Stock code :5490

XAC Automation Corporation

2023

Annual Report

Company Website: https://www.xac.com.tw
Annual Report: https://mops.twes.com.tw
Printed on April 14, 2024

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

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

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

XAC Automation Corporation
2023 Annual Report Contents

I. Report to Shareholders

Dear shareholders,

The following is a summary report on the business results for 2023; the business plan for 2024; future company development strategies; and the impact of the external competitive environment, regulatory environment, and overall business environment.

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, an 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 is 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 in 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!

Chairman: CHANG, YENG-MING

II. Company Profile

1. Date established

April 8, 1997

2. Company history

(1) Timeline of major Company events

1997	· Established in April within the Hsinchu Science Park with a registered capital of NT$60,000,000. · Specialized in research and development (R&D), manufacturing, and sales of the following products: electronic fund transaction terminals (EFTTs) and their components; transaction data security protection equipment and their components; multifunctional smart card readers and their components. · Increased capital to NT$105,000,000.
1998	· Received certification from the Ministry of Economic Affairs' Bureau of Standards, Metrology and Inspection for ISO 9001 Quality Management System compliance. · The Company's kiosk products were awarded a Taiwan Excellence Certificate by the Ministry of Economic Affairs, attesting to their high-quality system, product design, innovation in R&D, market position, and brand recognition. · To bolster operational capital, a cash capital increase of NT$85,000,000 was carried out, resulting in total paid-in capital of NT$190,000,000.
1999	· To expand the business scale and enhance production capacity, the Company moved to a newly leased factory of Ficta Technology Inc. · In June, the Company obtained approval for initial public offering. · Conducted a capital increase by converting retained earnings of NT$96,150,000, resulting in an increase in paid-in capital to NT$286,150,000. · The Company's card reader products became the first in Taiwan to receive certification from Microsoft.
2000	· In response to future operational growth and expansion of production capacity, the Board of Directors resolved to sign a contract to purchase a new factory. · Obtained patent certification for a defensive keyboard key detection method. · Received approval from the OTC Board of Directors to list the Company's stocks on the over-the-counter market in December. · In December, conducted a capital increase by converting earnings of NT$66,480,000 from the year 1999, resulting in total paid-in capital of NT$352,630,000.
2001	· Stock trading on the over-the-counter market commenced in May. · In August, obtained approval for a US patent related to a "Tear bar for a thermal printer". · In September, conducted a capital increase by converting earnings, totaling NT$117,370,000, resulting in a total paid-in capital of NT$470,000,000. · In October, obtained approval for a US patent related to a "Cutting mode switching module" for printers. · In November, passed EMV L1 verification for motor-driven card readers. · In December, relocated to a self-purchased factory located on the 4th floor of a newly completed building on Gongye E. 9th Rd., increasing production capacity.

<table>
<tr><td>2002</td><td>· Obtained EMV L2 certification for Smart Card-Based transaction-related equipment in April.
· Mass production of Smart Card-Based transaction-related terminal equipment commenced in May.
· Obtained approval for a US patent related to a "Security keyboard matrix scanning module" in May.
· Conducted a capital increase by converting earnings of NT$150,000,000 in August, resulting in a total paid-in capital of NT$620,000,000.
· Obtained two patents in Taiwan in September: one for "Cutting mode switching module and printer equipped with the module", the other for "Control module for printer cutter and printer equipped with the module".
· Completed design, development, and mass production of EMV L2/L1 Terminal in September, making credit card transaction signing processes safer, more convenient, and faster, and marking an innovative step in new financial transaction methods.</td></tr>
<tr><td>2003</td><td>· In May, for the first time, the Company ranked among the "Top 1000 Manufacturing Enterprises" as compiled by Business Weekly and CommonWealth Magazine.
In the May 2003 issue (vol. 274) of CommonWealth Magazine, the rankings of the "2002 Top 1000 Manufacturing Enterprises" were featured.</td></tr>
<tr><td>2003</td><td><table>
<tr><th>Item</th><th>Amount/%</th><th>Ranking</th></tr>
<tr><td>Revenue</td><td>NT$1,501,000,000</td><td>722</td></tr>
<tr><td>Fastest Revenue Growth (Rate)</td><td>112 %</td><td>35</td></tr>
<tr><td>Profit Margin</td><td>27.76 %</td><td>1</td></tr>
<tr><td>Return on Equity (ROE)</td><td>34.22 %</td><td>19</td></tr>
<tr><td>Return on Assets (ROA)</td><td>29.34 %</td><td>2</td></tr>
</table>
· Added leasing for 7th floor of the Ficta Technology Inc. factory building on Zhanye 1st Rd., to increase production capacity.
· In August, conducted a capital increase by converting earnings of NT$144,000,000, resulting in a total paid-in capital of NT$764,000,000.
· Obtained a utility model patent in Taiwan for "Tear bar for thermal printer" in September.
· Oracle ERP system implementation was completed in September and officially launched online.</td></tr>
<tr><td>2004</td><td>· In May, the Company ranked among the Top 1000 Manufacturing Enterprises for the second time as compiled by Business Weekly and CommonWealth Magazine.
· In June, established Value Investment Ltd., an overseas holding company, in Samoa.
· In July, established XAC Automation Corporation (Suzhou) and Zakus, Inc. in the United States through the overseas holding company.
XAC Automation Corporation (Suzhou) extended the manufacturing base.
Zakus, Inc. serves as the Company's US research and development center.
· In August, conducted a capital increase by converting earnings of NT$130,600,000, resulting in a total paid-in capital of NT$894,600,000.
· In November, XAC’s factory in Suzhou officially commenced mass production</td></tr>
</table>

	and shipment. · In addition to continuing to leverage core module technologies acquired in the past, the Company began developing: - VISAPED Compliant Pinpads Platform. - Embedded OS (Linux)-based transaction terminal platform.
2005	· Implemented PLM system to establish a platform for the accumulation and utilization of product development related knowledge. · XAC Automation Corporation (Suzhou) began to generate profits in the first quarter. · In August, officially signed a contract with FDC in the United States to develop a plan for a next-generation payment transaction authorization terminal. · In August, conducted a capital increase by converting earnings of NT$52,400,000, resulting in a total paid-in capital of NT$947,000,000. · Obtained a utility model patent in Taiwan for a "Card-swiping Composite Card Reader" for IC cards and magnetic stripe cards.
2006	· Obtained a utility model patent in Taiwan for a "Card-locking Device within Card Reader". · Obtained a utility model patent in Taiwan for a "Multifunctional Card Reader" containing readers for IC cards, magnetic stripe cards, and RFIDs. · Successfully commenced mass production and shipment of the next-generation payment transaction authorization terminal project with FDC in the United States. · Obtained a utility model patent in Taiwan for a "Personal Identification Code Input Terminal Device with Security System". · Obtained a patent in Taiwan for an "Encryption Method for Personal Identification Code Device Prompt Replacement". · Conducted a capital reduction of 2,996 thousand shares via treasury stock. · Shipped the first batch of next-generation payment transaction authorization terminals to FDC in the United States. · Due to strong demand for consumer gaming equipment and orders for next-generation payment transaction authorization terminals, performance in the second half of the year was outstanding; annual revenue reached a new high, surpassing NT$2,000,000,000 for the first time.
2007	· Continued collaboration with FDC in the United States to develop new products with additional functions and applications. · Completed design for a multifunctional payment terminal device capable of accepting many payment methods, including checks, credit cards, and financial cards. · Contactless card readers certified by Visa PayWave, Master PayPass, ExpressPay, and Discover. · Obtained a utility model patent in Taiwan for a "Paper Roll Compartment Cover for Printer". · Filed for issuance of first unsecured convertible corporate bonds to raise NT$400,000,000, marking the first cash fundraising activity since the Company went public in 2001. The fundraising was completed in July. · Started mass production and shipment of the new check payment terminal developed in collaboration with FDC in the United States.

	· Terminated leasing of 2nd factory in June, consolidating operations in Hsinchu within a single building. · Conducted a capital increase of NT$104,300,000 in August, issuing common shares along with employee stock option certificates. Total paid-in capital amounted to NT$1,031,292,500. · Established Coinva Ltd. in Hong Kong in October. · In response to global wireless communication demand, designed portable transaction terminals with support for WinCE and embedded Linux operating systems, complying with high-security standards such as PCI and MasterCard PTS security mechanisms.
2008	· Both the Taiwan and Suzhou factories simultaneously obtained certification for IECQ QC080000 Hazardous Substance Process Management. · In March, Coinva, based in Hong Kong, indirectly invested in the establishment of Tong Jin Hua Technology Co., Ltd. (Beijing). This was preparation to explore opportunities for entering the China market for payment transaction automation terminal equipment. · Four products passed PCI security mechanism certification. · Provided data access control services with a simple hardware design combined with a web-based concept; supported recognition devices including magnetic stripe cards, chip cards, contactless card readers, fingerprint recognition machines, and barcode scanners, to offer different customized security application services. · Designed programmable PIN pads, preliminarily passing PCI security mechanism certification. · Designed unstaffed self-service system related terminal equipment for different applications such as refueling, transportation payment, automatic vending logistics control systems, and parking. · Obtained a US patent for "Card-locking Device within Card Reader". · Conducted a capital reduction of 7,590 thousand shares via treasury stock. · The first batch of handheld/wireless fund transaction terminals and contactless card readers entered mass production.
2009	· In March, conducted a capital reduction of 900 thousand shares via treasury stock. · Entered the HP Kiosk supply chain. · Tong Jin Hua Technology Co., Ltd. (Beijing) was shortlisted for the "Smart Card, Citizen Card Project" by the Hangzhou Municipal Government. · Obtained two certifications from AT&T. · In October, Coinva, based in Hong Kong, indirectly invested in establishing Tong Jin Hua Technology Co, Ltd. (Suzhou). · In November, conducted a capital reduction of 541.9 thousand shares via treasury stock and executed 45 thousand shares of employee stock options.
2010	· In March, employee stock options were converted into 15 thousand shares of common share. · Collaborated with Voltage to introduce a point-to-point encrypted solution for card payment data security. · In June, employee stock options were converted into 10 thousand shares of common share.

	· In November, 77 thousand shares were converted from convertible bonds, resulting in a total paid-in capital of NT$944,516,010 after conversion. · PINPAD platform certified for PCI 2.0 & 3.0. · Terminals obtained certification for ZKA (German Payment Products Security Standard) and CC (UK Payment Products Security Standard).
2011	· In February, second-tier subsidiary Tong Jin Hua Technology Co., Ltd. (Beijing) was deregistered. · In response to cost considerations and production management coordination, manufacturing operations in Taiwan were transferred to Suzhou by the end of April. · Conducted a capital reduction of 55 thousand shares via treasury stock in April. · Developed a new generation of contactless card reading platforms to support different contactless specifications such as NFC and Felica. · Developed a new generation of contactless antenna modules and hardware platforms to provide superior card reading and processing performance.
2012	· Established XAC Japan Corporation in May. · Developed payment systems and software, including Payment Application and TMS (Terminal Management System). · Payment application security solutions for tablet computers and smartphones. · Obtained a patent in China for "Card-locking Device within Card Reader".
2013	· Obtained a patent for the Data Entry Module. · In December, second-tier subsidiary Tong Jin Hua Technology Co., Ltd. (Suzhou) was deregistered.
2014	· In June, subsidiary company XAC Japan Corporation was deregistered.
2015	· In June, ISO 27001 Information Security Management System (ISMS) was officially implemented. · In November, formed a strategic alliance with Wayne Fueling Systems, a company based in the United States, to jointly develop the next generation of gas station payment systems, "iXPay™ T7". · Developed a new generation of integrated small-value payment products (mPOS). · PCI 4.0 self-service payment terminal equipment and related security modules.
2016	· In May, the second-tier subsidiary, Coinva Ltd. in Hong Kong, was deregistered. · In June, the Company was ranked 2nd in computer terminal device category of the "2016 TOP 5000 Ranking of Large Enterprises in Taiwan" by the CRIF Taiwan.
2017	· Products obtained PCI PTS 5.0 certification.
2018	· Successfully entered the Middle Eastern market and collaborated with the largest acquiring bank in the region to provide payment solutions. · In November, issued 350,000 shares of new restricted employee shares.
2019	· In April, XAC Automation Corporation officially transitioned to the "providing systems and solutions" business model. · In June, the Company was ranked 4th in the computer terminal device category within the 2019 Top5000 Large Enterprises in Taiwan, by CRIF. · In October, issued 1,080,000 shares of new restricted employee shares.
2020	· In July, issued 570,000 shares of new restricted employee shares. · Canceled and reclaimed 113,000 shares of new restricted employee shares,

	resulting in capital of NT$962,836,010.
2021	· Canceled and reclaimed 70,500 shares of new restricted employee shares, resulting in capital of NT$962,131,010. · Executed a buyback of 3,000,000 treasury shares. · Obtained a patent in Taiwan for "Blockchain Transaction System and Method" in December.
2022	· In January, the RKI Solution, certified by PCI P2PE 3.0/PCI PIN 3.1, was approved, marking a step toward becoming a Solution Provider. · In January, officially announced the first Android smart terminal POS machine certified by ATEX. · In April, the new model C150SE NFC card reader obtained PCI 6.0 certification. · In December, officially introduced the E6 eCommerce platform and enabled ECR POS functionality with the most advanced Android smart terminal POS machines. · Canceled and reclaimed 56,900 shares of new restricted employee shares, resulting in capital of NT$961,562,010.
2023	· In April, E6 SmartPOS platform was launched at Transact 2023. · In April, collaborated with AEVT to introduce a new concept payment solution. · In August, unveiled the new-generation C150SE outdoor product, compliant with NFPA 130 fire safety standards and certified for PCI 6 security. · Canceled and reclaimed 56,900 shares of new restricted employee shares, resulting in capital of NT$961,562,010.

(2) Company merger and acquisition activities, re-investment in affiliate and reorganization: None.

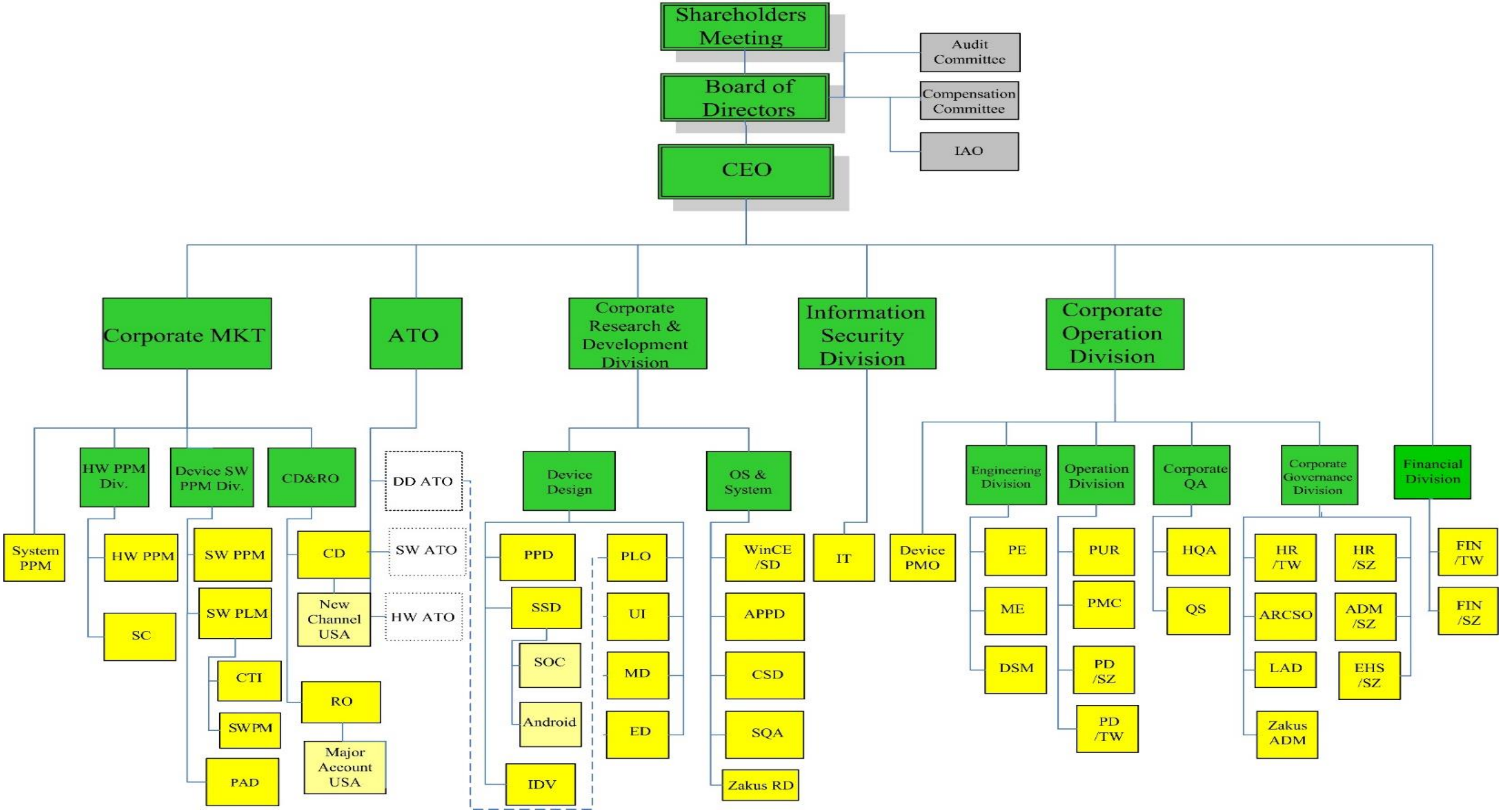
(3) Instances in which a major quantity of shares belonging to directors, or shareholders holding greater than a 10 percent stake in the company, is transferred or otherwise changes hands: None.

