the endorsement/guarantee amount is commensurate with the business transaction amount for an endorsement/guarantee due to business dealings, the impact on the operational risk, financial condition and shareholder equity of the Company, and whether collateral must be obtained and the evaluation of such collateral's value.
3. Any external endorsement/guarantee shall be processed after the board resolution is obtained, or it can be reviewed and approved by the Chair in accordance with the authority level stated below, and later reported to the

board meeting for ratification.

4. After approval by the board of directors or the Chair, the undertaking personnel shall send documents such as the Application Form for Guarantee, contract, commitment letter or guarantee notes to the seal custody unit for seal affixing.
  5. A company which applies to the Company for the issuance of a guarantee note as the external guarantee for it shall first issue a guarantee note of the same amount, and deposit it with the Company as a counter guarantee.
  6. The Finance Department shall prepare a voucher when issuing the above-mentioned guarantee note, and recognize it as a guarantee note paid, guarantee note payable, guarantee note receivable or guarantee note received.
  7. The undertaking unit shall establish an Endorsement/guarantee Record Book to record various guarantees for enterprises with business relations. The contents shall include the committed guaranteed matters, the name of the endorsed/guaranteed enterprise, the amount of the endorsement/guarantee, and the conditions and dates for lifting the endorsement/guarantee liability.
  8. When the guarantee expires, the undertaking unit shall cancel its rights and obligations and terminate the guaranteed matters, and notify the Finance Department.
  9. If the Company has established independent directors, when providing endorsements/guarantees for others, the opinions of each independent director shall be fully considered, and their clear opinions of agreement or opposition and reasons for the opposition must be recorded in the board meeting minutes.
  10. When providing an endorsement/guarantee, the Finance Department shall copy and keep documents such as the endorsement/guarantee note, contract and agreement, and make notes on their contents.
  11. Before the end of the endorsement/guarantee period, the Finance Department shall proactively notify the endorsed/guaranteed party to collect endorsement/guarantee documents retained at the bank or creditor institution and cancel endorsement/guarantee related contracts.
  12. The Finance Department of the Company shall proactively track whether the endorsement/guarantee that has expired has been closed and cancelled, and provide all data on the endorsed/guaranteed matters to the accountant for appropriate disclosure in the financial statements.
  13. The Finance Department shall collect and analyze the operations data of each endorsed/guaranteed party for reference by the board of directors.
- VI. Control Procedures for Endorsements and Guarantees for Subsidiaries:
1. If a subsidiary of the Company intends to provide an endorsement/guarantee to others, it shall also establish such operating procedures and handle it in accordance with the operating procedures, but the net value is calculated based on the net value of the subsidiary.

2. Subsidiaries must prepare a detailed list of endorsements/guarantees for others in the previous month before the 10th day of each month (exclusive) and submit it to the Company for review.
3. Internal auditors of subsidiaries must audit the endorsement/guarantee procedures and the implementation status at least quarterly and keep written records. If significant violations are found, they must immediately notify the audit unit of the Company in writing, and the audit unit of the Company must submit written data to the Audit Committee.
4. When conducting audits on subsidiaries in accordance with the annual audit plan, the Company's auditors must also understand the implementation of the subsidiary's endorsement/guarantee procedures for others. If any deficiencies are found, they must continue tracking their improvement and prepare a tracking report to be submitted to the Chair.
5. Subsidiaries of the Company shall regularly self-inspect the established procedures for endorsements/guarantees, and have the internal audit review the reports and do so on their own.

## VII. Seal Usage and Storage Procedures

The special seal of the Company for external guarantees shall be the seal for registration with the Ministry of Economic Affairs and kept by the Chair, and the same procedure shall apply for any changes. When handling endorsements/guarantees, the Company's prescribed operating procedures must be followed for the use of seals and issuance of bills. If the Company provides guarantees for foreign companies, the guarantee letter issued by the Company must be signed by the Chair.

## VIII. Decision and Authorization Levels

1. The Chair's authority is to approve each guarantee amount, which shall not exceed 10% of the paid-in capital of the Company. Any amount exceeding 10% of the paid-in capital of the Company must be approved by the Board of Directors before proceeding. If independent directors are established, the opinions of each independent director must be fully examined, and their clear opinions of agreement or opposition, as well as the reasons for opposition must be recorded in the minutes of the board meeting. The Board of Directors may authorize the Chair to make decisions within the prescribed limit in accordance with the provisions of the Procedures, and then report to the board meeting for ratification afterwards. The matters regarding the processing shall be reported to the shareholders' meeting for records.
2. When it is necessary for the Company to handle an endorsement/guarantee that exceeds the limit set forth in the Procedures due to business needs but meets the conditions set forth in the Procedures, the consent of the board of directors shall be obtained, and a joint guarantee shall be made by more than half of the directors in their names for any potential loss that may be incurred by the Company due to the excess. In addition, amendments to the Procedures for

Endorsement/Guarantee shall be made and reported to the shareholders' meeting for ratification. When the shareholders' meeting disagrees, a plan must be formulated to eliminate the excess within a certain period of time.

IX. Time Limit for and Content of Announcement and Filing:

1. The Company shall post the endorsement/guarantee balance of the previous month provided by the Company and its subsidiaries on the Market Observation Post System before the 10th day of each month.
2. If the endorsement/guarantee balance of the Company meets one of the following standards, it must be posted on the Market Observation Post System within two days from the date of occurrence:
  - (1) The endorsement/guarantee balance of the Company and its subsidiaries reaches 50% of the net value in the Company's latest financial statements.
  - (2) The endorsement/guarantee balance of the Company and its subsidiaries for a single enterprise reaches 20% of the net value in the Company's latest financial statements.
  - (3) The endorsement/guarantee balance of the Company and its subsidiaries for a single enterprise reaches NT\$10 million, and the endorsement/guarantee amount, amount of investment using equity method, and total extended loan balance reach 30% of the net value in the Company's most recent financial statements.
  - (4) The new endorsement/guarantee amount of the Company or its subsidiaries reaches NT\$30 million and reaches 5% of the net value in the Company's most recent financial statements.
3. If a subsidiary of the Company is not a domestic public offering company, and the subsidiary has any circumstances mentioned in subparagraph 4 of the preceding paragraph that need to be posted on the Market Observation Post System, then the processing shall be handled by the Company.
4. The Company shall evaluate or recognize the potential losses of endorsements/guarantees and appropriately disclose information in the financial report, and provide data to the certifying CPA for necessary audit procedures.

The date of occurrence referred to in these Procedures means the date of signing, payment or board resolution, or a date sufficient to determine the object and amount of the endorsement/guarantee, whichever is earlier.

X. Notes on the Handling of Endorsements/Guarantees:

1. When the Company or its subsidiary endorses or guarantees a subsidiary with a net asset value less than half of its paid-in capital, in addition to complying with the provisions of the preceding paragraph, the internal auditors of the Company shall audit the Procedures for Endorsement/Guarantee and their implementation status at least quarterly, and make written records. If a major violation occurs, the Audit Committee shall be notified in writing immediately.

2. If due to any change in the Company, resulting in the endorsement/guarantee object originally meeting the provisions of Article 3 of these Procedures not meeting them later, or if the endorsement/guarantee amount exceeds the limit stipulated in Article 4 of these Procedures due to changes in the basis for limit calculation, the audit unit shall urge the Finance Department to eliminate all the endorsed/guaranteed amounts to the object or the part exceeding the limit by the end of the contract period or within a certain period, and submit the improvement plan to the Audit Committee, complete the improvement in accordance with the planned schedule, and report it to the Board of Directors.
- If the shares of a subsidiary have no face value or the face value per share is not NT\$10, the paid-in capital calculated in accordance with the provisions of the first subparagraph of the preceding paragraph shall be calculated as the total amount of the capital surplus plus the issuance premium.

#### XI. Penalties:

When the managers or organizers of the Company violate this operating procedure, they shall be dealt with in accordance with the Company's Assessment, Reward and Punishment Measures.

#### XII. Implementation and Revision:

After the board resolution, the Procedures shall be submitted to the Audit Committee and to the shareholders' meeting for recognition before implementation. If a director expresses objections and there are records or written statements in place, the Company shall submit the objections to the Audit Committee and submit them to the shareholders' meeting for discussion, and the same shall apply when revising. If the Company has independent directors in place, when submitting these Procedures to the board meeting for discussion in accordance with the provisions of the preceding paragraph, the opinions of each independent director shall be fully considered. If any independent director has objections or reservations, they must be recorded in the minutes of the board meeting.

The provisions of paragraphs 3 to 5, Article 20 of the Procedures for Extension of Loans to Others of the Company shall apply mutatis mutandis to the formulation or revision of this Procedures.