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

III. Corporate Governance Report

1. Organization

(1) Organizational Structure



(2) Units' Work and Responsibilities

Unit	Work and Responsibilities
Corporate MKT	Its jurisdiction includes three divisions and one department: **<u>*Hardware Product Plan Management Division</u>:** This division includes the Hardware Product Plan Management Department and the Security Compliance Management Department. (1) Hardware Product Plan Management Department: Responsible for planning and managing new products and technologies; evaluating and confirming customers' hardware requirements; and providing technical support required for business projects. (2) Security Compliance Management Department: Responsible for obtaining global and regional financial and security certification for XAC products, ensuring that the products meet design requirements. **<u>*Device Software Product Plan Management Division</u>:** (1) SW Product Lifecycle Management: Includes the Customer Technical Interface Department and the Software Project Management Department. > Customer Technical Interface Department: Assists customers in software application development, and helps solve technical problems encountered during system integration. > Software Project Management Department: *Makes sure SW PDP procedure spirits is followed in PDP process, and provided on time; quality delivery: Alpha/Beta/SIT/UAT phase *Bug/PTR handling process management. *RMA/EC handling process management. (2) Software Product Plan Management Department: Responsible for collecting and analyzing market-side requirements, planning corresponding software platforms/architectures and solutions based on those requirements, and providing product development requirement documents for design and implementation. (3) Payment Application Development Department (TW): Responsible for Payment AP development and verification, and for ensuring that Payment AP meets customer requirements and complies with the certification requirements of different payment brands. **<u>*Channel Development & Relationship Optimization Division</u>:** VAR PROGRAM MANAGEMENT: QUALIFICATION PROCESS/PRICE LIST & DATABASE. Customer relationship optimization (OF/RMA/REPAIR/NEW PROJECTS):OEM/ODM/XOP(OF/RMA/REPAIR HANDLING)CUSTOMER AGREEMENT MANAGEMENT.INQUIRY HANDLING.PROMOTION PLAN.(TRADE SHOW; WEBCOM.). **<u>* System Product Plan Management Department</u>:** (1) Owner of XCE platform product spec. (TMS as core) and use case domain knowledge (customer's requirements). (2) Deliverable upon PROJECT being awarded. (2-1) Task partition: kick off PDP (device/ap/system). (2-2) SIT (system integration test): PDP kick off; to be Integrated into UAT (approved by customer). (2-3) Coordination of solution project development (including: SIT/UAT/pilot) for customer's approval. (3) Production site set up.

	(4) System FAE & solution RMA.
Corporate Research & Development (R&D) Division	Its jurisdiction includes two divisions, described as follows: **<u>* Device Design Division</u>:** Comprising 7 departments, described as follows: (1) Project Leader Organization: Integrates R&D resources to complete product integration design verification and address technical issues; responsible for managing the EVT stage. (2) Payment Platform Design Department: Responsible for payment platform development and design verification. (3) System Software Design Department: Responsible for Android platform and related module integration design verification. 3-1. SOC Platform Design: Responsible for SOC platform development and design verification. 3-2. Android OS Design: Responsible for Android platform development design. (4) Electrical Design Department: Responsible for product electronic design. (5) Integrated Design Validation Engineering Department: Responsible for improving product design quality by integrating design verification and producing MVPs. (6) Mechanical Design Department: Responsible for product mechanism design and development and required assembly method design. (7) User Interface Design Department: Responsible for user interface design to enhance product added value and competitiveness. **<u>*OS & System Division</u>:** Comprising 4 departments, described as follows: (1) WinCE Software Department: Responsible for WinCE platform development and design. (2) Application Design Department: Responsible for system application software development. (3) Cloud Solution Design Department: Responsible for cloud solution design and development. (4) Software Quality Assurance Department: Tests and verifies product software.
ATO	Comprising DD ATO, SW ATO and HW ATO: * Platform development strategy which including the certification. * Modify existing products (including FW/EE/MD) to meet customer use case requirements. * Review and complete the high level architecture design of sub-PDP requirements. * Architecture design to meet use case needs on top of existing products.
Information Security Division	Oversee the strategy and implementation of IT system and product security compliance, ensuring both XAC's and its customers' digital assets. Under its supervision is the Information Technology Department, which is responsible for the overall planning, promotion, coordination, and management of information systems; database maintenance; maintenance and management of the intranet and company network environment; and procurement of computer hardware, software, and peripherals.

Corporate Operation Division	Its jurisdiction includes four divisions and one department: **<u>*Corporate Governance Division</u>:** Responsible for coordinating and planning corporate governance-related tasks, and assisting the Chairman in implementing corporate governance. Responsibilities include legal affairs, administration, human resources, and environmental safety. **<u>*Engineering Division</u>:** Comprises Product Engineering Department, Manufacturing Engineering Department, and Design Service Management Department. Responsible for implementing new product design and development process; planning and integrating testing plans; executing design verification tests for new products and implementing mass production; developing and improving manufacturing processes; analyzing quality defects; proposing effective improvement measures; improving product yields; ensuring new product launches are timely; and ensuring continuous product manufacturability. **<u>*Operation Division</u>:** Comprises Purchasing Department, Production Plan & Material Control Department, and Production Department (1) Purchasing Department: Responsible for executing procurement strategies; finding suppliers who meet criteria for quality, price, delivery time, and service; and for ensuring that products remain competitive. (2) Production Plan & Material Control Department: Responsible for maintaining customer order records, handling shipments, production control, purchasing and controlling materials, warehouse management, and import-export operations. (3) Production Department: Responsible for managing production line operations and maintaining production equipment. **<u>*Corporate Quality Assurance</u>**: Acts as the Company’s representative for quality, RBA (Responsible Business Alliance), and environmental management. Ensures the effective operation of the Company's quality system from the perspective of the CEO, and ensures that product quality exceeds customer satisfaction standards. **<u>*Device Project Management Organization</u>:** Responsible for scheduling, integrating, and executing project plans during the product development phase. Communicates and coordinates with different departments to establish project timelines and coordinate resources, thus facilitating cross-departmental collaboration, ensuring that each department understands the objectives and achieves a high-quality PDP, and enabling on-time product launches.
Financial Division	Responsible for financial, accounting, tax, and company asset control and management.
Internal Audit Office	Conducts inspections and evaluations of internal control systems, and executes audits to assess implementation effectiveness.

2. Profiles of Directors, Presidents, Vice Presidents, Assistant Vice President, Division Heads, and Branch Heads

(1) Profiles of Members of Board of Directors

Data as of April 14, 2024

Title (Note 1)	Nationality or place of registration	Name	Gender Age (Note2)	Election (Appointment) Date	Term of Office	Initial Election Date	Shares at Election		Current shareholding		Current shareholding by spouse & minor children		Shareholding held through nominees		Principal work experience and academic qualifications (Note 3)	Position (s) held concurrently in the company and/or in any other company	Other officer, directors or supervisors with a spousal or other second degree of kinship			Remarks
							Number of shares	Proportion of shares held	Number of shares	Proportion of shares held	Number of shares	Proportion of shares held	Number of shares	Proportion of shares held			Title	Name	Relation	
Chairman	ROC	CHANG, YENG-MING (Note 4)	Male 61–70	June 14, 2022	3 Years	Apr. 8, 1997	3,417,036	3.55	3,417,036	3.55	0	0	0	0	Master's degree in Electronic Engineering, National Taiwan Institute of Technology President, UNIFORM INDUSTRIAL CORP. President, Ta Heng Industrial Corporation	Chairman of Heng Li Investment Co., Ltd.	None	None	None	
Director	ROC	TENG, WAN-SHENG	Male 61–70	June 14, 2022	3 Years	Apr. 8, 1997	1,850,111	1.92	1,850,111	1.92	235,438	0.24	0	0	Master's degree in Electronic Engineering, National Taiwan Institute of Technology Vice President, UNIFORM INDUSTRIAL CORP. Vice President, Ta Heng Industrial Corporation Vice President, Corporate Research & Development Division, XAC Automation Corporation	None	None	None	None	
Director	ROC	TSENG, TSUNG-LIN	Male 61–70	June 14, 2022	3 Years	June 16, 2016	386,004	0.40	386,004	0.40	0	0	0	0	Master's degree in Business Administration from the University of Missouri, USA Senior Vice President & Chief Financial Officer, TSMC Executive Director & Chief Financial Officer, UMC Investment & Strategic Planning Senior Vice President, Quanta Computer Inc.	Independent director of GCS Holdings, Inc. Independent director of Groundhog Technologies Inc.	None	None	None	
Director	ROC	Fu Li Investment Co., Ltd.	-	June 14, 2022	3 Years	May 24, 2013	2,050,000	2.13	2,050,000	2.13	0	0	0	0	-	None	None	None	None	
Representative	ROC	CHUANG, YUNG-SHUN	Male 71–80	June 14, 2022	3 Years	May 24, 2013	0	0	0	0	0	0	0	0	EMBA Program, National Taiwan University Chairman of AAEON Technology Inc.	Director of AAEON ELECTRONICS INC. Director of AAEON TECHNOLOGY (Europe) B.V. Director of AAEON TECHNOLOGY GMBH Director of AAEON TECHNOLOGY SINGAPORE PTE. LTD. Director of Mcfees Group Inc. Chairman of AAEON Technology Inc. - Corporate Representative Chairman of AAEON Technology (Suzhou) Inc.- Corporate Representative Chairman of Yanyou Investment Co., Ltd - Corporate Representative	None	None	None	

																Chairman of Yanxin Investment Co., Ltd. Director of AAEON Foundation Chairman of Fu Li Investment Co., Ltd. Chairman of Everfocus Electronics Inc. Director of Allied Biotech Corp. Director of King Core Electronics Inc. Director of Atech Oem Inc. Director of ATECH (Dongguan) Co., Ltd. Director of Danyang ATECH Co., Ltd. Director of Machvision, Inc. Director of Muchvision (Dongguan) Inc. Co., Ltd. Director of Top Union Electronics (Suzhou) Corp. Independent Director of Top Union Electronics Corporation Director of Allied Oriental International Ltd. Director of Litemax Electronics Inc. Director of Litemax Technology, Inc. Chairman of Onyx Healthcare Inc. -Corporate Representative Chairman of Onyx Healthcare (Shanghai)INC. -Corporate Representative Director of ONYX Healthcare USA, Inc. Director of ONYX Healthcare Europe B.V. Director of iHELPER Inc. - Corporate Representative Director of Winmate Inc. - Corporate Representative Director of CHC Healthcare Group - Corporate Representative Director of Sunengine Corporation Ltd. - Corporate Representative Director of Fongshin Venture Capital Co., Ltd. - Corporate Representative Director of Ibase Technology Inc.- Corporate Representative Independent Director of TAIFLEX Scientific Co., Ltd.				
Independent Director	ROC	HUANG, HSU-NAN	Male 61–70	June 14, 2022	3 Years	June 16, 2016	0	0	0	0	0	0	0	0	Ph. D in Institute of Management Sciences, National Chiao Tung University Dean of the Management School at Ming Chuan University Director, Graduate School of Management, Ming Chuan University	Independent Director of King Core Electronics Inc. Independent Director of Everfocus Electronics Inc. Director of Litemax Electronics Inc. Supervisor of Le Young Construction Co., Ltd. Director of Sunsino SME Development Co., Ltd. -	None	None	None	

															Associate Professor, Department of Business Administration, National Yunlin University of Science & Technology Associate Researcher/Director, Council for Economic Planning and Development, Executive Yuan Managing Director, Taiwan Efficiency and Productivity Association Managing Supervisor, The Global Logistics & Commerce Council of Taiwan Reviewer, Higher Education Evaluation and Accreditation Council of Taiwan; Reviewer, Taiwan Assessment and Evaluation Association	Corporate Representative Full-time Professor and Director, Innovation & Incubation Center, Ming Chuan University				
Independent Director	ROC	SHAE, ZON-YIN	Male 61–70	June 14, 2022	3 Years	June 16, 2016	0	0	0	0	0	0	0	0	Ph. D in Electrical Engineering, University of Pennsylvania, US Full-time Chair Professor in the Department of Computer Science & Information Engineering; Director of the Artificial Intelligence Center; Director of the Financial Technology Blockchain Center at Asia University R&D Director of the Big Data Technology Institute of the III (Institute for Information Industry) and Director of the Cloud Business Center of the III IBM WATSON Research Center,NY Research Staff Member Visiting Professor(Sabbatical) of National Chiao Tung University	None	None	None	None	
Independent Director	ROC	TSENG, CHING-YIH	Male 61–70	June 14, 2022	3 Years	June 16, 2016	106,000	0.11	3,000	0.00	0	0	0	0	Ph.D., EE, University of Southern California, Los Angeles Director of Taiwan Supu Dongli Co., Ltd. General Manager, Montage Technology Taiwan, Taipei/Hsin-Chu, Taiwan Founder/President, Acrospeed Inc. Taipei/Hsin-Chu, Taiwan	Chairman of Good Future Biomedical Technology Corp.	None	None	None	

Note 1: Corporate shareholders must list the corporate name and representative separately (for representatives of corporate shareholders, the corporate name must be indicated), and Table 1 must be completed accordingly.

Note 2: Provide age, which may be indicated in ranges such as 41–50 or 51–60 years old.

Note 3: Experience related to current positions, such as previous employment at a certified public accountant firm or affiliated enterprises during the period mentioned, must be stated, including the job title and responsibilities held.

Note 4: Chairman and President Mr. CHANG, YENG-MING was relieved of his duties as President and assumed the sole position of Chairman following a resolution by the Board of Directors on December 18, 2023.

Note 5: In cases where the Chairman of the company holds the position of President or an equivalent executive role (top managerial officer), is married to, or is a first degree of kinship of the President or an equivalent executive, it is necessary to provide an explanation regarding the reasons, justification, necessity, and actions taken (such as increasing the number of independent director, ensuring that a majority of directors do not simultaneously hold positions as employees or managerial officers, etc.): No such situation exists.

Note 6: As of April 14, 2024, the total number of shares was 96,152,201.

(2) Disclosure of Directors' Professional Qualifications and Independent Directors' Independence:

Criteria / Name	Professional Qualifications and Experience (Note 1)	Independence Status (Note 2)	Number of Independent Directorships in Other Listed Companies
CHANG, YENG-MING	Graduated from the National Taiwan Institute of Technology (renamed, now known as National Taiwan University of Science and Technology) with a Master's degree in Electronic Engineering. Currently serves as the Chairman of the Company, as well as the Chairman of Heng Li Investment Co., Ltd., with more than five years of experience in business, finance, and company operations, dedicated to the electronics industry for decades. Possesses expert leadership, integrated marketing, operational management, and strategic planning abilities, leading the Company to become a pioneer in the industry and move toward sustainable operations.	No occurrence of any of the circumstances listed in Article 30 of the Company Act has been identified.	None
TENG, WAN-SHENG	Graduated with a Master's degree in Electronic Engineering from National Taiwan Institute of Technology (renamed, now known as National Taiwan University of Science and Technology). Currently serves as a director of the Company, with previous experience as the Vice President of Research and Development within the Company. Possesses more than five years of work experience in business, finance, and corporate affairs. Dedicated to research in power integrated circuits and electronics, providing expert advice for product development and sales within the Company.	No occurrence of any of the circumstances listed in Article 30 of the Company Act has been identified.	None
TSENG, TSUNG-LIN	Graduated with a Master's degree in Business Administration from the University of Missouri, USA. Currently serves as a director of the Company and an independent director of GCS Holdings, Inc. Previously held positions as the Senior Vice President and Chief Financial Officer at TSMC. Possesses more than five years of work experience in business, finance, accounting, and corporate affairs. Specializes in corporate finance, finance, and accounting matters, with extensive experience in industry planning.	No occurrence of any of the circumstances listed in Article 30 of the Company Act has been identified.	2
Fu Li Investment Co., Ltd.: Representative CHUANG, YUNG-SHUN	Graduated from the EMBA program at National Taiwan University. Currently serves as the Chairman of AAEON Technology Inc. and the Chairman of Fu Li Investment Co., Ltd., and acts as the corporate director representative for multiple listed companies. Possesses more than five years of work experience in business, legal affairs, finance, accounting, or corporate affairs. Specializes in corporate development, financial planning, and market strategy with extensive experience.	No occurrence of any of the circumstances listed in Article 30 of the Company Act has been identified.	2
HUANG, HSU-NAN	Graduated from the Institute of Management Sciences at National Chiao Tung University with a Ph.D. Currently serves as the convener of the Audit Committee and the Compensation Committee of the Company, as well as the Dean of the Management School at Ming Chuan University. Also holds positions as a director in multiple listed companies. Possesses more than five years of work experience in business and relevant disciplines required for corporate affairs, gained through teaching positions at public and private universities. Specializes in corporate operations and financial planning with extensive experience, and has not been involved in any of the situations listed in Article 30 of the Company Act.	1. The individual, their spouse, and relatives within the second degree of kinship have not served as directors, supervisors, or employees of the Company or its related enterprises. 2. The individual, their spouse, and relatives within the second degree of kinship (or through nominees) do not hold any shares of the Company. 3. The individual has not served as a director, supervisor, or employee of any company with a specific relationship to the Company (referring to	2

SHAE, ZON-YIN	Graduated with a Ph.D. in Electrical Engineering from the University of Pennsylvania, US. Currently serves as a member of the Audit Committee and the Compensation Committee of the Company. Holds positions as a full-time chair professor in the Department of Computer Science & Information Engineering, Director of the Artificial Intelligence Center, Director of the Financial Technology Blockchain Center at Asia University, R&D Director of the Big Data Technology Institute of the III (Institute for Information Industry) and Director of the III's Cloud Business Center, with more than five years of experience in business, finance, and corporate affairs, along with expertise in relevant academic disciplines. Specializes in product research and industry development, and has not been involved in any of the situations listed in Article 30 of the Company Act.	the provisions of Article 3, Paragraph 1, items 5–8 of the Regulations Governing the Appointment of Independent Directors and Compliance Matters for Public Companies). 4. The individual has not received any remuneration from the Company or its related enterprises for providing business, legal, financial, or accounting services in the past two years.	None
TSENG, CHING-YIH	Graduated with a Ph.D. in Electrical Engineering from the University of Southern California. Serves as a member of the Audit Committee and the Compensation Committee of the Company. Currently holds the position of Chairman at Good Future Biomedical Technology Corporation, with more than five years of experience in business, finance, and corporate affairs. Possess expertise in both corporate management and digital signal processing/communication system design, and has not been involved in any of the situations listed in Article 30 of the Company Act.		None

Note 1: Professional qualifications and experience: Describe the professional qualifications and experience of individual directors. If they are members of the Audit Committee and have accounting or financial expertise, their accounting or financial background and work experience shall be described; whether they have any circumstances as specified in Article 30 of the Company Act shall also be explained.