## **Appendix 2**

### **XAC Automation Corp**

#### **Articles of Association**

##### **Chapter I General Provisions**

- Article 1: The Company is organized in accordance with the provisions of the Company Act on companies limited by shares, and is named XAC Automation Corp.
- Article 2: The business scope of the Company is as follows:
1. Research, development, production, manufacturing and sales of the following products:
    - (1) Electronic financial transaction terminals and components.
    - (2) Transaction data security protection equipment and components.
    - (3) Multifunctional smart card readers/writers and components.
  2. System integration and technical consulting and maintenance of the preceding product.
  3. The import and export trade business of the preceding product.
- Article 3: The total amount of the Company's reinvestment may exceed 40% of the paid-in capital.
- Article 3-1: The Company may provide external endorsements and guarantees due to business needs.
- Article 4: The Company is located in Hsinchu Science Park, and may, by board resolution and based on the competent authority's approval, set up branches domestically and abroad when necessary.
- Article 5: The announcement method of the Company shall be in compliance with Article 28 of the Company Act.

##### **Chapter II Shares**

- Article 6: The capital of the Company is set at NT\$1,200,000,000, divided into 120,000,000 shares at NT\$10 per share, and issued in installments.
- Within the total capital, NT\$50 million shall be reserved for future issuance of employee stock option certificates, totaling five million shares at a face value of NT\$10 per share, which may be issued in installments in accordance with board resolutions.
- The recipients of the Company's new shares with restricted employee rights include employees of controlling and subordinate companies who meet the requirements set by the Board of Directors.
- The transferees of treasury shares purchased by the Company in accordance with the Company Act include employees of controlling and subordinate companies who meet the requirements set by the Board of Directors.
- When the Company issues new shares and reserves 10% to 15% of the total number of shares to be purchased by employees, such employees include employees of controlling and subordinate companies who meet the requirements set by the Board of Directors.
- Article 7: The Company is a public company which is waived from printing share certificates; however, the shares issued shall be registered with the Taiwan Depository and Clearing Corporation.
- Article 8: The stock affairs of the Company shall be handled in accordance with the Regulations Governing the Administration of Shareholder Services of Public

Companies promulgated by the competent authority.

Article 9: The registration for transfer of shares shall cease within 60 days before the general shareholders' meeting, within 30 days before the extraordinary shareholders' meeting, and within 5 days before the ex-date of the Company's decision of distribution of dividends, bonuses or other benefits.

### **Chapter III Shareholders' Meetings**

Article 10: The Company's shareholders' meetings are divided into the general shareholders' meeting and the extraordinary shareholders' meeting. The general shareholders' meeting is held within six months after the end of each fiscal year, and the extraordinary shareholders' meeting is held in accordance with the law when necessary.

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

The shareholders' meeting of the Company may be held by video conference or other means announced by the central competent authority.

When a shareholder is unable to attend the shareholders' meeting due to unforeseen circumstances, he/she may issue a proxy letter printed by the Company to specify the scope of authorization and appoint a proxy to attend. The method of shareholder entrusted attendance, in addition to the provisions of Article 177 of the Company Act, shall be handled 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:

- (1) Amendment to the Company's Articles of Association.
- (2) The increase or decrease in the total capital of the Company.
- (3) The dissolution or liquidation of the Company.
- (4) Election of directors.
- (5) Proposal for earnings distribution.
- (6) Other matters that must be resolved by the shareholders' meeting in accordance with the law.

Article 13: The shareholders' meeting shall be convened by the board of directors, with the Chair of the Board as the meeting chair. In his/her absence, the chair shall designate one director to act as the proxy. If no such appointment is made, the directors shall elect one person among themselves to act as the proxy. If a shareholders' meeting shall be convened by a person with convening rights other than the board of directors, the convener shall be the meeting chair. If there are two or more such conveners, one shall be elected from among them.

Article 14: Except where otherwise provided in laws and regulations, the proposal of a shareholders' meeting shall be adopted by a majority vote of the shareholders or proxies present, who represent more than half of the total number of voting shares.

In accordance with the regulations of the competent authority, shareholders of the Company may also exercise their voting rights electronically. Shareholders who exercise their voting rights electronically shall be deemed to be present in

person, and all related matters shall be handled in accordance with laws and regulations.

Article 15: Except where otherwise stipulated in the Company Act, the shareholders of the Company shall have one voting right per share.