Note 2: For independent directors, their independence status shall be disclosed, including but not limited to: Whether the director, their spouse, or relatives within the second degree of kinship are serving as directors, or employees of the Company or its affiliated companies; the number and percentage of the Company's shares held by the director, their spouse, or relatives within the second degree of kinship (or held through nominees); whether the director serves as a director, or employee of companies that have specific relationships with the Company (refer to Article 3, Paragraph 1, subparagraph 5–8 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies); the amount of remuneration received for providing business, legal affairs, financial, accounting, or other services to the Company or its affiliated companies in the past two years.

(3) Board of Directors diversity and independence:

1. Board of Directors diversity: In order to strengthen corporate governance and to facilitate overall development for composition and structure of the Board of Directors, and appropriate diversification policies shall be formulated based on the Company's operations, business model, and development needs. To achieve the goal of ideal corporate governance, the overall capabilities that the Board of Directors shall possess are as follows:
   (1) Operational judgment capability
   (2) Accounting and financial analysis capability
   (3) Business management capability
   (4) Risk management capability
   (5) Industry knowledge
   (6) International market outlook
   (7) Leadership capability
   (8) Decision-making capability
2. Board of Directors independence: The Company's current Board of Directors consists of seven directors, including three independent directors. The proportion of directors holding employee status is 0%, while the proportion of independent directors is 43%. Their qualifications are in compliance with legal requirements; their professional abilities and implementation status are as follows:

Name	Title	Gender	Age		Tenure of independent director			Concurrently serving as employee	Industry experience				Specialized ability					
			61–70	71–80	Less than 3 years	3–9 years	More than 9 years		Finance	Electronic technology	Production and manufacturing	IT Technology	Business	Accounting	Management	Marketing Management	R&D	Instructor at college or university
CHANG, YENG-MING	Chairman	Male	✓						✓	✓	✓		✓		✓	✓		
TENG, WAN-SHENG	Director	Male	✓							✓			✓				✓	
TSENG, TSUNG-LIN	Director	Male	✓						✓	✓			✓	✓	✓			
Fu Li Investment Co., Ltd.: Representative CHUANG, YUNG-SHUN	Director	Male		✓					✓	✓	✓		✓	✓	✓	✓	✓	
HUANG, HSU-NAN	Independent Director	Male	✓			✓				✓	✓		✓		✓	✓		✓
SHAE, ZON-YIN	Independent Director	Male	✓			✓			✓	✓		✓	✓				✓	✓
TSENG, CHING-YIH	Independent Director	Male	✓			✓				✓			✓		✓		✓	

(4) Major corporate shareholders serving as director

Table 1: Major corporate shareholders

April 14, 2024

Name of Corporate Shareholder	Major Shareholders of Corporate Shareholder
Fu Li Investment Co., Ltd.	CHUANG, YUNG-SHUN (43.75%); HUANG, HUI-MEI (37.5%); CHUANG, FU-CHIEH (9.375%); CHUANG, FU-CHUN (9.375%)

Table 2: Table 1 Major shareholders of the Company's major corporate shareholders

Name of Corporation	Major Shareholders of Corporation
(Not applicable)	

(4) Profiles of Presidents, Vice Presidents, Assistant Vice President, Division Heads, and Branch Heads

Data as of April 14, 2024

Title (Note 1)	Nationality	Name	Gender	Election (Appointment) Date	Shareholding		Shareholding by spouse & minor children		Shareholding held through nominees		Principal work experience and academic qualifications (Note 2)	Position(s) held concurrently in the company and/or in any other company	Manager with a spousal or other second degree of kinship			Remarks
					Number of shares	Proportion of shares held	Number of shares	Proportion of shares held	Number of shares	Proportion of shares held			Title	Name	Relation	
Chairman	ROC	CHANG, YENG-MING (Note 3)	Male	Apr. 8, 1997	3,417,036	3.55	0	0	0	0	Master's degree in Electronic Engineering, National Taiwan Institute of Technology President, UNIFORM INDUSTRIAL CORP. President, Ta Heng Industrial Corporation	Chairman of Heng Li Investment Co., Ltd.	None	None	None	
President	ROC	HU, HSUAN-TSUNG (Note 4)	Male	Dec. 18, 2023	268,000	0.28	0	0	0	0	Master, Institute of Electrical and Control Engineering, National Chiao Tung University President, Chief Strategy Officer, Information Security Officer of this Company		None	None	None	
Senior Vice President	US	NI, CHU-CHING	Male	Mar. 7, 2004	0	0	0	0	0	0	Electronic Engineering, National Chiao Tung University Master, Electronic Engineering, Oklahoma, US Engineering Vice President, Maxspeed Corp.	-	None	None	None	
Vice President	US	CHARLES	Male	Jan. 1, 2011	250,000	0.26	0	0	0	0	Lawrence University with a BA in Political Science Vice President of Product and Business Development at First Data Corporation General Manager at LinkPoint International	-	None	None	None	
Vice President	ROC	CHIN, YUNG-HUI	Male	Oct. 1, 2009	543,085	0.56	13,782	0.01	0	0	Master, Electronic Engineering, University of Nottingham, UK Assistant Manager, Solomon Technology Corporation	-	None	None	None	
Executive Vice President	PRC	LIU, YUN (Note 5)	Male	Dec. 18, 2023	150,000	0.16	0	0	0	0	Undergraduate, Automation, Wuhan University of Science and Technology Executive Vice President and Chief Operating Officer of this Company	-	None	None	None	
Vice President	PRC	SHEN, PAO-HUI (Note 6)	Male	Dec. 18, 2023	150,000	0.16	0	0	0	0	Master, Computer Science & Technology, Soochow University Software R&D Manager, Andrew Wireless Solution (China)	-	None	None	None	
Vice President	ROC	TSAI, HSIN-LIANG (Note 6)	Male	Dec. 18, 2023	145,000	0.15	0	0	0	0	Master, Department of Computer Science & Information Engineering, National Taiwan University Vice President, Device Design of this Company	-	None	None	None	
Assistant Vice President	ROC	KUO, HUI-LING	Female	Nov. 2, 2018	176,504	0.18	0	0	0	0	Department of Accounting, Fu Jen Catholic University Assistant Vice President, Channel Development & Relationship Optimization Division of this Company	-	None	None	None	
Supervisor of Corporate Governance and Accounting Supervisor	ROC	HSU, JEN-CHIEN	Male	Aug. 2, 2019 July 24, 2019	25,000	0.03	0	0	0	0	Master, Department of Banking and Finance, National Chi Nan University Senior Auditor, PwC Taiwan Account Officer, Union Bank of Taiwan	-	None	None	None	
Financial Supervisor	ROC	CHANG, MENG-YI	Female	Jan. 26, 2022	0	0	5,000	0.01	0	0	Department of Accounting, Tung Hai University Manager, Financial Department, Champion Building Materials Co., Ltd. Manager, Accounting Department, TM Technology, Inc. Assistant Manager, Accounting Department, Etron Technology, Inc. Manager, Department of Audit, KPMG Taiwan	Financial Supervisor, XAC Automation Corporation (Suzhou)	None	None	None	

Note 1: Information on the Presidents, Vice Presidents, Assistant Vice President, Division Heads, and Branch Heads, and anyone whose position is equivalent to that of a Presidents, Vice Presidents, Assistant Vice President shall also be disclosed, regardless of title.

Note 2: For experience relevant to the current position, the title and responsibilities for work experience at a certified public accounting firm or an affiliated company preceding the current position shall be specified.

Note 3: Chairman and President Mr. CHANG, YENG-MING was relieved of his duties as President and assumed the sole position of Chairman following a resolution of the Board of Directors on December 18, 2023.

Note 4: Mr. HU, HSUAN-TSUNG was promoted to President following a resolution of the Board of Directors on December 18, 2023.

Note 5: Mr. LIU, YUN was promoted to Executive Vice President following a resolution of the Board of Directors on December 18, 2023.

Note 6: Mr. SHEN, PAO-HUI and Mr. TSAI, HSIN-LIANG were promoted to Vice Presidents following a resolution of the Board of Directors on December 18, 2023.

Note 7: If the president or person with equivalent position (top managerial officer) and chairman are the same person, are each other's spouses, or are first degree of kinships, the reason, rationality, necessity and corresponding information shall be provided (for example, increasing the number of independent directors, and ensuring that more than half of directors do not concurrently serve as employees or managers, etc.): No such situation exists.

3. Remuneration paid during the most recent year to directors, presidents and vice presidents

1. Remuneration to general directors and independent directors (individually disclose their names and remuneration)

Unit: NT$ thousand; thousand shares; data as of Dec. 31, 2023

Title	Name (Note 1)	Remuneration to directors								Sum of A, B, C and D; and proportion of net income after tax (%)(Note 10)		Remuneration received by directors for concurrent service as employee								Sum of A, B, C, D, E, F and G; and proportion to Net income after tax (%) (Note 10)		Remuneration received from invested companies other than Company subsidiaries or parent company (Note 11)
		Base compensation (A) (Note 2)		Retirement pay and pension (B)		Director profit-sharing compensation (C) (Note 3)		Expenses and perquisites (D)(Note 4)				Salary, rewards, and special disbursements (E)(Note 5)		Retirement pay and pension (F)		Employee profit-sharing compensation (G)(Note 6)						
		The Company	All companies mentioned in the financial statements (Note 7)	The Company	All companies mentioned in the financial statements (Note 7)	The Company	All companies mentioned in the financial statements (Note 7)	he Compa	All companies mentioned in the financial statements (Note 7)	The Company	All companies mentioned in the financial statements (Note 7)	The Company	All companies mentioned in the financial statements (Note 7)	The Company	All companies mentioned in the financial statements (Note 7)	The Company		companies mentioned in the financial statements (Note 7)		The Company	All companies mentioned in the financial statements(Note 7)	
										Sum/Proportion	Sum/Proportion					Cash	Stock	Cash	Stock	Sum/Proportion	Sum/Proportion	
Chairman and President (Note 12)	CHANG, YENG-MING	0	0	0	0	0	0	0	0	0	0	8,009	8,009	584	584	0	0	0	0	8,593 (4.98)%	8,593 (4.98)%	None
Director	TENG, WAN-SHENG	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	None
Director	Fu Li Investment Co., Ltd. (Representative: CHUANG, YUNG-SHUN)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	None
Director	TSENG, TSUNG-LIN	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	None
Independent Director	HUANG, HSU-NAN	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	None
Independent Director	SHAE, ZON-YIN	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	None
Independent Director	TSENG, CHING-YIH	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	None

1. Specify the policy, system, standards, and structure of remuneration for independent directors, and explain the correlation between the remuneration amount and factors such as responsibilities, risks, and time commitment:
   In accordance with Article 20-1 of the Company's Articles of Incorporation, remuneration to directors is authorized by the Board of Directors based on the extent of the director's involvement in the Company's operations and the value of their contributions, taking into account the usual standards in the industry.
2. In addition to the disclosures in the table above, list the remuneration received by directors for services provided in the most recent year (such as serving as non-employee consultants for the parent company/all companies mentioned in the financial statements/re-invested enterprises): None.

Note 1: Directors (including independent directors) appointed on June 14, 2022: CHANG, YENG-MING; TENG, WAN-SHENG; Fu Li Investment Co., Ltd. (Representative: CHUANG, YUNG-SHUN); TSENG, TSUNG-LIN; HUANG, HSU-NAN; SHAE, ZON-YIN; and TSENG, CHING-YIH.

Note 2: Refers to base compensation received by directors in the most recent year (including director salaries, allowances, severance pay, different bonuses, rewards, etc.): The Company did not distribute such compensation.

Note 3: Refers to Director profit-sharing compensation distributed by the Board of Directors in the most recent year.

Note 4: Refers to expenses and perquisites related to directors' performance of duties in the most recent year (including transportation expenses, special disbursements, different allowances, housing, vehicle provisions, etc.). If providing housing, cars, or other transportation or personal assets, the nature and cost of the provided assets, actual rent, fuel costs, and other payments must be disclosed based on fair market value. Additionally, if a driver is provided, provide an explanation of the compensation paid to the driver by the Company, excluding the remuneration.

Note 5: Refers to Remuneration received by directors who also served as employees (including presidents, vice presidents, other managers, and employees) in the most recent year (including salaries, duty allowances, severance pay, different bonuses, rewards, transportation expenses, special disbursements, different allowances, housing, vehicle provisions, etc.). If providing housing, cars, and other transportation or personal assets, the nature and cost of the provided assets, actual rent, fuel costs, and other payments must be disclosed based on fair market value. Additionally, if a driver is provided, provide an explanation of the compensation paid to the driver by the Company, excluding the remuneration. Also, in accordance with the IFRS 2 "Share-based Payment", the salary expenses recognized including employee stock options, restricted employee stock, and participation in cash capital increases by subscribing for shares must also be included in remuneration.

Note 6: Refers to remuneration received by directors who also serve as employees (including presidents, vice presidents, other managers, and employees) in the most recent year (including stock and cash compensation). The amount of Employee profit-sharing compensation distributed by the Board of Directors in the most recent year must be disclosed. If the amount cannot be estimated, the proposed distribution amount must be calculated based on the proportion of actual distribution amount from the previous year, and Attachment 1-3 must also be completed.

Note 7: Total remuneration paid to each Company director, including all companies disclosed in the consolidated financial statements (including the Company), must be disclosed.

Note 8: Total remuneration paid to each Company director must be disclosed in the corresponding remuneration range, along with said directors' names.

Note 9: Total remuneration paid to each Company director by all companies disclosed in the consolidated financial statements (including the Company) must be disclosed in the corresponding remuneration range, along with said directors' names.

Note 10: Net income after tax refers to the Net income after tax of parent-company-only or individual financial statements in the most recent year.

Note 11: a. This column must clearly state the amount of remuneration received by the Company's directors from re-invested enterprises other than the subsidiaries or the parent company (if none, indicate "None").

b. If the Company's directors receive remuneration from re-invested enterprises other than the subsidiaries or the parent company, the remuneration received by the Company's directors from re-invested enterprises other than the subsidiaries or the parent company must be included in column I of the Remuneration Range table, and the column name must be changed to "Parent Company and All Re-invested Enterprises".

c. Remuneration refers to the base compensation and profit-sharing compensation (including employee, director, and supervisor profit-sharing compensation) related to the expenses and perquisites received by the Company's directors in their capacity as directors, supervisors, or managers of re-invested enterprises other than the subsidiaries or the parent company.

Note 12: Chairman and President Mr. CHANG, YENG-MING was relieved of his duties as President and assumed the sole position of Chairman following a resolution of the Board of Directors on December 18, 2023.

* The remuneration disclosed in this table is different from the concept of income under the Income Tax Act. Therefore, the purpose of this table is for information disclosure and not for taxation purposes.

2. Remuneration to presidents and vice presidents

Unit: NT$ thousand; thousand shares; data as of Dec. 31, 2023

Title	Name	Salary (A)		Retirement pay and pension (B)		Rewards, and special disbursements (C)		Employee profit-sharing compensation (D)				Sum of A, B, C and D; and proportion of net income after tax (%)(Note 10)		Remuneration received from an invested company other than the Company's subsidiary or parent company
		The Company	All companies mentioned in the financial statements	The Company	All companies mentioned in the financial statements	The Company	All companies mentioned in the financial statements	The Company		All companies mentioned in the financial statements		The Company	All companies mentioned in the financial statements	
								Cash	Stock	Cash	Stock			
Chairman and President (Note 1)	CHANG, YENG-MING	5,212	5,212	584	584	2,797	2,797	0	0	0	0	8,593 (4.98)%	8,593 (4.98)%	None
President (Note 2)	HU, HSUAN-TSUNG	2,520	2,520	107	107	926	926	0	0	0	0	3,553 (2.06)%	3,553 (2.06)%	None
Senior Vice President of XAC Automation Corporation (US)	NI, CHU-CHING	0	7,162	0	192	0	0	0	0	0	0	0 0%	7,354 (4.26)%	None
Vice President of XAC Automation Corporation (US)	CHARLES	0	6,606	0	203	0	0	0	0	0	0	0 0%	6,809 (3.95)%	None
Vice President of Hardware Product Plan Management Division	CHIN, YUNG-HUI	3,617	3,617	129	129	1,725	1,725	0	0	0	0	5,471 (3.17)%	5,471 (3.17)%	None
Executive Vice President of XAC Automation Corporation (Suzhou) (Note 3)	LIU, YUN	0	2,673	0	0	0	223	0	0	0	0	0 0%	2,896 (1.68)%	None
Vice President, OS & System Division, XAC Automation Corporation (Suzhou) (Note 4)	SHEN, PAO-HUI	0	2,139	0	0	0	178	0	0	0	0	0 0%	2,317 (1.34)%	None
Vice President, Device Design (Note 4)	TSAI, HSIN-LIANG	2,280	2,280	107	107	895	895	0	0	0	0	3,282 (1.90)%	3,282 (1.90)%	None

Note 1: Chairman and President Mr. CHANG, YENG-MING was relieved of his duties as President and assumed the sole position of Chairman following a resolution of the Board of Directors on December 18, 2023.
Note 2: Mr. HU, HSUAN-TSUNG was promoted to President following a resolution of the Board of Directors on December 18, 2023.
Note 3: Mr. LIU, YUN was promoted to Executive Vice President following a resolution of the Board of Directors on December 18, 2023.
Note 4: Mr. SHEN, PAO-HUI and Mr. TSAI, HSIN-LIANG were promoted to Vice Presidents following a resolution of the Board of Directors on December 18, 2023.

* The remuneration disclosed in this table is different from the concept of income under the Income Tax Act. Therefore, the purpose of this table is for information disclosure and not for taxation purposes.

3. Remuneration to the top five executives (individually disclose their names and remuneration)

Unit: NT$ thousand; thousand shares; data as of Dec. 31, 2023

Title	Name	Salary (A)		Retirement pay and pension (B)		Rewards, and special disbursements (C)		Employee profit-sharing compensation (D)				Sum of A, B, C and D; and proportion of net income after tax (%)		Remuneration received from an invested company other than the company's subsidiary or parent company
		The Company	All companies mentioned in the financial statements	The Company	All companies mentioned in the financial statements	The Company	All companies mentioned in the financial statements	The Company		All companies mentioned in the financial statements		The Company	All companies mentioned in the financial statements	
								Cash	Stock	Cash	Stock			
Chairman and President (Note 1)	CHANG, YENG-MING	5,212	5,212	584	584	2,797	2,797	0	0	0	0	8,593 (4.98)%	8,593 (4.98)%	None
President (Note 2)	HU, HSUAN-TSUNG	2,520	2,520	107	107	926	926	0	0	0	0	3,553 (2.06)%	3,553 (2.06)%	None
Senior Vice President of XAC Automation Corporation (US)	NI, CHU-CHING	0	7,162	0	192	0	0	0	0	0	0	0 0%	7,354 (4.26)%	None
Vice President of XAC Automation Corporation (US)	Charles	0	6,606	0	203	0	0	0	0	0	0	0 0%	6,809 (3.95)%	None
Vice President of Hardware Product Plan Management Division	CHIN, YUNG-HUI	3,617	3,617	129	129	1,725	1,725	0	0	0	0	5,471 (3.17)%	5,471 (3.17)%	None

Note 1: Chairman and President Mr. CHANG, YENG-MING was relieved of his duties as President and assumed the sole position of Chairman following a resolution of the Board of Directors on December 18, 2023.
Note 2: Mr. HU, HSUAN-TSUNG was promoted to President following a resolution of the Board of Directors on December 18, 2023.
* The remuneration disclosed in this table is different from the concept of income under the Income Tax Act. Therefore, the purpose of this table is for information disclosure and not for taxation purposes.

(6) Names of managerial officers with remuneration as employees and payment status

Unit: NT$ thousand; data as of Dec. 31, 2023

<table>
<tr><th colspan="2">Title(Note 1)</th><th>Name(Note 1)</th><th>Stock</th><th>Cash</th><th>Total</th><th>Proportion of net income after tax (%)</th></tr>
<tr><td rowspan="11">Managerial Officer</td><td>Chairman and President (Note 5)</td><td>CHANG, YENG-MING</td><td rowspan="11">0</td><td rowspan="11">0</td><td rowspan="11">0</td><td rowspan="11">0</td></tr>
<tr><td>Senior Vice President of XAC Automation Corporation (US)</td><td>NI, CHU-CHING</td></tr>
<tr><td>Vice President of XAC Automation Corporation (US)</td><td>Charles</td></tr>
<tr><td>Vice President of Hardware Product Plan Management Division</td><td>CHIN, YUNG-HUI</td></tr>
<tr><td>President (Note 6)</td><td>HU, HSUAN-TSUNG</td></tr>
<tr><td>Executive Vice President (Note 7)</td><td>LIU, YUN</td></tr>
<tr><td>Vice President, OS & System Division(Note 8)</td><td>SHEN, PAO-HUI</td></tr>
<tr><td>Vice President, Device Design(Note 8)</td><td>TSAI, HSIN-LIANG</td></tr>
<tr><td>Assistant Vice President, Channel Development & Relationship Optimization Division</td><td>KUO, HUI-LING</td></tr>
<tr><td>Director of Corporate Governance and Accounting Supervisor</td><td>HSU, JEN-CHIEN</td></tr>
<tr><td>Manager of Financial Division and Financial Director</td><td>CHANG, MENG-YI</td></tr>
</table>

Note 1: Individual names and titles must be disclosed; however, the distribution of profits may be disclosed in the form of a summary.

Note 2: The amount of profit-sharing remuneration for managers approved by the Board of Directors for the most recent year must be filled in (including stocks and cash). If it cannot be estimated, the proposed distribution amount for this year shall be calculated based on the actual distribution amount from the previous year. Net income after tax refers to the net income after tax for the most recent year. Where the International Financial Reporting Standards are adopted, Net income after tax refers to the Net income after tax of parent-company-only or individual financial statements for the most recent year.

Note 3: The scope of application for managers is based on the Financial Supervisory Commission's Securities and Futures Bureau official letter Tai-Tsai-Cheng-San-Tzu No. 0920001301, dated March 27, 2003, as follows:

(1) President and equivalent positions
(2) Vice President and equivalent positions
(3) Assistant Vice President and equivalent positions
(4) Supervisor of Finance Department
(5) Supervisor of Accounting Department
(6) Supervisor of Corporate Governance
(7) Others who are responsible for corporate management and have signing authority.

Note 4: If directors, presidents, and vice presidents receive employee profit-sharing compensation (including stocks and cash), in addition to completing Appendix 1-2, this table must also be completed.

Note 5: Chairman and President Mr. CHANG, YENG-MING was relieved of his duties as President and assumed the sole position of Chairman following a resolution of the Board of Directors on December 18, 2023.

Note 6: Mr. HU, HSUAN-TSUNG was promoted to President following a resolution of the Board of Directors on December 18, 2023.

Note 7: Mr. LIU, YUN was promoted to Executive Vice President following a resolution of the Board of Directors on December 18, 2023.

Note 8: Mr. SHEN, PAO-HUI and Mr. TSAI, HSIN-LIANG were promoted to Vice Presidents following a resolution of the Board of Directors on December 18, 2023.

(7) Separate comparison and description of total remuneration, as a proportion of net income after tax stated in the parent company-only financial reports or individual financial reports, as paid by the Company and by each other company included in the consolidated financial statements during the past 2 fiscal years, to directors, presidents, and vice presidents; as well as analysis and description of remuneration policies, standards, and packages, the procedure for determining remuneration, and its linkage to operating performance and future risk exposure.

1. Analysis of the proportion of net income after tax, as a proportion of net income after tax stated in the parent company-only financial reports or individual financial reports, as paid by the Company during the past 2 fiscal years, to directors, presidents, and vice presidents:

Unit: NT$ thousand; data as of Dec. 31, 2023

Year	2022				2023			
Title	Total remuneration		Total remuneration, as a proportion of net income after tax stated in the parent company-only financial reports or individual financial reports (%)		Total remuneration		Total remuneration, as a proportion of net income after tax stated in the parent company-only financial reports or individual financial reports (%)	
	The Company	All companies mentioned in the financial statements	The Company	All companies mentioned in the financial statements	The Company	All companies mentioned in the financial statements	The Company	All companies mentioned in the financial statements
Director	0	0	0	0	0	0	0	0
President and Vice President	13,856	27,773	(8.37)	(16.78)	20,899	40,275	(12.11)	(23.34)

Note 1: Net loss after tax in 2022 was NT$165,474,000.

Note 2: Net loss after tax in 2023 was NT$172,558,000.

2. Policies, standards, and composition of remuneration; procedures for determining remuneration; and correlation with operational performance and future risks:

(1) Remuneration for directors provided by the Company comprises profit-sharing compensation, expenses, and perquisites. Director profit-sharing compensation is based on Article 28 of the Company's Articles of Incorporation: "If the Company makes a profit in the year, 3% to 12% of the profit shall be allocated for employee profit-sharing compensation, with director profit-sharing compensation not exceeding

3%. When the Company still has accumulated losses, it must reserve an amount for offsetting them in advance. The recipients of employee profit-sharing compensation (including stocks and cash), as mentioned earlier, include employees of holding and subordinate companies who meet certain conditions". In the annual financial statements of the Company, if there are profits, taxes must be paid first, followed by offsetting past losses. Then, ten percent of the profit must be set aside as legal reserve, unless the legal reserve has reached the Company's paid-in capital, in which case this is not required. Additionally, special reserve may be set aside based on the Company's operational needs and legal requirements, with the Board of Directors deciding to retain them as necessary. If there are still profits, along with undistributed profits from the previous period, the Board of Directors shall propose a profit distribution plan to the shareholders' meeting for approval. Since the determination of profit-sharing compensation is based on the distribution of profits for the current year, it is highly correlated with the Company's operational performance. The remuneration paid to the president and vice president, in addition to salaries, is adjusted and distributed based on the Company's operational performance.

(2) The remuneration provided to the Company’s President and Vice President comprises salary, rewards, and vehicle allowances, in addition to employee bonuses distributed from profits. These are authorized by the Board of Directors and determined by the Chairman in accordance with the Company's salary review regulations. The distribution of employee bonuses depends on the proportion of profits for the current year, thus showing a high correlation with the Company's operational performance.

4. Corporate Governance Implementation Status

(1) Board of Directors Operations Status

A total of 6 board meetings were held in the past year. Director attendance is as follows:

Title	Name	Attendance in person	Attendance by proxy	Attendance rate (%)	Remarks
Chairman	CHANG, YENG-MING	5	1	83%	None
Director	TENG, WAN-SHENG	6	0	100%	None
Director	Fu Li Investment Co., Ltd. (Representative: CHUANG, YUNG-SHUN)	6	0	100%	None
Director	TSENG, TSUNG-LIN	6	0	100%	None
Independent Director	HUANG, HSU-NAN	6	0	100%	None
Independent Director	SHAE, ZON-YIN	6	0	100%	None
Independent Director	TSENG, CHING-YIH	4	2	67%	None

Other matters to be recorded:

1. If any of the following circumstances occur, the date of the meeting, term, content of motion, all independent directors' opinions and the company's response shall be specified: The Company has an Audit Committee; see page 31 of this Annual Report.
   (1) Matters referred to in Article 14-3 of the Securities and Exchange Act.
   (2) Other matters involving dissenting or qualified opinions from or by independent directors that were recorded or stated in writing that require a resolution by the Board of Directors.
2. If directors have recused themselves to avoid motions with conflicts of interest, the directors' names, contents of motion, causes for recusal and voting shall be specified: None.
3. Listed companies shall disclose the evaluation cycles, periods, scope, method and content of self-evaluation (or peer-evaluation) of the Board of Directors and Board of Directors Evaluation Implementation Status:

Evaluation cycle	Evaluation period	Evaluation scope	Evaluation method	Evaluation criteria
Annually	Evaluation performed on Board of Directors performance from Jan. 1, 2023 to Dec. 31, 2023.	Overall Board of Directors performance evaluation	Individual board member self-evaluations	1.Participation in the Company's operations 2.Improvement of the quality of board decisions 3.Composition and structure of Board of Directors 4.Directors' elections and continuing education 5.Internal controls
		Individual director member performance evaluations	Individual board member self-evaluations	1.Familiarity with the Company's goals and missions 2.Awareness of directors' duties 3.Participation in the Company's operations 4.Management of internal relationships and communication 5.Director's professionalism and continuing education 6.Internal controls
		Functional committee performance evaluations	Functional committee member performance evaluations	1.Participation in the Company's operations 2.Awareness of functional committees' duties 3.Promotion the functional committee decision-making quality 4.Composition and election of functional committee members 5.Internal controls

The Company has completed the 2023 board of directors and functional committee (Compensation Committee and Audit Committee) performance self-evaluation, and reported the evaluation results at the board meeting on March 7, 2024 as the basis for review and improvement. The board of directors' and its members' average performance evaluations ranged from 4.6 to 5.0 (out of 5 points), and the functional committees' average performance evaluations ranged from 4.7 to 5.0 (out of 5 points).

The board of directors and functional committees operated effectively and in accordance with the law in 2023; overall operations were sound and met corporate governance requirements. All directors and functional committee members fulfilled their duties and effectively played their roles.

4. Measures taken to strengthen Board functionality (such as establishing an Audit Committee, improving information transparency, etc.) in the current and most recent year:

Enhancing Board of Directors' Functions	Evaluation of Implementation Status
Establishment of Audit Committee	To enhance Board of Directors functions, the Company elected three independent directors at the shareholder's meeting on June 16, 2016, and established an Audit Committee.
Improving Information Transparency	1. The Company has designated personnel responsible for collecting and disclosing corporate information, implementing a spokesperson system, and updating information on the Company's website. 2. The Company has established the Rules and Procedures of Board Meetings in accordance with the Regulations Governing Procedure for Board of Directors Meetings of Public Companies, to ensure compliance, and inputs directors' attendance at Board meetings into the Market Observation Post System. Major decisions made at Board meetings are disclosed on the Company's website.
Improving Communication Between Directors and Internal Audit Supervisor	To better understand whether the overall operations of the Company comply with relevant laws and regulations, directors shall maintain constructive communication with the Company's internal audit supervisor regarding the financial and operational status, both during regular periods and during the Board meetings.
Enhancing Directors' Expert Knowledge to Strengthen the Board's Functionality	Information on courses aimed at enhancing directors' expert knowledge is provided to the Company's directors, and directors are encouraged to participate in such courses.

(2) Audit Committee Operations Status

A total of 5 Audit Committee meetings were held in the most recent year. Independent directors' attendance is shown below:

Title	Name	Attendance in person	Attendance by proxy	Attendance rate (%)	Remarks
Independent Director	HUANG, HSU-NAN	5	0	100%	None
Independent Director	SHAE, ZON-YIN	5	0	100%	None
Independent Director	TSENG, CHING-YIH	3	2	60%	None

1. The operation of the Audit Committee is primarily aimed at assisting the Board of Directors in supervising the following matters:
    1. Appropriate expression of the Company's financial statements.
    2. Selection (/dismissal) of certified public accountants and their independence and performance.
    3. Effective implementation of the Company's internal control.
    4. The Company's compliance with relevant laws and regulations.
    5. The Company's management and control of existing or potential risks.
2. The Audit Committee's deliberation powers extend to the following:
    1. Formulating and amending internal control systems, in accordance with Article 14-1 of the Securities and Exchange Act.

2. Assessing the effectiveness of internal control systems.
3. Establishing and amending procedures for major financial actions such as acquisition or disposal of assets, engaging in derivative trading, extension of monetary loans to others, and endorsements and guarantees for others, in accordance with Article 36-1 of the Securities and Exchange Act.
4. Matters involving conflicts of interest of directors themselves.
5. Major asset and derivative trading.
6. Major fund lending, endorsements, and guarantees.
7. Offering, issuing, and privately placing equity-like securities.
8. Appointment, dismissal, and remuneration of certified public accountants.
9. Appointment and dismissal of financial, accounting, and internal audit supervisors.
10. Annual financial reports signed and stamped by the Chairman, managers, and accounting supervisors, as well as the second quarter (Q2) financial reports requiring auditing by certified public accountant.
11. Other significant matters as stipulated by the Company and competent authorities.
12. Self-assessment questionnaires for Audit Committee performance evaluations.
13. Regular review of organizational regulations and related matters.

Other matters to be disclosed include:

1. Matters listed in Article 14-5 of the Securities and Exchange Act, and other matters not approved by the Audit Committee but approved by a resolution of two-thirds or more of all directors.

<table>
<tr><th>Board meeting</th><th>Resolution and responses</th><th>Listed in Article 14-5 of the Securities and Exchange Act?</th><th>Not approved by the Audit Committee but approved by a resolution of two-thirds or more of all directors?</th></tr>
<tr><td rowspan="2">10th term, 4th meeting Jan. 31, 2023</td><td>1. Approval of changing certified public accountant.
2. Approved the evaluation report on the independence and suitability of the Company’s certified public accountant.
3. Approved the Company’s 2024 budget.</td><td>✓</td><td>None</td></tr>
<tr><td colspan="3">Independent directors' opposition/reserved opinions or significant opinions: None.
Audit Committee Resolution (January 31, 2023): Unanimous agreement by all attending directors of the Audit Committee.
Company's Response to Audit Committee's Opinion: Unanimous agreement by all attending directors.</td></tr>
<tr><td rowspan="2">10th term, 5th meeting Mar. 15, 2023</td><td>1. Approved the Company’s 2022 Business Report and Financial Statements.
2. Approved the Company’s declaration of internal control system for the year 2022.
3. Approved the Company’s profit and loss appropriation for the year 2022.
4. Approved the Company’s pre-approved (non-)assurance service cases.
5. Approved revision of the Company’s Procedures for the Acquisition or Disposal of Assets.
6. Approved private placement of the Company’s common shares.</td><td>✓</td><td>None</td></tr>
<tr><td colspan="3">Independent directors' opposition/reserved opinions or significant opinions: None.
Audit Committee Resolution (March 14, 2023): Unanimous agreement by all attending directors of the Audit Committee.
The Company's Response to the Audit Committee's Opinion: Unanimous agreement by all attending directors.</td></tr>
<tr><td rowspan="2">10th term, 7th meeting Aug. 9, 2023</td><td>1. Approved fund lending proposal for the XAC (Suzhou) project.</td><td>✓</td><td>✓</td></tr>
<tr><td colspan="3">Independent directors' opposition/reserved opinions or significant opinions: None.
Audit Committee Resolution (August 9, 2023): Unanimous agreement by all attending directors of the Audit Committee.
The Company's Response to the Audit Committee's Opinion: Unanimous agreement by all attending directors.</td></tr>
</table>

2. The implementation status of independent directors' recusal from resolutions regarding conflict of interest must be disclosed, including the name of the independent director, the content of the resolution, reasons for recusal due to potential conflicts of interest, and voting participation: None.
3. Communication between independent directors, internal audit supervisor and certified public accountant (significant matters, methods, and outcomes of communication regarding the company's financial and operational status must be included): The Company’s internal audit supervisor regularly reports to the independent directors on the implementation status of internal audits (including follow-up reports). The certified public accountant communicates with the independent directors twice a year regarding the Company’s financial and operational status. Additionally, if independent directors need to inquire about financial or operational matters, the Company shall promptly convene the certified public accountant and related units’ supervisors to report to the independent directors.