Article 16: Resolutions of the shareholders' meeting shall be recorded in minutes, signed or stamped by the chair of the shareholders' meeting, and distributed to each shareholder in 20 days after the meeting. The distribution of the minutes may be made by public announcement.

#### **Chapter IV Directors, Audit Committee and Managers**

Article 17: The Company shall appoint five to nine directors, who shall be elected by the shareholders' meeting from individuals with the ability to act and serve for a term of three years, and may be re-elected and re-appointed. Among the above-mentioned number of directors, there shall be at least three independent directors. The total shareholding ratio of all directors shall be in accordance with the regulations of the securities regulatory authority.

Article 17-1: In the election of directors, each share has the same voting rights as the number of directors to be elected. All the votes of a shareholder may be cast on the same candidate, or the votes may be distributed among different candidates. The persons who receive more voting rights shall be elected as directors.

The candidate nomination system is adopted for the election of directors under Article 192-1 of the Company Act. The acceptance and announcement of nomination for director candidates shall be handled in accordance with the laws and regulations of the Company Act and the Securities and Exchange Act. Independent directors and non-independent directors shall be elected together, and the number of elected directors shall be calculated separately.

Article 18: When the vacancy of directors of the Company reaches one-third, the Board of Directors shall convene an extraordinary shareholders' meeting within 60 days to hold a by-election, and the term of office shall be limited to the remainder the original term.

Article 19: The board meeting shall be convened regularly by the Chair, and the convener shall notify all directors in writing via fax or email seven days prior to the meeting, specifying the date, location and agenda of the meeting. Upon receipt of this notice, any director may renounce participation in the meeting in writing before or after the meeting. In case of emergency, it is necessary to convene a meeting at any time.

Article 20: The responsibilities of the board of directors are as follows:

1. Discussion and formulation of business policies.
2. Review of budgets and final accounts.
3. Formulation of capital increase and decrease plan.
4. Formulation of earnings distribution or loss compensation.
5. Review of employees' and directors' compensation.
6. Formulation of revision of the Company's Articles of Association.
7. Review of important company regulations.
8. Discussion and agreement on branch establishment, restructuring or dissolution.
9. Appointment and dismissal of company managers.
10. Approval of real estate disposal and disposition.
11. Other responsibilities conferred by the Company Act or resolutions of the



shareholders' meeting.

Article 20-1 The board meeting is authorized to formulate the remuneration in accordance with the degree of their participation in the operation of the Company and the value of their contribution, with reference to the standards of the industry.

Article 21: Except where otherwise provided by the Company Act, a board resolution shall be made in a board meeting attended by more than half of the directors and the resolution passed by more than half of the directors present.

Article 22: A directors may appoint another director in writing to attend the board meeting on his/her behalf, but a director may only be authorized by one other director.

Article 23: The Company shall establish an audit committee in accordance with Article 14-4 of the Securities and Exchange Act, consisting of all independent directors.

Article 24: The performance of duties and related matters of the audit committee and its members shall be handled in accordance with laws and regulations of the Securities and Exchange Act.

Article 25: The Company shall appoint managers, whose appointment, dismissal and remuneration shall be implemented after approval by the Board of Directors.

Article 26: The managers of the Company are obligated to keep confidential the Company's confidential business information, specialized knowledge and professional technology, and shall strictly abide by the confidentiality of such information.

## **Chapter V Accounting**

Article 27: At the end of each year, the Board of Directors shall prepare the following books and statements and submit them to the general shareholders' meeting for recognition:

1. Business Report.
2. Financial statements.
3. Proposal for earnings distribution or loss compensation.

Article 28: If the Company makes a profit in the year, it shall allocate 3% to 12% as employees' remuneration and no more than 3% as directors' remuneration. However, when the Company still has a cumulative loss, the amount to be compensated shall be reserved in advance.

The employees' remuneration referred to in the preceding paragraph shall be distributed in stock or cash, and the recipients include employees of controlling and subordinate companies who meet certain conditions.

Article 29: If there is a surplus in the annual final accounts of the Company, taxes shall be paid first to make up for past losses, and then 10% shall be allocated as the legal reserve, but this requirement does not apply when the legal reserve reaches the actual paid-in capital of the Company. In addition, in accordance with the operational needs of the Company and legal requirements, a special reserve may be allocated and retained by the Board of Directors in accordance with operational needs. If there is still a surplus, the Board of Directors shall prepare an earnings distribution plan for it together with the undistributed earnings at the beginning of the same period, and submit the plan to the shareholders' meeting for resolution.