(3) Corporate Governance – Implementation Status, Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies, and Reasons For Such

Criterion	Implementation Status (Note 1)			Deviation from the Corporate Governance Best-Practice Principles for the TWSE/TPEX Listed Companies and reasons for such
	Yes	No	Summary	
1. Has the Company established and disclosed its corporate governance practices based on the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies?	✓		The Company has established the Corporate Governance Best Practice Principles and disclosed them on the Company's website.	None
2. Equity structure and shareholders' equity				None
(1) Has the Company instituted internal procedures for handling suggestions, questions, shareholder disputes and legal actions, and does the Company properly comply with such procedures?	✓		(1) In addition to having a spokesperson and a deputy spokesperson, the Company also has its stock agency, Fubon Securities Co., Ltd., handle shareholder-related issues and suggestions. If legal issues are involved, legal counsel will be engaged to assist with the matter.	
(2) Does the Company track a list of the Company's major shareholders and the parties with ultimate control of the major shareholders?	✓		(2) The Company's major shareholders and the ultimate owners of those shares are primarily (1) directors, (2) related parties of directors, (3) founding shareholders, and (4) domestic legal entities that have long-term investments in the Company. The investment relationships are relatively stable.	
(3) Has the Company established and implemented risk management mechanisms and firewalls between the corporate headquarters and affiliates?	✓		(3) The entities involved in legal entity design, operations, tax, and legal risk management with related enterprises operate independently, with some cross-organizational management functions for overall efficiency. However, personnel roles, responsibilities, and management authority are clearly defined by organizational charts and authority matrices. The operational objectives of parent and subsidiary companies, as well as their respective roles and main functions, are also clearly defined, allowing for adjustments to risk assessment, control, and management system, and to well firewalling methods, in response to operational results and changes in the local external environment. The Company has established the Corporate Risk	

Criterion	Implementation Status (Note 1)			Deviation from the Corporate Governance Best-Practice Principles for the TWSE/TPEX Listed Companies and reasons for such
	Yes	No	Summary	
(4) Has the company adopted internal rules prohibiting company insiders from trading securities using information not disclosed to the market?	✓		Management Measures to address these issues. (4) The Company has established internal regulations, titled the Procedures for Preventing Insider Trading, and disclosed them on the Company's website.	
3. Composition and Responsibilities of the Board of Directors (1) Has the Board established a diversity policy and specific management goals, then implemented them accordingly? (2) Further to the establishment of the Compensation Committee and the Auditing Committee, has the Company voluntarily established other functional committees? (3) Has the Company established a methodology for evaluating the performance of its Board of Directors, performed evaluations on an annual basis, submitted the results of such performance evaluation to the Board, and used such as a reference for individual director remuneration and renomination? (4) Does the Company regularly evaluate the independence of the commissioned certified public accountants?	 ✓ ✓	✓ ✓	(1) The Company currently has three independent directors, but has not yet established a diversity policy. All members of the Board comply with legal requirements and possess expert qualifications and independence needed for the industry. (2) The Company has established a Compensation Committee and an Audit Committee, but has not established other types of functional committees. Additional committees will be established in the future as needed for operational requirements. (3) The Company has established the Board and Functional Committee Performance Evaluation Procedure, and conducts a board performance evaluation annually. The evaluation includes Board self-assessment, Board member self-assessments, and functional committee self-assessment. The evaluation results for 2023 were reported to the Board on March 7, 2024, serving as a reference for individual compensation and nomination for re-election. (4) The Company's Audit Committee conducts annual assessments of the independence and suitability of the certified public accountant, and reports the results of such to the Board of Directors. The evaluation is based on the provisions of the Certified Public Accountant Act and the Norm of Professional Ethics for Certified Public Accountant. Evaluation criteria are established to confirm that the certified public accountant has no financial interests or business relationships with the Company	Under discussion and formulation.

Criterion	Implementation Status (Note 1)			Deviation from the Corporate Governance Best-Practice Principles for the TWSE/TPEX Listed Companies and reasons for such
	Yes	No	Summary	
			other than fees for audit and tax matters. The certified public accountant's family members also do not violate independence requirements. Additionally, a declaration of independence issued by the certified public accountant is obtained. The Audit Quality Indicators (AQIs) are also referenced as selection criteria. Regarding the independence and suitability assessment of the certified public accountant, the evaluation results for the most recent year were discussed and approved by the Audit Committee on March 7, 2024, and reported to the Board of Directors for approval on March 7, 2024.	
4. Does the TWSE/TPEX Listed Company have an appropriate and appropriate number of corporate governance personnel, and has the Company designated a Corporate Governance Senior Officer to deal with corporate governance related affairs (including, but not limited to, providing directors and supervisors with information required for the implementation of their duties; assisting directors and supervisors in complying with the laws and regulations; conducting board meeting and shareholders' meeting related matters; preparing the minutes for board meetings and shareholders' meeting in accordance with the law; etc.)?	✓		The Company appointed a Corporate Governance Supervisor on August 2, 2019, who is responsible for corporate governance-related matters.	None
5. Has the Company established a communications channel and established a designated zone on its website for stakeholders (including, but not limited to, shareholders, employees, customers, and suppliers), and has the Company properly responded to all CSR issues such stakeholders are concerned with?	✓		Functional supervisors communicate with banks, customers, employees, suppliers, and other stakeholders on a daily basis to ensure smooth operations. Regarding investors and regulatory authorities, the Company has established a spokesperson and deputy spokesperson system to address shareholder inquiries. They also comply with information disclosure regulations by uploading necessary announcements and maintaining a "Stakeholder" section on	None

Criterion	Implementation Status (Note 1)			Deviation from the Corporate Governance Best-Practice Principles for the TWSE/TPEX Listed Companies and reasons for such
	Yes	No	Summary	
			the Company's website to facilitate effective communication channels.	
6. Has the Company appointed a professional shareholder services agency to deal with shareholder affairs?	✓		The Company has appointed a professional shareholder service agency, Fubon Securities Co., Ltd., to handle different securities matters on behalf of the Company.	None
7. Disclosures (1) Has the Company established a website for disclosure of the Company's financial, business, and corporate governance? (2) Has the Company adopted other means of disclosure (e.g., creating an English-language website, appointing designated persons for the gathering and disclosure of information, properly implementing a spokesperson system, and posting minutes for the investor conference on the website)? (3) Does the Company announce and report the annual financial report within two months after the end of the fiscal year? Does the Company announce and report the first, second, and third quarter financial reports, as well as monthly operating conditions, well in advance of the required deadlines?	 ✓ ✓	 ✓	 (1) The Company has a website [www.xac.com.tw], which includes information such as company profile, product introduction, finance, business, investor relations, and corporate governance. (2) The Company has established an English website, with dedicated personnel responsible for the disclosure of public information online. Additionally, there is a spokesperson and a deputy spokesperson system in place, with one spokesperson and one deputy spokesperson appointed. (3) The Company currently submits financial reports and monthly operational updates in accordance with the provisions of the Matters Required to be Handled by Issuers of Listed Securities. Although annual financial reports have not been announced and filed within two months after the end of the fiscal year, they have been completed and announced ahead of the prescribed deadline.	None
8. Is there any other important information to facilitate a better understanding of the Company's corporate governance practices (including, but not limited to, employee rights and benefits, employee care, investor relations, supplier relations, stakeholder rights, directors' and supervisors' continuing education,	✓		(1) Employee rights and benefits: In addition to establishing an Employee Welfare Committee in accordance with the laws and regulations and implementing a retirement pension system, the Company also provides group insurance for employees. (2) Employee care: The Company places great emphasis on a comfortable and clean working environment, and prioritizes employee safety. Access points are equipped with access card	None

Criterion	Implementation Status (Note 1)			Deviation from the Corporate Governance Best-Practice Principles for the TWSE/TPEX Listed Companies and reasons for such
	Yes	No	Summary	
implementation of risk management policies and risk evaluation standards, implementation of customer related policies, and Purchasing liability insurance for directors and supervisors)?	✓		systems, security systems, and surveillance cameras, and regular employee health check-ups are conducted. (3) Investor relations: In accordance with the law, the Company truthfully discloses information on the Market Observation Post System to safeguard the interests of investors. Additionally, the Company's website provides contact information for investors as well as spokesperson information, to maintain a positive and harmonious relationship between the Company and shareholders. (4) Supplier relations: Supplier management is a matter of significant importance to the Company. We maintain good communication and interaction with all suppliers, and regularly dispatch experts to guide suppliers in process improvement and enhance quality. This fosters win-win cooperation models. (5) Stakeholder rights: The Company provides channels for stakeholders to voice their concerns and inquiries, both through the Market Observation Post System and the Company's website, where an investor service mailbox is available. In addition to having a spokesperson and deputy spokesperson, we engage our stock affairs agent, Fubon Securities Co., Ltd., to address issues and suggestions from shareholders and stakeholders. In cases involving legal matters, we enlist the assistance of expert lawyers to ensure protection of stakeholders' rights and interests. (6) Director continuing education: Our directors comply with the Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEx Listed Companies regarding the required hours, scope, system, arrangement, and disclosure of continuing education. (7) Implementation of risk management policies and risk evaluation standards; implementation of customer related policies: The Company focuses on its core business and implements different policies in accordance with the law. We have established	None

Criterion	Implementation Status (Note 1)			Deviation from the Corporate Governance Best-Practice Principles for the TWSE/TPEX Listed Companies and reasons for such
	Yes	No	Summary	
			operational standards and implementation norms to reduce and prevent potential risks. Furthermore, the Company has formulated the Corporate Risk Management Measures to guide our risk control efforts. (8) Implementation of customer related policies: The Company maintains a long-standing symbiotic relationship with our customers and adheres to the principle of mutual benefit. We have consistently focused on research and development to manufacture high-quality products with reasonable costs and high added value, earning long-term trust from customers. Over the years, the implementation of these customer policies has proven successful, with the majority of XAC's customers being long-term partners with new projects and business transactions lasting over 5 years. (9) Purchasing liability insurance for directors and supervisors: The Company purchased directors' and executives' liability insurance in June 2023 in accordance with the law.	
9. State of corrective action in response to results of the corporate governance assessment announced by Taiwan Stock Exchange Corporation in the Corporate Governance Center for the most recent fiscal year, and priority for improvement on issues pending further corrective action and related measures. 1. The Company has established the Corporate Governance Best Practice Principles, which were approved by the Board of Directors on November 8, 2023. 2. Chairman and President Mr. CHANG, YENG-MING was relieved of his duties as President and assumed the sole position of Chairman following a resolution of the Board of Directors on December 18, 2023. In addition, HU, HSUAN-TSUNG was appointed as the President of the Company. Therefore, the Chairman and President of the Company are not the same person.				

Note: Regardless of whether “Yes” or “No” is selected, the implementation status must be explained in the summary column.

(4) If the Company has established a Compensation Committee, its composition, responsibilities, and operating status shall be disclosed:

(1) Information on the members of the Compensation Committee

By identity (Note 1)	Criterion / Name	Specialized qualification and experience; independence status	Number of public companies whose Compensation Committee the Company's Compensation Committees are also the members of	Remarks
Independent Director	HUANG, HSU-NAN	Refer to information about the Board members on pages 14–19 of this Annual Report.	2	Convener
Independent Director	SHAE, ZON-YIN		0	None
Independent Director	TSENG, CHING-YIH		0	None

(2) Compensation Committee Operations

1. The Company's Compensation Committee consists of 2 members
2. The term of office for the current Committee members: The term of office is from June 14, 2022 to June 13, 2025. The Compensation Committee convened a total of 2 meetings for the most recent year. The qualifications and attendance of the Committee members are as follows:

Title	Name	Attendance in person	Attendance by proxy	Attendance rate (%) (Note)	Remarks
Convener	HUANG, HSU-NAN	2	0	100%	None
Committee member	SHAE, ZON-YIN	2	0	100%	None
Committee member	TSENG, CHING-YIH	1	1	50%	None

Other matters to be recorded:

1. If the Board of Directors declines to adopt or modifies a recommendation of the Compensation Committee, it shall specify the date of the meeting, term, content of the motion, resolution by the Board of Directors, and the Company's response to the Compensation Committee's opinion (if the remuneration approved by the Board of Directors exceeds the recommendation of the Compensation Committee, the difference and the reasons for the difference shall be disclosed): None.
2. If any members had dissenting or qualified opinions about a resolution of the Compensation Committee, and such opinions were recorded or provided in writing, the date of the meeting, term, content of the motion, all members' opinions and responses to such opinions shall be specified: None.

Note: (1) In the event of a Compensation Committee member resigning before the end of the fiscal year, the resignation date shall be noted in the remarks column. The attendance rate (%) shall be calculated based on the number of Compensation Committee meetings held during the committee members' tenure and their in-person attendance.

(2) In the event of a Compensation Committee member election before the end of the fiscal year, both the newly elected and dismissed Compensation Committee member shall be listed. In

addition, it shall be noted in the remarks column whether the Compensation Committee member is a dismissed, newly elected, or re-elected member, as well as the election date. The attendance rate (%) shall be calculated based on the number of Compensation Committee meetings held during the committee members’ tenure and their in-person attendance.

(5) Promotion of sustainable development – implementation status and deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, and reasons for such

Promoted matter	Implementation status (Note 1)			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, and reasons for such
	Yes	No	Summary	
1. Does the company establish a governance structure to promote sustainable development, and has the company established an exclusive (or concurrent) unit to promote sustainable development; and has the Board of Directors authorized senior management to handle such and report the supervisory status to the Board of Directors?		✓	The Company has not yet established a dedicated (or concurrent) unit for promoting sustainable development.	Where there is consideration of legal or practical necessity, the matter is handled in accordance with the laws and regulations.
2. Does the company assess ESG risks associated with its operations based on the principle of materiality, and has the company established related risk management policies/strategies? (Note 2)		✓	The Company has not yet formulated relevant risk management policies.	Where there is consideration of legal or practical necessity, the matter is handled in accordance with the laws and regulations.
3. Environmental issues				None
(1) Has the company established an appropriate environmental management system in accordance with its industrial characteristics?	✓		(1) The Company's environmental management affairs are coordinated by the Administrative Resources Coordinating & Scheduling Office, which has commissioned a cleaning company to conduct daily cleaning to maintain environmental cleanliness.	
(2) Does the company endeavor to utilize all resources more efficiently and use renewable materials that have low impacts on the environment?	✓		(2) The Company enhances advocacy for the efficient use of different energy sources and has commissioned qualified vendors to handle recycling and disposal of scrapped items, to promote environmental awareness for a green Earth.	
(3) Does the company evaluate the potential risks and opportunities in climate change with regard to its present and future business, and does the company take appropriate action to counter climate change issues?	✓		(3) The Company actively promotes energy conservation, carbon reduction, and greenhouse gas emission reduction measures, while encouraging employees to practice energy-saving and carbon-reducing actions.	
(4) Does the company take inventory of its greenhouse gas emissions, water consumption, and total weight of waste in the last two years, and implement policies on greenhouse gas reduction, water	✓		(4) The Company implements temperature control for air conditioning to effectively achieve greenhouse gas reduction goals. Additionally, resource recycling	

Promoted matter	Implementation status (Note 1)			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, and reasons for such
	Yes	No	Summary	
reduction, or waste management?			slogans are placed in different locations in the office to cultivate good habits of waste classification and ensure environmental protection. Plans have been drafted for greenhouse gas inventory scheduling and establishment of dedicated units.	
4. Social issues (1) Has the company formulated appropriate management policies and procedures in accordance with regulations and the International Bill of Human Rights?	✓		(1) The Company complies with labor laws and respects international labor rights standards, including the Slavery and Human Trafficking Statement, RBA Policy Statement, and Diversity, Equity & Inclusion (DEI). Internal management policies and procedures have been established to safeguard employees' basic rights. In terms of policies, the Company has established management policies and procedures such as the Employee Code of Conduct, the Complaint and Disciplinary Procedures for Sexual Harassment, and a Written Declaration Prohibiting Workplace Violence, all dedicated to creating a high-quality work environment that safeguards employees' rights and welfare. The Company ensures non-discrimination and prohibits inhumane treatment, treating all employees equally regardless of race, religion, gender, age, nationality, etc. Moreover, there have been no incidents of child labor, forced labor, or human rights violations.	None
(2) Does the company have reasonable employee benefit measures (including salaries, leave, and other benefits), and are business performance and results reflected in employee salaries?	✓		(2) The Company's Articles of Incorporation clearly state earnings distribution system. The Company has established compensation and benefits management regulations, performance management regulations, and implemented KPI-based performance evaluations. Additionally, we schedule participation in a biennial industry salary survey conducted by	None

Promoted matter	Implementation status (Note 1)			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, and reasons for such
	Yes	No	Summary	
			compensation consulting firms, to review the adequacy of existing compensation and benefit measures. We clearly define the employee compensation structure, and have established employee attendance management regulations and benefit systems, ensuring that operational results are fully reflected in the employee compensation system.	
(3) Does the company provide a healthy and safe working environment and organize trainings on health and safety for its employees on a regular basis?	✓		(3) Regular (annual) maintenance of firefighting and sanitation equipment is conducted, and annual employee health check-ups are scheduled.	
(4) Does the company provide its employees with career development and training plans?	✓		(4) The Company provides employees with career advancement opportunities and necessary skills.	
(5) Do the company's products and services comply with laws and international standards in relation to customer health and safety, customer privacy, and marketing and labeling of products and services, and are consumer protection and grievance procedure policies implemented?	✓		(5) The Company has established a Code of Ethics and adheres to the Responsible Business Alliance (RBA) Code of Conduct to safeguard consumer rights.	
(6) Does the company implement supplier management policies, requiring suppliers to follow regulations on environmental protection, occupational health and safety, and labor and human rights? What is the implementation status of such?	✓		(6) The Company has established supplier management procedures and requires suppliers to sign RBA declaration letters, declaring compliance with the RBA Code of Conduct.	
5. Does the company refer to internationally-accepted reporting standards or guidelines, and prepare reports that disclose non-financial information of the company, such as sustainability reports? Are assurances obtained for the reports mentioned above from a third party verification unit?		✓	The Company has not yet prepared a sustainability report.	Where there is consideration of legal or practical necessity, the matter is handled in accordance with the laws and regulations.

<table>
<tr><td rowspan="2">Promoted matter</td><td colspan="3">Implementation status (Note 1)</td><td rowspan="2">Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, and reasons for such</td></tr>
<tr><td>Yes</td><td>No</td><td>Summary</td></tr>
<tr><td colspan="5">6. Describe the difference, if any, between actual practice and the sustainability principles, if the company has implemented such principles based on the Sustainability Development Best Practice Principles for TWSE/TPEx Listed Companies:
The Company has not yet established Sustainability Development Best Practice Principles.</td></tr>
<tr><td colspan="5">7. Other useful information for explaining the status of sustainable development practices:
Donations to social welfare organizations and welfare foundations in 2023 are as follows:
1. World Vision Taiwan – Spreading Love through Red Envelopes
2. ECPAT Taiwan - Donations from charity sales
3. Welfare Association for Children Awaiting Adoption -More Christmas Delight, With You It's Just Right</td></tr>
<tr><td colspan="5">Note 1: If "Yes" is selected for implementation status, provide specific details on the major policies, strategies, measures, and their implementation status. If "No" is selected, explain deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and reasons for such, and outline plans for implementing relevant policies, strategies, and measures in the future.
Note 2: Materiality principles refer to issues related to the environment, society, and corporate governance that have a significant impact on the Company's investors and other stakeholders.
Note 3: Refer to the TWSE (Taiwan Stock Exchange) Corporate Governance Center website for disclosure methods and best practice examples.</td></tr>
</table>

(6) Ethical Corporate Management – Implementation Status and Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies, and reasons for such

Criterion	Implementation Status (Note 1)			Deviations from Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies, and reasons for such
	Yes	No	Summary	
1. Establishment of ethical corporate management policies and programs				None
(1) Has the Company established an ethical corporate management policy that has been approved by the Board of Directors, and clearly stated the ethical corporate management policy and practices, as well as the commitment of the Board of Directors and the top management to actively implementing management in the Articles of Incorporation and external documents?	✓		(1) The Company has established Ethical Corporate Management Best Practice Principles; these were approved by the Board of Directors on November 8, 2023. These Principles are based on integrity management, and include policies to ensure good corporate governance and risk management mechanisms. Different internal regulations have been established to ensure compliance with ethical corporate management and legal requirements, and all directors and managers are required to adhere to them.	
(2) Has the Company established a mechanism to assess risks of unethical conduct? Does the Company regularly analyze and evaluate the business activities within its scope of business that have a higher risk of unethical conduct? Has the Company accordingly formulated a plan to prevent unethical conduct, covering at a minimum the preventive measures for the acts mentioned in Article 7-2 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies?	✓		(2) The Company's Ethical Corporate Management Best Practice Principles specify a business philosophy based on integrity, transparency, and accountability. The Company formulates policies based on integrity and analyzes business activities within its scope for higher risks of dishonest behavior. Additionally, it develops plans to prohibit bribery and corruption. Furthermore, the Company has established regulations such as the Code of Ethical Conduct and the Whistleblowing Procedures to strengthen implementation.	
(3) Within the plan to prevent unethical conduct, has the Company stipulated operating procedures, conduct guidelines, and disciplinary actions against violations, as well as a grievance system? Has the Company	✓		(3) The Company clearly stipulates in its Ethical Corporate Management Best Practice Principles and the Code of Ethical Conduct operational norms for integrity management and prevention of dishonest	

Criterion	Implementation Status (Note 1)			Deviations from Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies, and reasons for such
	Yes	No	Summary	
implemented such matters, and does the Company regularly review and revise the aforementioned matters?			behavior. These include operational procedures, behavioral guidelines, education & training, disciplinary measures for violations, and complaint mechanisms. The Company also conducts regular review and revision of the aforementioned norms.	
2. Implementation of Ethical Management (1) Has the Company evaluated its counterparties' records of ethical practice, and has the Company specified business ethics clauses in agreements binding the Company and its counterparties?	✓		(1) In addition to the Ethical Corporate Management Best Practice Principles, the Company has also established a Supplier Code of Conduct, requiring that all business activities of suppliers comply with the norms specified in the Code. Suppliers are prohibited from offering or accepting any improper benefits or violating relevant laws and ethical standards. Additionally, the Company includes clauses on integrity behavior in contracts with trading partners or requires that they provide a declaration of integrity.	None
(2) Has the Company established a dedicated office under the Board of Directors to promote ethical corporate management, and to report to the Board of Directors on a regular basis (at least once a year) regarding ethical corporate management policies and plans, in order to prevent unethical conduct and to monitor implementation?	✓		(2) The Company's auditing office shall develop relevant audit plans based on assessments of dishonest behavior risk; regularly audit compliance with the aforementioned systems; report the audit results to senior management and the Corporate Governance Division; and submit audit reports to the Board of Directors.	
(3) Has the Company mapped out the policy for avoidance of conflicts of interest, provided suitable channels for such purpose, and properly pursued the policy?	✓		(3) The Company has established Code of Ethics and the Rules and Procedures of Board Meetings to clearly define policies for preventing conflicts of interest. Additionally, the Company provides different offices' contact information for inquiries, communication, and handling related issues, to	None

Criterion	Implementation Status (Note 1)			Deviations from Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies, and reasons for such
	Yes	No	Summary	
			achieve rapid and effective resolution.	
(4) Has the Company established an effective accounting system and internal control system for implementing ethical corporate management? Has the internal auditing unit prepared an audit plan based on the assessment results for unethical conduct risks, and checked compliance with the unethical conduct prevention plan accordingly, or appointed a CPA to conduct the audit?	✓		(4) The Company has established an effective internal control system, and regularly reviews it to ensure its continuous effectiveness in design and implementation. Internal audit personnel also periodically or aperiodically assess the compliance with internal control systems based on risk assessment results.	
(5) Has the Company organized internal and external trainings on ethical management?	✓		(5) The Company regularly conducts education and training sessions for directors, managerial officers, employees, appointees, and substantial owners, inviting parties engaged in business activities with the Company to participate. This aims to ensure a comprehensive understanding of the Company's commitment to ethical conduct, policies, preventive measures, and the consequences of engaging in unethical behavior.	
3. The Company's reporting system in action				None
(1) Has the Company established a reporting and reward system and the channels for facilitating the report on unethical practices, and has it appointed designated personnel to handle the subject of reporting?	✓		(1) The Company has established a Code of Ethics, and discloses it on the Company's website. Employees are encouraged to report any violations of laws, regulations, or ethical standards to the Company and to provide sufficient information for the Company to appropriately address the matter.	
(2) Has the Company created a standard operating procedure (SOP) for investigating reported matters, follow-up measures to be taken after the completion of the investigation, and confidentiality mechanisms?	✓		(2) The Company has established a reporting and handling process for misconduct. The Code of Ethics specifies measures and stipulates that whistleblowers' data and reports must be kept confidential.	
(3) Has the Company taken protection measures to protect	✓		The Company will handle reported cases	

Criterion	Implementation Status (Note 1)			Deviations from Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies, and reasons for such
	Yes	No	Summary	
informants from improper treatment after they report unethical practices?			confidentially, allowing anonymous whistleblowing, and will make employees aware that the Company will make every effort to protect the safety of whistleblowers, shielding them from retaliation.	
4. Enhancing Information Disclosure (1) Has the Company disclosed the Ethical Corporate Management Best Practice Principles content and results on its official website and MOPS?	✓		The Company places ethical corporate management regulations and advocacy information on its internal website. The Company also discloses the content and effectiveness of the Ethical Corporate Management Best Practice Principles on its website, as well as summarizing them in the annual shareholders' meeting report, and disclosing them to the Market Observation Post System.	None
5. If the company has established ethical corporate management policies based on the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies, describe any discrepancy between the policies and their implementation: No difference.				
6. Other important information to facilitate a better understanding of the company's ethical corporate management policies (e.g., review and amend its policies): 1. The Company complies with the Company Act, the Securities and Exchange Act, the Business Entity Accounting Act, regulations for listed companies, and other laws related to commercial activities, as the basis for implementing ethical corporate management. 2. The Company has established the Procedures for Handling Internal Material Information, which stipulates that directors, managers, and employees shall not disclose material non-public information known to them to others. They shall not inquire or collect non-relevant, material, non-public information about the Company from individuals who are aware of such information. They are also prohibited from disclosing material non-public information about the Company to others if it is not obtained in the course of performing their duties.				
Note: Regardless of whether "Yes" or "No" is selected, the implementation status must be explained in the summary column.				

(7) If the company has established corporate governance best practice principles and related regulations, it shall disclose the method for accessing them:

The Company has established corporate governance best practice principles, which are disclosed on the Market Observation Post System and on the Company's website.

(8) Other important information to facilitate a better understanding of the company's corporate governance operations: None.

(9) Implementation of the internal control system

1. Internal Control Statement:

XAC Automation Corporation
Internal Control System Statement

Date: March 7, 2024

With regard to the 2023 internal control system, the Company declares the following based on the self-evaluation findings:

1. The Company is fully aware that establishing, implementing, and maintaining an internal control system are the responsibility of its Board of Directors and managerial officers. The Company has established such a system to provide reasonable assurance for attaining the aims of the effectiveness and efficiency of business operations (including profits, performance, safeguarding of asset security, etc.); reliability, timeliness, transparency of reporting; and compliance with the governing laws and regulations.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system provides assurance to the aforementioned aims only to a reasonable extent. Moreover, due to changes of environments and circumstances, the effectiveness of an internal control system may change accordingly. Nevertheless, the internal control system of the Company is equipped with a self-monitoring mechanism, and the Company takes corrective actions as soon as any fault is identified.
3. The Company determines the design and operating effectiveness of its internal control system in accordance with the determining factors provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (hereinafter referred to as the "Regulations"). The internal control system determining factors specified in the Regulations divide an internal control system into five elements based on its management: 1. Control Environment, 2. Risk Assessment, 3. Control Operations, 4. Information and Communications, and 5. Monitoring. Each element further contains several items. Refer to the Regulations for the aforementioned items.
4. The Company has adopted the aforementioned internal control system determining factors to examine the design and operating effectiveness of its internal control system.
5. Based on the findings of the evaluation mentioned in the preceding paragraph, the Company deems that the internal control system as of December 31, 2023 (including supervision and management of subsidiaries), which encompass internal controls for knowledge of the accomplishment degree of operating effectiveness and efficiency, reliability, timeliness, transparency of reporting, and compliance with the governing laws and regulations, are effectively designed and implemented, and reasonably assure accomplishment of the abovementioned aims.
6. This Statement constitutes the main content of the Company's annual report and prospectus, and will be made public. Any wrongful act pertaining to falsification or concealment involving the above public declaration will be subjected to legal liabilities under Articles 20, 32, 171, and 174 of, and other regulations relating to, the Securities and Exchange Act.
7. This Statement was approved by the Board Meeting of the Company held on March 7, 2024, where none of the nine attending directors expressed dissenting opinions, and all consented to the content of this Statement.

XAC Automation Corporation

Chairman: CHANG, YENG-MING
President: HU, HSUAN-TSUNG

2. If a certified public accountant (CPA) is engaged to conduct a special audit of the internal control system, its audit report shall be disclosed: Not applicable

(10) Whether there has been any legal penalty against the company or its internal personnel, or any disciplinary penalty by the company against its internal personnel for violation of the internal control system in the most recent year or during the current fiscal year preceding the annual report publication date, as well as penalties, primary shortcomings, and conditions for improvement: No such situation exists.

(11) Major resolutions of the shareholders' meeting and the Board meeting for the most recent year and up to the date of publication of the annual report

1. Major shareholders' meeting resolutions and implementation status of such

Meeting Date	Major Resolutions	Implementation Status
June 13, 2023	1. Approval of the 2022 Business Report and Financial Statements.	Following a shareholders' meeting resolution, it has taken effect and been announced on the Market Observation Post System as required by regulations.
	2. Approval of the profit and loss appropriation for the year 2022.	Following a shareholders' meeting resolution, it has taken effect and been announced on the Market Observation Post System as required by regulations.
	3. Approval of the amendment to the Company's Articles of Incorporation.	Following a shareholders' meeting resolution, it has been announced on the Company's website as well as the Market Observation Post System, and implemented in accordance with the revised procedures.
	4. Approval of abolition of the original Shareholders' Meeting Rules and Procedures and establishment of the new Shareholders' Meeting Rules and Procedures.	Following a shareholders' meeting resolution, it has been announced on the Company's website as well as the Market Observation Post System, and implemented in accordance with the revised procedures.
	5. Approval of amendment to the Company's Procedures for the Acquisition or Disposal of Assets.	Following a shareholders' meeting resolution, it has been announced on the Company's website as well as the Market Observation Post System, and implemented in accordance with the revised procedures.
	6. Approved the Company's plan for private placement of ordinary shares.	Takes effect following resolution by the shareholders' meeting; offerees have not yet been contacted as of date of publication.

2. Major Board Meeting Resolutions

Meeting Date	Major Resolutions
January 31, 2023	1. Passed a resolution to change the certified public accountant (as required by regulations to rotate every 7 years). 2. Passed an assessment report on the independence and suitability of the Company's certified public accountants. 3. Passed a proposal to engage in forward foreign exchange transactions and negotiate forward foreign exchange contracts with banks. 4. Passed the budget income statement for the year 2023. 5. Passed 2021 employee bonuses for Company management.
March 15, 2023	1. Approved the Company's 2022 Business Report and Financial Statements. 2. Approved the Company's profit and loss appropriation for the year 2022. 3. Approved the Company's internal control system declaration for the year 2022. 4. Approved the pre-approval of (non) assurance services for the Company. 5. Approved an amendment to the Company's Procedures for Acquisition or Disposal of Assets. 6. Approved an amendment to the Company's Articles of Incorporation.

Meeting Date	Major Resolutions
	7. Approved abolition of the original Shareholders' Meeting Rules and Procedures and establishment of the new Shareholders' Meeting Rules and Procedures. 8. Approved an amendment to the Company's Code of Ethics. 9. Approved a private placement of the Company's common shares. 10. Approved convening of the Company's shareholders' meeting for the year 2023.
April 26, 2023	1. Approved an examination of shareholders' proposals. 2. Approved a Company bank credit limit proposal. 3. Approved a Company proposal not to proceed with the issuance of common shares through private placement approved at the 2022 shareholders' meeting. 4. Approved convening of the Company's 2023 shareholders' annual meeting (with additional reporting items).
August 9, 2023	1. Approved 'a Company bank credit limit proposal. 2. Approved a fund lending proposal for the XAC (Suzhou) project. 3. Approved abolishment of the original Related Party Transaction Operation Procedure and establishment of the new Related Party Transaction Operation Procedure.
November 8, 2023	1. Approved an internal audit plan for the year 2024. 2. Approved a matter on capital decrease through the cancellation and reclamation of new restricted employee shares. 3. Approved an amendment to the Company's Rules and Procedures of Board Meetings. 4. Approved establishment of the Company's Corporate Governance Best Practice Principles. 5. Approved establishment of the Company's Ethical Corporate Management Best Practice Principles.
December 18, 2023	1. Approved dismissal of Mr. CHANG, YENG-MING from the position of CEO and President. 2. Approved an application for retirement benefits for Mr. CHANG, YENG-MING, then-CEO and President of the Company, in accordance with the Retirement Pension Management Regulations for Appointed Managers. 3. Approved proposed compensation for the current Chairman of the Company. 4. Approved appointment of Mr. HU, HSUAN-TSUNG as CEO and President of the Company, as well as the promotion and salary adjustment. 5. Approved a promotion and salary adjustment plan for vice president-level executives of the Company.
January 31, 2024	1. Passed a proposal to engage in forward foreign exchange transactions and negotiate forward foreign exchange contracts with banks. 2. Passed the budget income statement for the year 2023. 3.Approved revision of the Procedures for Endorsements and Guarantees. 4.Approved revision of the Company's Procedures for Handling Internal Material Information.
March 7, 2024	1. Passed a resolution to change the certified public accountant 2. Passed an assessment report on the independence and suitability of the Company's certified public accountants. 3. Approved the Company's 2023 Business Report and Financial Statements. 4. Approved the Company's profit and loss appropriation for the year 2023. 5. Approved the Company's internal control system declaration for the year 2023. 6.Approved revision of the Company's Audit Committee Organizational Rules. 7.Approved revision of the Company's Rules of Procedure for Board Meetings. 8. Approved a private placement of the Company's common shares. 9.Approved convening of the Company's shareholders' meeting for the year 2024.

(12) The most recent year and as of the date of the publication of the annual report, major issues of record or written statements made by any director dissenting to important resolutions passed by the Board of Directors: No such situation exists.

(13) Summary of resignation and dismissal of the company's key individuals, including the company's chairman, president, accounting supervisor, finance supervisor, internal auditor, corporate governance supervisor and R&D supervisor in the most recent year and as of the date of the publication of the annual report:

Summary Table of Resignations/Dismissals of Company-Related Personnel

Title	Name	Date duties began	Date duties ended	Reason for resignation/dismissal
President	CHANG, YENG-MING	April 8, 1997	December 18, 2023	Duty adjustment

5. Certified public accountant (CPA) fee information:

(1) Certified public accountant (CPA) fee information:

Certified public accountant (CPA) fee information

Unit: NT$1,000

Name of CPA firm	Name of CPA	CPA audit period	Audit fee	Non-audit fee (Note)	Total	Remarks
KPMG Taiwan	CHENG, CHIH-AN	Jan. 1, 2023 – Dec. 31, 2023	2,620	851	3,471	There was no change of a certified public accountant this year.
	TSENG, MEI-YU					

Note: 1. Tax audit fee: NT$400,000.
2. Transfer pricing report: NT$300,000.
3. Application for recognition of income derived from the Republic of China, in accordance with Article 8 of the Income Tax Act service fee: NT$100,000.
4. Capital audit fee: NT$35,000.
5. Conducting the 2022 salary reporting and audit for non-management employees in 2023.: NT$16,000.

(2) If the certified public account78ant firm changes, and the audit fee paid in the year of such change is reduced from the audit fee of the previous year, the amount of the audit fee before and after such change and the reason for such change shall be disclosed: Not applicable.

(3) If the audit fee is reduced by more than 10% from last year, then the amount, percentage, and reason for the reduction of the audit fee shall be disclosed: None.

6. Information on CPA Change:

(1) Information on previous CPA

<table>
<tr><td>Date of change</td><td colspan="3">Approved by the Board of Directors on March 7, 2024.</td></tr>
<tr><td>Reason for change and explanation</td><td colspan="3">Due to an internal reorganization within the accounting firm, CPAs CHENG, AN-CHIH and TSENG, MEI-YU have been changed to CPAs CHENG, AN-CHIH and WU, CHUN-YUAN.</td></tr>
<tr><td rowspan="3">Explain if change is due to appointer, or the CPA has terminated or refused to accept the appointment</td><td>Party of concern
Situation</td><td>CPA</td><td>Appointer</td></tr>
<tr><td>Voluntarily terminated the appointment?</td><td>Not applicable</td><td>Not applicable</td></tr>
<tr><td>Refused to accept (continue) the appointment?</td><td>Not applicable</td><td>Not applicable</td></tr>
<tr><td>Comments and reasons for issuing audit reports other than unqualified opinions within the last two years</td><td colspan="3">Not applicable</td></tr>
<tr><td rowspan="7">Disagreements with the issuer</td><td rowspan="5">Disagreement on:</td><td></td><td>Accounting principles or practices</td></tr>
<tr><td></td><td>Disclosure of financial statements</td></tr>
<tr><td></td><td>Scope or procedures of audit</td></tr>
<tr><td></td><td>Others</td></tr>
<tr><td></td><td></td></tr>
<tr><td>None</td><td colspan="2">✓</td></tr>
<tr><td colspan="3">Explanation</td></tr>
<tr><td>Other disclosures (Items 4 to 7, Subparagraph 1, Paragraph 6, Article 10 of the Guidelines shall be disclosed)</td><td colspan="3">Not applicable</td></tr>
</table>

(2) Information on current CPA

Name of CPA firm	KPMG Taiwan
Name of CPA	CPAs CHENG, AN-CHIH and WU, CHUN-YUAN
Date of appointment	Approved by the Board of Directors on March 7, 2024.
Prior to appointment, accounting handling methods and principles for specific transactions and opinions, consultation as well as results that may be issued on financial statements	Not applicable
Written opinions of the current CPA on matters with which the previous CPA disagreed	Not applicable

(3) Reply letter from the previous CPA to the 3 items in Item 1 and Item 2, Subparagraph 6, Article 10 of the Regulations Governing Information to be Published in Annual Reports of Public Companies: Not applicable.