The Company authorizes the Board of Directors to distribute all or part of the dividends in cash based on a resolution of a board meeting attended by more

than half of the directors, with the resolution passed by more than half of the directors present, and the resolution shall be reported to the shareholders' meeting.

The dividend policy of the Company is in accordance with the Company Act and the Articles of Association of the Company, and factors such as the capital and financial structure, operating status, and earnings of the Company as well as the industry nature and cycle, and the legal reserve shall be deducted from the earnings in accordance with law. For the distribution of earnings, priority shall be given to cash dividend, but may also be made in the form of stock dividend, provided that the proportion of stock dividend does not exceed 50% of the total dividends for the year.

Article 29-1: When the Company has no loss, in accordance with Article 241 of the Company Act, all or part of the legal reserve and capital surplus shall be distributed via new shares or cash in proportion to the original shareholdings of shareholders. When distributing cash, a resolution shall be made in a board meeting attended by more than half of the directors, with the resolution passed by more than half of the directors present, and the resolution shall be reported to the shareholders' meeting.

Article 29-2: The shares repurchased by the Company in accordance with the law shall be transferred to employees at a price lower than the average price of the repurchased shares. The issuance of employee stock option certificates at a price lower than the closing price of the Company's ordinary shares on the issuance date shall be subject to a resolution of the shareholders' meeting attended by shareholders representing more than half of the shares issued, and the resolution shall be passed by attending shareholders representing more than two-thirds of the voting rights.

## **Chapter VI Supplementary Provisions**

Article 30: The organization rules and important regulations of the Company shall be formulated separately by the Board of Directors.

Article 31: Any matters not specified in this Articles of Association shall be handled in accordance with the Company Act and laws and regulations.

Article 32: The Articles of Association of the Company were established with the consent of all initiators on March 12, 1997, and came into effect upon the approval of and registration by the competent authority. The same procedure shall apply to any subsequent amendments to the Company's Articles of Association.

The 1st revision was made on November 3, 1997.

The 2nd revision was made on May 31, 1999.

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

The 4th revision was made on June 20, 2001.

The 5th revision was made on May 28, 2002.

The 6th revision was made on June 17, 2003.

The 7th revision was made on June 2, 2004.

The 8th revision was made on May 27, 2005.

The 9th revision was made on June 8, 2006.

The 10th revision was made on May 27, 2008.

The 11th revision was made on May 27, 2010.

The 12th revision was made on May 25, 2012.

The 13th revision was made on May 24, 2013.

The 14th revision was made on June 11, 2015.

The 15th revision was made on June 16, 2016.  
The 16th revision was made on June 9, 2017.  
The 17th revision was made on June 8, 2018.  
The 18th revision was made on June 10, 2019.  
The 19th revision was made on June 13, 2023.

**XAC Automation Corp.**

**Chairman: CHANG, YENG-MING**

## Appendix 3

### **XAC Automation Corp. Directors' Shareholdings**

1. As of April 14, 2024, the book-close date for the general shareholders' meeting, the paid-in capital of the Company was NT\$961,522,010, with a total of 96,152,201 issued shares.
2. In accordance with Article 26 of the Securities and Exchange Act, the minimum number of shares that all directors must hold is 7,692,177.
3. As of the book-close date for the general shareholders' meeting, the shareholdings of directors recorded in the shareholder register is as follows:

Book-close date: April 14, 2024

<b>Title</b>	<b>Name</b>	<b>Date appointed</b>	<b>Term</b>	<b>Number of shares held</b>
Director	CHANG, YENG-MING	June 14, 2022	3 years	3,417,036
Director	TENG, WAN-SHENG	June 14, 2022	3 years	1,850,111
Director	TSENG, TSUNG-LIN	June 14, 2022	3 years	386,004
Director	Fu-Li Investment Co., Ltd. Representative: CHUANG, YUNG-SHUN	June 14, 2022	3 years	2,050,000
Independent Director	HUANG, HSU-NAN	June 14, 2022	3 years	0
Independent Director	SHAE, ZON-YIN	June 14, 2022	3 years	0
Independent Director	TSENG, CHING-YIH	June 14, 2022	3 years	3,000
<b>Total directors' shareholding</b>				<b>7,706,151</b>

## Appendix 4

### **Impact of free share allotment proposed by the shareholders' meeting on the Company's performance and earnings per share:**

The Company has not issued any free-allotment shares this year, so this does not apply.