7. Chairman, president, chief financial, or accounting manager of the Company who holds position in the business under the commissioned CPA firm or its affiliates in 1 year: None.

8. Transfers and pledges of shares under lien, in the most recent year to the date this report was printed, by directors, managerial officers and shareholders holding more than 10% of shares, and any change thereof.

(1) Changes in shareholdings of directors, managerial officers and major shareholders

Title	Name (Note 1)	2023 (Note 2)		As of March 31, 2024 (Note 3)	
		Increase (Decrease) in No. of Shares	Increase (Decrease) in No. of Pledged Shares	Increase (Decrease) in No. of Shares	Increase (Decrease) in No. of Pledged Shares
Chairman	CHANG, YENG-MING (Note 4)	0	0	0	0
Director	TENG, WAN-SHENG	0	0	0	0
Director	Fu Li Investment Co., Ltd.	0	0	0	0
Director – Corporate Representative	CHUANG, YUNG-SHUN	0	0	0	0
Director	TSENG, TSUNG-LIN	0	0	0	0
Independent Director	HUANG, HSU-NAN	0	0	0	0
Independent Director	SHAE, ZON-YIN	0	0	0	0
Independent Director	TSENG, CHING-YIH	(99,000)	0	(4,000)	0
President	HU, HSUAN-TSUNG (Note 5)	(6,000)	0	0	0
Vice President of Hardware Product Plan Management Division	CHIN, YUNG-HUI	17,200	0	0	0
Senior Vice President of XAC Automation Corporation (US)	NI, CHU-CHING	0	0	0	0
Vice President of XAC Automation Corporation (US)	Charles	0	0	0	0
Executive Vice President	LIU, YUN (Note 6)	0	0	0	0
Vice President	SHEN, PAO-HUI (Note 7)	0	0	0	0
Vice President	TSAI, HSIN-LIANG (Note 7)	18,000	0	0	0
Assistant Vice President of Channel Development & Relationship Optimization Division	KUO, HUI-LING	0	0	0	0
Director of Corporate Governance and Accounting Supervisor	HSU, JEN-CHIEN	0	0	0	0
Financial Supervisor Manager	CHANG, MENG-YI	0	0	0	0

Note 1: Shareholders holding more than ten percent (10%) the Company's of the total shares must be identified as major shareholders and listed separately.

Note 2: The reported figures for the year 2023 indicate the increase (or decrease) in shareholding for the listed insiders between December of 2022 and December of 2023.

Note 3: The reported figures for the year 2024 up to March 31 indicate the increase (or decrease) in shareholding for the listed insiders between March of 2024 and December of 2023.

Note 4: Chairman and President Mr. CHANG, YENG-MING was relieved of his duties as President and assumed the sole position of Chairman following a resolution of the Board of Directors on December 18, 2023.

Note 5: Mr. HU, HSUAN-TSUNG was promoted to President following a resolution of the Board of Directors on December 18, 2023.

Note 6: Mr. LIU, YUN was promoted to Executive Vice President following a resolution of the Board of Directors on December 18, 2023.

Note 7: Mr. SHEN, PAO-HUI and Mr. TSAI, HSIN-LIANG were promoted to Vice Presidents following a resolution of the Board of Directors on December 18, 2023.

(2) Information on shareholding transferred and shareholding pledged: No such situation exists.

9. Information on shareholders among the top 10 by proportion of shareholding who are related parties (as defined in the Statement of Financial Accounting Standards No. 6) to one another or spouse, kindred within the 2nd degree of kinship

Data as of April 14, 2024

No.	Name (Note 1)	Own shareholdings		Current shareholding by spouse & minor children		Shareholding held through nominees		If there are related parties, spouses, kindred within the 2nd degree of kinship among the top 10 shareholders, give the names and affiliations of such shareholders (Note 3)		Remarks
		Number of shares	Proportion of shares held(Note 2)	Number of shares	Proportion of shares held(Note 2)	Number of shares	Proportion of shares held(Note 2)	Title/Name	Relationship	
1	CHANG, JUI-MIN	4,718,000	4.91%	-	-	-	-	None	None	
2	Heng Li Investment Co., Ltd.(Representative: CHANG, YENG-MING)	4,626,254	4.81%	-	-	-	-	CHANG, YENG-MING	The chairman of Heng Li Investment Co., Ltd. is the Chairman of the Company.	
	CHANG, YENG-MING	3,417,036	3.55%	-	-	-	-	Heng Li Investment Co., Ltd.	The Chairman of the Company is the chairman of Heng Li Investment Co., Ltd.	
3	CHANG, YENG-MING	3,417,036	3.55%	-	-	-	-	Heng Li Investment Co., Ltd.	The Chairman of the Company is the chairman of Heng Li Investment Co., Ltd.	
4	XAC AUTOMATION CORP	3,000,000	3.12%					CHANG, YENG-MING	Chairman	
5	YU, MEI-LING	2,810,000	2.92%	2,107,000	2.19%	-	-	Tai,Cheng-Chih	Spouse	
6	Tai,Cheng-Chih	2,107,000	2.19%	2,810,000	2.92%	-	-	YU, MEI-LING	Spouse	
7	Fu Li Investment Co., Ltd. (Representative: CHUANG, YUNG-SHUN)	2,050,000	2.13%	-	-	-	-	None	None	
	CHUANG, YUNG-SHUN	-	-	-	-	-	-	None	None	
8	TENG, WAN-SHENG	1,850,111	1.92%	235,438	0.24%	-	-	None	None	
9	Yuan Ching Investment Co., Ltd. (Representative: CHANG, JUNG-CHIN)	1,430,479	1.49%	-	-	-	-	None	None	
	CHANG, JUNG-CHIN	-	-	-	-	-	-	None	None	
10	LAI, LI-KAI	861,000	0.90%	-	-	-	-	None	None	

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

10. Shares held in the same investee by the Company and Directors, Managerial Officer; direct and indirect subsidiaries in proportion to the combined holdings of the total; and combined overall shareholding ratio.

Mar. 31, 2024 unit: shares; %

Investee (Note 1)	Investment made by the Company		Investment made by directors, managerial officers and direct or indirect subsidiaries		Combined investment	
	Number of shares	Proportion of shares held	Number of shares	Proportion of shares held	Number of shares	Proportion of shares held
Value Investment Ltd.	(Note 2)	100%	0	0	(Note 2)	100%
XAC Automation Corporation (Suzhou)	(Note 2)	100%	0	0	(Note 2)	100%
Zakus, Inc.	200	100%	0	0	200	100%

Note 1: This company adopts the equity method for investment.

Note 2: This is a limited company.

IV. Capital Overview

1. Capital and Shares

(1) Sources of share capital

Period	Price at issuance	Authorized shares capital		Paid-in shares capital		Remarks		
		Number of Shares	Value	Number of Shares	Value	Sources of shares capital	Property other than cash is paid by subscribers	Other
Apr. 1997	10	19,000,000	190,000,000	6,000,000	60,000,000	Establishment of capital NT$60,000,000	None	Letter Ko-Kuan-Chu-(86) Yuan-Shang-Tzu No. 6449
Dec. 1997	10	19,000,000	190,000,000	10,500,000	105,000,000	Cash capital increase NT$45,000,000	None	Letter Ko-Kuan-Chu-(87) Yuan-Shang-Tzu No. 000169
Dec. 1998	10	19,000,000	190,000,000	19,000,000	190,000,000	Cash capital increase NT$85,000,000	None	Letter Ko-Kuan-Chu-(87) Yuan-Shang-Tzu No. 029857
Aug. 1999	10	50,000,000	500,000,000	28,615,000	286,150,000	Earnings transferred to capital increase NT$96,150,000 (including employee bonus NT$4,000,000)	None	Letter (88)Tai-Tsai-Cheng-(Yi) No. 54854
Dec. 2000	10	50,000,000	500,000,000	35,263,000	352,630,000	Earnings transferred to capital increase NT$66,480,000 (including employee bonus NT$9,250,000)	None	Letter (89)Tai-Tsai-Cheng-(Yi) No. 100077
Sep. 2001	10	50,000,000	500,000,000	47,000,000	470,000,000	Earnings transferred to capital increase NT$117,370,000 (including employee bonus NT$11,581,000)	None	Letter (90)Tai-Tsai-Cheng-(Yi) No. 154529
Aug. 2002	10	80,000,000	800,000,000	62,000,000	620,000,000	Earnings transferred to capital increase NT$150,000,000 (including employee bonus NT$9,000,000)	None	Letter (91)Tai-Tsai-Cheng-(Yi) No. 0910136217
Aug. 2003	10	85,600,000	856,000,000	76,400,000	764,000,000	Earnings transferred to capital increase NT$144,000,000 (including employee bonus NT$20,000,000)	None	Letter (92)Tai-Tsai-Cheng-(Yi) No. 0920130819
Aug. 2004	10	120,000,000	1,200,000,000	89,460,000	894,600,000	Earnings transferred to capital increase NT$130,600,000 (including employee bonus NT$16,000,000)	None	Letter Chin-Kuan-Cheng-Yi-Tzu No. 0930130759
Aug. 2005	10	120,000,000	1,200,000,000	94,700,000	947,000,000	Earnings transferred to capital increase NT$52,400,000 (including employee bonus NT$7,670,000)	None	Letter Chin-Kuan-Cheng-Yi-Tzu No. 0940126692
Sep. 2006	10	120,000,000	1,200,000,000	91,704,000	917,040,000	Cancelled treasury share NT$299,600,000	None	Letter Ko-Kuan-Chu-Yuan-Shang-Tzu No. 0950024374
Dec. 2006	10	120,000,000	1,200,000,000	91,987,000	919,870,000	Employee stock option transferred to capital increase NT$2,830,000	None	Letter Ko-Kuan-Chu-Yuan-Shang-Tzu No. 0960001194

Aug. 2007	10	120,000,000	1,200,000,000	103,129,250	1,031,292,500	Earnings transferred to capital increase NT$104,300,000 (including employee bonus NT$9,300,000) Employee stock option transferred to capital increase NT$7,122,500	None	Letter Ko-Kuan-Chu-Yuan-Shang-Tzu No. 0960024708
Jan. 2008	10	120,000,000	1,200,000,000	103,192,500	1,031,925,000	Employee stock option transferred to capital increase NT$632,500	None	Letter Ko-Kuan-Chu-Yuan-Shang-Tzu No. 0970003862
Sep. 2008	10	120,000,000	1,200,000,000	100,747,000	1,007,470,000	Employee stock option transferred to capital increase NT$120,000; Cancelled treasury share NT$25,900,000	None	Letter Ko-Kuan-Chu-Yuan-Shang-Tzu No. 0970024528
Dec. 2008	10	120,000,000	1,200,000,000	95,747,000	957,470,000	Cancelled treasury share NT$50,000,000	None	Letter Ko-Kuan-Chu-Yuan-Shang-Tzu No. 0970033866
Mar. 2009	10	120,000,000	1,200,000,000	94,847,000	948,470,000	Cancelled treasury share NT$9,000,000	None	Letter Ko-Kuan-Chu-Yuan-Shang-Tzu No. 0980008847
Nov. 2009	10	120,000,000	1,200,000,000	94,350,100	943,501,000	Employee stock option transferred to capital increase NT$450,000; Cancelled treasury share NT$5,419,000	None	Letter Ko-Kuan-Chu-Yuan-Shang-Tzu No. 0980033492
Mar. 2010	10	120,000,000	1,200,000,000	94,365,100	943,651,000	Employee stock option transferred to capital increase NT$150,000	None	Letter Ko-Kuan-Chu-Yuan-Shang-Tzu No. 0990006098
June 2010	10	120,000,000	1,200,000,000	94,375,100	943,751,000	Employee stock option transferred to capital increase NT$100,000	None	Letter Ko-Kuan-Chu-Yuan-Shang-Tzu No. 0990017453
Nov. 2010	10	120,000,000	1,200,000,000	94,451,601	944,516,010	The corporate bonds are converted into NT$765,010	None	Letter Ko-Kuan-Chu-Yuan-Shang-Tzu No. 0990033744
Apr. 2011	10	120,000,000	1,200,000,000	94,396,601	943,966,010	Cancelled treasury share NT$550,000	None	Letter Ko-Kuan-Chu-Yuan-Shang-Tzu No. 1000010609
Feb. 2019	10	120,000,000	1,200,000,000	94,746,601	947,466,010	Issuance of new restricted employee shares at NT$3,500,000 (Reissued free of charge)	None	The declaration of Letter Chin-Kuan-Cheng-Fa-Tzu No. 1070327095 is effective, Letter Chu-Shang-Tzu No. 1080005393
Feb. 2020	10	120,000,000	1,200,000,000	95,826,601	958,266,010	Issuance of new restricted employee shares at NT$10,800,000 (Reissued free of charge)	None	The declaration of Letter Chin-Kuan-Cheng-Fa-Tzu No. 1080325893 is effective, Letter Chu-Shang-Tzu No. 1090005852
July 2020	10	120,000,000	1,200,000,000	96,396,601	963,966,010	Issuance of new restricted employee shares at NT$5,700,000 (Reissued free of charge)	None	The declaration of Letter Chin-Kuan-Cheng-Fa-Tzu No. 1080325893 is effective, Letter Chu-Shang-Tzu No. 1090020793

Nov. 2020	10	120,000,000	1,200,000,000	96,283,601	962,836,010	Canceled new restricted employee shares at NT$1,130,000	None	Letter Chu-Shang-Tzu No. 1090033379
Nov. 2021	10	120,000,000	1,200,000,000	96,213,101	962,131,010	Canceled new restricted employee shares at NT$705,000	None	Letter Chu-Shang-Tzu No. 1100034113
Nov. 2022	10	120,000,000	1,200,000,000	96,156,201	961,562,010	Canceled new restricted employee shares at NT$569,000	None	Letter Chu-Shang-Tzu No. 1110037542
Nov. 2023	10	120,000,000	1,200,000,000	96,152,201	961,522,010	Canceled new restricted employee shares at NT$40,000	None	Letter Chu-Shang-Tzu No. 1120038056

(2) Type of share

Unit: thousand shares

Type of share	Authorized Capital Stock			Remark
	Outstanding shares (Note)	Unissued stock	Total	
Common share	96,153	23,847	120,000	TPEx listed company's shares

Note: The outstanding shares are 96,153,000 shares of paid-in capital, including 3,000,000 treasury shares.

(3) Composition of shareholders

April 14, 2024

Composition of Shareholders / Quantity	Governmental Institution	Financial Institution	Mainland Chinese	Other Juridical person	Individual	Foreign Institution and Foreigner	Total
Number of persons	0	0	4	258	52,466	61	52,789
Shareholding	0	0	532,001	11,407,324	81,830,506	2,382,370	96,152,201
Proportion of shares held	0.00%	0.00%	0.55%	11.86%	85.11%	2.48%	100.00%

(4) Shareholding Distribution Status

1. Common shares

April 14, 2024

Shareholding classification	No. of shareholders	Shareholding	Proportion of shares held
1- 999	42,997	1,697,430	1.77%
1,000- 5,000	7,750	15,945,565	16.58%
5,001- 10,000	1,031	8,036,657	8.36%
10,001- 15,000	327	4,155,049	4.32%
15,001- 20,000	186	3,406,179	3.54%
20,001- 30,000	159	4,055,294	4.22%
30,001- 40,000	87	3,098,459	3.22%
40,001- 50,000	60	2,757,793	2.87%
50,001- 100,000	105	7,383,568	7.68%
100,001- 200,000	40	5,884,265	6.12%
200,001- 400,000	26	7,205,220	7.49%
400,001- 600,000	11	5,656,842	5.88%
600,001- 800,000	0	0	0.00%
800,001- 1,000,000	1	861,000	0.90%
100,001- 1,200,000	0	0	0.00%
120,001- 1,400,000	0	0	0.00%
140,001- 1,600,000	1	1,430,479	1.49%
160,001- 1,800,000	0	0	0.00%

180,001- 2,000,000	1	1,850,111	1.92%
2,000,001 above	7	22,728,290	23.64%
Total	52,789	96,152,201	100.00%

(5) List of Major Shareholders

April 14, 2024

Shares / Name of major shareholder	Shareholding (shares)	Proportion of shares held (%)
CHANG, JUI-MIN	4,718,000	4.91%
Heng Li Investment Co., Ltd.	4,626,254	4.81%
CHANG, YENG-MING	3,417,036	3.55%
Buyback and repurchase account of XAC Automation Corporation	3,000,000	3.12%
YU, MEI-LING	2,810,000	2.92%
Tai,Cheng-Chih	2,107,000	2.19%
Fu Li Investment Co., Ltd.	2,050,000	2.13%
TENG, WAN-SHENG	1,850,111	1.92%
Yuan Ching Investment Co., Ltd.	1,430,479	1.49%
LAI, LI-KAI	861,000	0.90%

Note: This table contains the names, shareholdings, and shareholding proportions of the top ten shareholders.

Information on market price, net value, earnings and dividends per share in the most two years

Year / Item			2022	2023	As of March 31, 2024 (Note 8)
Market price per share (Note 1)	The highest		29.00	27.45	28.50
	The lowest		20.75	21.10	22.25
	Average		25.64	23.24	24.90
Net Value Per Share (Note 2)	Before distribution		14.05	12.22	12.47
	After distribution		14.05	12.22	12.47
Earnings per share	Weighted average shares (thousand shares)		92,600	93,054	93,152
	Earnings per share(Note 3)		(1.79)	(1.85)	0.08
Dividend Per Share	Cash dividends		—	—	Not yet distributed
	Free-Gratis Dividends	Retained Shares Distribution	—	—	Not yet distributed
		Capital reserve Shares Distribution	—	—	Not yet distributed
	Retained Dividends(Note 4)		—	—	Not yet distributed
Return on Investment Analysis	Price-to-Earnings Ratio(Note 5)		(14.32)	(12.56)	Not yet distributed
	Price-to-Dividend Ratio(Note 6)		—	—	Not yet distributed
	Cash Dividend Yield Rate % (Note 7)		—	—	Not yet distributed

Note 1: The data source is the Taipei Exchange.

Note 2: Please refer to the number of shares issued at the end of the year and fill in the data based on the distribution resolution of the Board meeting or the next year's shareholders meeting.

Note 3: If there is a need for retroactive adjustment due to free-gratis dividends or other circumstances, the earnings per share before and after the adjustment should be listed.

Note 4: If there are provisions for the issuance conditions of equity securities stipulating that dividends that have not been paid in the current year are to be accumulated and distributed in a year with earnings, the accumulated unpaid dividends up until the end of the current year should be disclosed separately.

Note 5: Price-to-Earnings Ratio = average closing price per share for the current year / earnings per share.

Note 6: Price-to-Dividend Ratio = average closing price per share for the current year / cash dividends per share.

Note 7: Cash Dividend Yield Rate = cash dividends per share / average closing price per share for the current year.

Note 8: Net value per share and earnings per share refer to the data in the consolidated financial reports audited by certified public accountants for the most recent quarter up until the date of publication of the annual report; the remaining fields should be filled in with the data for the current year up until the date of publication of the annual report.

(6) Company Dividend Policy and Implementation Status:

1. Dividend Policy

1-1. Dividends are determined based on the Company’s actual profitability level, expansion plan, and ability to adapt to changes in the business environment.

1-2. The distribution of dividends is carried out by the Board of Directors in accordance with the provisions of the Company Act and the Company’s Articles of Incorporation: If the Company makes a profit for the year, it must allocate 3% to 12% for employees’ remuneration and no more than 3% for directors’ remuneration.

However, if the Company still has accumulated losses, the amount for loss compensation must be reserved in advance. The “employees’ remuneration” referred to in the preceding paragraph is distributed as stock or cash, and its recipients include employees of controlled and affiliated companies who meet certain conditions.

If there is a surplus in the annual final accounts of the Company, it must first pay taxes and make up for past losses, then 10% will be allocated as the legal reserve, except in the case where the legal reserve has reached the actual paid-in capital of the Company. Additionally, at the Board of Directors’ discretion, a special reserve may be set aside according to the operational needs of the Company and legal provisions. If the Company still has a surplus, the balance should be combined with the undistributed earnings at the beginning of the same period, then the Board of Directors will prepare an earnings distribution plan and submit it to the shareholders’ meeting for resolution. The Company authorizes the Board of Directors to approve the distribution of all or part of the dividends and bonuses in cash via a majority vote at a Board meeting with at least two-thirds of the directors in attendance, and report on such resolution to the shareholders meeting.

1-3. The Company’s dividend policy is determined in accordance with the provisions of the Company Act and the Company’s Articles of Incorporation, and based on factors such as the Company’s capital and financial structure, operating conditions, earnings, industry nature, and cycle, as well as earnings after deducting the legal reserve in accordance with the law. Cash dividends have priority in the distribution of earnings, and the earnings may also be distributed in the form of stock dividends, provided that the proportion of stock dividends distributed cannot exceed 50% of the total dividend amount for the current year.

1-4. When the Company does not have a loss, in accordance with Article 241 of the Company Act, all or part of the legal reserve and capital reserve shall be distributed in the form of new shares or cash in proportion to the original shareholdings of shareholders. When distributing cash, the Board of Directors is authorized to make a resolution with the approval of the majority of directors at a meeting with at least two-thirds of the directors in attendance, and report on such resolution to the shareholders meeting. When issuing new shares, a resolution of the shareholders meeting must be obtained before distribution.

2. Proposed dividend distribution at the current shareholders meeting

Not applicable (as it was resolved by the Board meeting on March 7, 2024, that no dividends will be distributed for 2023).

(7) Impact of the proposed free-gratis dividends at this shareholders' meeting on the Company's operating performance and earnings per share:

Not applicable, as there is no free-gratis dividend this time.

(8) Remuneration for Employees and Directors:

1. Percentage or scope of remuneration of employees and directors stated in the Company's Articles of Incorporation:

In accordance with the Company's Articles of Incorporation, in each year where there is a profit, 3% to 12% must be allocated as employees' remuneration and no more than 3% may be allocated as directors' remuneration. However, when the Company still has accumulated losses, the amount for loss compensation must be reserved in advance.

The "employees' remuneration" referred to in the preceding paragraph is distributed as stock or cash, and its recipients include employees of controlled and affiliated companies who meet certain conditions.

If there is a surplus in the annual final accounts of the Company, it must first pay taxes and make up for past losses, then 10% will be allocated as the legal reserve, except in the case where the legal reserve has reached the actual paid-in capital of the Company. Additionally, at the Board of Directors' discretion, a special reserve may be set aside according to the operational needs of the Company and legal provisions. If the Company still has a surplus, the balance should be combined with the undistributed earnings at the beginning of the same period, then the Board of Directors will prepare an earnings distribution plan and submit it to the shareholders meeting for resolution. The proportion of stock dividends distributed cannot exceed 50% of the total dividend amount for the current year.

2. Basis for estimating the remuneration of employees and directors in this period, and accounting treatment if employees' remuneration based on the number of shares distributed and the actual distribution amount are different from the estimated amount:

If there is a discrepancy between the actual distribution amount decided by the shareholders meeting in the future and the estimated amount, it shall be considered as a change in accounting estimates and recognized as profit or loss for the next fiscal year.

3. Distribution of remuneration approved by the Board meeting:

(1) If the amounts of employees' remuneration and directors' remuneration distributed in cash or stock are different from the estimated amount of expenses recognized in the year, the differences, reasons, and handling status must be disclosed:
On March 7, 2024, the Company's Board meeting passed a resolution regarding the distribution of employees' and directors' remuneration: It is proposed to distribute employees' remuneration of NT$0 and directors' remuneration of NT$0. There is no difference between the proposed allocation amount above and the estimated amount of recognized expenses for the year.

(2) The amount of employees' remuneration distributed in stock and its proportion to the total of net profit after tax and employees' remuneration in the parent company only or individual financial report for the current period: The Company has not proposed to distribute employees' remuneration in stock, so this is not applicable.

4. The actual distribution of remuneration for employees and directors in the previous year (including the number, amount, and stock price of shares distributed); if there is any discrepancy between the remuneration of employees and directors, explain the differences, reasons, and handling status:
There was no distribution of remuneration for employees and directors in 2022, so there was no difference.

(9) Repurchase of Company shares:

March 31, 2024

Buyback tranche	9th
Buyback purpose	Transferred to employees
Buyback period	November 9, 2021 to January 8, 2022
Buyback price interval NT$	19.00~38.00
Types of shares bought back and quantity (shares)	3,000,000
Amount of shares bought back (NT$)	82,817,683
Ratio of number of shares bought back to planned number of shares to be bought back (%)	100%
Number of shares already cancelled and transferred (shares)	0
Cumulative holdings of shares in the Company	3,000,000
Proportion of cumulative holdings of shares in the Company to total number of issued shares (%)	3.12%

2. Status of Corporate bond: None

3. Status of preferred share: None

4. Status of the global depository receipts: None

5. Status employee stock options

(1) The processing status of employee stock option certificates that have not yet expired and their impact on shareholder equity: The Company has no employee stock option certificates that have not yet expired.

(2) Acquisition and subscription status of managers who have acquired employee stock option certificates: None.

(3) Acquisition and subscription status of the top ten employees who acquired stock option certificates: None.

6. Status of new restricted employee shares

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

April 14, 2024

<table>
<tr><td>Type of New Restricted Employee Shares</td><td>First Issuance of New Restricted Employee Shares in 2018</td><td>First Issuance of New Restricted Employee Shares in 2019</td><td>Second Issuance of New Restricted Employee Shares in 2019</td></tr>
<tr><td>Effective Reporting Date</td><td>July 31, 2018</td><td colspan="2">August 14, 2019</td></tr>
<tr><td>Issue Date</td><td>February 15, 2019 (reference date)</td><td>February 17, 2020 (reference date)</td><td>July 14, 2020 (reference date)</td></tr>
<tr><td>Issued New Restricted Employee Shares</td><td>350,000 shares</td><td>1,080,000 shares</td><td>570,000 shares</td></tr>
<tr><td>Issue Price</td><td>0 (issued free of charge)</td><td>0 (issued free of charge)</td><td>0 (issued free of charge)</td></tr>
<tr><td>Proportion of Issued New Restricted Employee Shares to Total Issued Shares</td><td>0.37%</td><td>1.14%</td><td>0.59%</td></tr>
<tr><td>Vesting Conditions of New Restricted Employee Shares</td><td colspan="3">Upon the grant of new restricted employee shares in accordance with this policy, employees who meet the following vesting conditions and reach the specified vested periods from the grant date, shall be entitled to the vested percentage of shares listed below:
Vesting Conditions: Employees are still employed by the Company and have not violated the Company's labor contracts, employment rules, or regulations.
Vested Periods and Vested Percentage: Vested 30% after one year of employment; vested another 30% after two years of employment; vested 40% after three years of employment.</td></tr>
<tr><td>Restrictions of New Restricted Employee Shares</td><td colspan="3">Restrictions on shares before meeting vesting conditions: (With attendance and voting rights, without rights to dividends or bonus shares)
1. Prior to meeting the vesting conditions as defined previously, employees are prohibited from selling, pledging, transferring, gifting, setting up, or otherwise disposing of their restricted stock.
2. Attendance, proposals, speeches, and voting rights at shareholders' meetings shall be conducted in accordance with the law and regulations.
3. Restrictions on shareholder bonus shares and dividends: No rights to participate in the distribution of original shareholder bonus shares or dividends.
4. From the cessation date for transfer of paid-in shares; cash dividend cessation transfer date; cash capital increase subscription cessation transfer date; shareholders' meeting cessation transfer period as stipulated in Article 165, Paragraph 3 of the Company Act; or other legally prescribed cessation transfer periods due to factual occurrences, until the record date for entitlements, employees who meet the vesting conditions during this period shall not enjoy voting rights, profit distribution rights, bonus shares, or dividend rights for the shares released from restrictions.
5. During the trusting period of the new restricted employee shares, all matters related to the negotiation, signing, amendment, extension, and termination of the trust contract, as well as instructions for the delivery, utilization, and disposal of trust property (including but not limited to), shall be conducted by the Company acting as the sole agent for employees in consultation with the stock trust institution.</td></tr>
<tr><td>Safekeeping of New Restricted Employee Shares</td><td colspan="3">New restricted employee shares are immediately entrusted for safekeeping upon issuance. Until the conditions for release are met, they are held in trust by the Company or a designated representative thereof.</td></tr>
<tr><td>Handling of Shares Obtained by Employees through Allocation or Subscription</td><td colspan="3">1. Within three years from the vesting date, if an employee voluntarily resigns, is terminated, laid off, retires, dies from non-occupational causes, goes on unpaid</td></tr>
</table>

Before Meeting the Vesting Conditions	leave, or is transferred to an affiliated enterprise, the Company will reclaim the shares not yet vested from the employee at no cost. 2. Prior to meeting the vesting conditions, if an employee violates the provisions in Items 7 or 8 of this clause and terminates or revokes the Company's proxy authorization, the Company will reclaim the shares from the employee at no cost.		
Number of New Restricted Employee Shares Reclaimed or Repurchased	None	Reclaimed 124,400 shares	Reclaimed 120,000 shares
Number of Shares of New Restricted Employee Shares Released	350,000	955,600	450,000
Number of Shares of New Restricted Employee Shares Unreleased	0	0	0
Proportion of Unreleased New restricted Employee Shares to Total Issued Shares (%)	0%	0%	0%
Impact on Shareholder Equity	The dilution effect on earnings per share of the Company remains limited, thus having no significant impact on shareholder equity.		

(2) Names and acquisition status of managerial officers and of employees who rank among the top ten in the number of new restricted employee shares acquired:

Unit: thousand shares

	Title	Name	Number of new restricted employee shares acquired (shares)	Proportion of new restricted employee shares acquired to total issued shares(Note 1)	Released				Unreleased			
					Number of shares released	Issue price	Issue amount	Proportion of Number of shares of released to total issued shares(Note 1)	Number of shares unreleased (shares)	Issue price	Issue amount	Proportion of number of shares of unreleased to total issued shares(Note 1)
Managerial officers	President	HU, HSUAN-TSUNG	808	0.84%	808	0	0	0.84%	0	0	0	0%
	Vice President	CHIN, YUNG-HUI										
	Executive Vice President	LIU, YUN										
	Vice President	SHEN, PAO-HUI										
	Vice President	TSAI, HSIN-LIANG										
	Assistant Vice President	KUO, HUI-LING										
	Senior Manager	HSU, JEN-CHIEN										
Employees (Note 2)	Senior Manager	LIU, SHIH-WANG	317	0.33%	317	0	0	0.33%	0	0	0	0%
	Senior Manager	YU, WEI-FANG										
	Manager	CHEN, LI-TE										
	Manager	CHENG, AN-TING										
	Assistant Manager	TAI, YUNG										
	Assistant Manager	CHEN, SZU-JUI										
	Assistant Manager	LIU, WEI-LE										
	Technical Section Manager	LIU, TUNG										
	Senior Engineer	CHOU, FA-HUNG										
	Engineer	CHIU, TING-WEI										

Note 1: "Total issued shares" refers to the number of shares listed in the Science Park Bureau's change of registration data.

Note 2: The top ten employees acquiring new restricted employee shares exclude managerial officer.

7. Status of Mergers or Acquisitions, or as Assignee of New Shares Issued by Other Companies

None.

8. Fund Utilization Plan Implementation Status

The Company has not issued any funds that are either ongoing or completed within the last three years but whose benefits are not yet evident.

V. Operations Overview

1. Business Content

(1) Business Scope

1. Major Business Content

(1) Research, development, production, processing, and sales of the following products:

① Electronic financial transaction terminals and their components.

② Transaction data security protection equipment and its components.

③ Multifunctional contactless cards, smart cards, magnetic stripe card reader/writer and their components.

(2) Integration of software and hardware systems for the aforementioned products, as well as technical consulting and maintenance services.

(3) Import and export of the aforementioned products.

2. Business proportions:

Unit: Thousand NT$;%

Product business proportion	2022		2023	
	Amount	Percentage	Amount	Percentage
Card reader/writer	99,236	7.07	68,120	8.88
Transaction data security protection equipment	175,453	12.49	108,453	14.13
Electronic financial transaction terminals and peripherals	748,958	53.33	393,549	51.29
Other products	380,779	27.11	197,211	25.70
Total	1,404,426	100	767,333	100

3. Current Products (Services) of the Company

Product	Applications
Card reader/writer	Supports reading and processing of card data in various formats such as magnetic strips, chips, or contactless cards.
Transaction data security protection equipment	Ensures the security of data transactions through hardware data protection and data encryption algorithms.
Electronic financial transaction terminals	Provides terminal devices for financial transactions to facilitate a multi-application software user environment in addition to supporting multiple communication interfaces.
Self-service financial transaction terminal equipment	Provides self-service financial transaction terminal equipment (payment devices for self-service refueling, food ordering systems, parking kiosks, etc.).

4. New Products (Services) Planned for Development by the Company

(1) Continue to develop and support next-generation desktop, handheld, and outdoor self-

service terminal solutions:

* Built-in integrated card reading function (MSR, SCR, Contactless).
* Comply with the latest global financial security related designs (PCI, CC, GBIC, APCA, INTERAC, etc.) and support PCI's DSS, PTS, SSF, PIN and P2PE security regulations.
* Support the latest financial contact and contactless payment transaction related specifications (EMV Contact/Contactless, PayWave, PayPass, ExpressPay, DPAS, Quick Pass, JSpeedy, Interac Flash, Girocard, CB, EFTPOS, Rupay, Meeza, Mifare, Felica, etc.).
* Support NFC applications and value-added services (ApplePay, Google Pay, Samsung Pay, Apple VAS, Google SmartTap, etc.).
* Support QR payments (Alipay, WeChat pay, etc.).
* In addition to traditional communication interfaces, we provide wireless communication solutions for customers to choose from.

(2) Develop an efficient and secure Android 12 application platform, and develop desktop, handheld, and outdoor self-service operating terminals based on the platform to support future demand for cloud payment applications.

(3) Develop corresponding secure payment solutions for increasingly popular tablets and smartphones. In addition to providing corresponding handheld terminals, a backend monitoring system that meets PCI SPoC/CpoC requirements is also provided to ensure the safe and continuous operation of handheld terminals, tablets, or smartphones, as well as the entire payment app system.

(4) Continue to develop the Commerce Enabling Platform (CE Platform) and related application systems and services, including Cloud DMS (TMSII/RKI/Remote Diag)/App Store/PCI CPoC/Cloud Gateway and other applications and services, in order to meet merchants' system and equipment requirements for all cash flows and logistics.

(5) Continue to provide customers with high weather resistance, waterproof, dustproof, and explosion-proof outdoor and self-service trading terminals, as well as security module solutions.

(6) Develop a self-service operating terminal for the electric vehicle charging station market that has a wide temperature range and is waterproof, dustproof, and explosion-proof, as well as related solutions.

(2) Industry Overview

1. Industry Current Status and Development

(1) In terms of products, the traditional desktop magnetic stripe card swiping machine has been transformed into a handheld card swiping device that uses wireless transmission methods such as 3G, 4G, Bluetooth, or WiFi. Additionally, chip cards and contactless cards are becoming more and more widely used worldwide, so terminals with multifunctional integrated features are currently the mainstream in the market. The

Company’s next-generation products have already met these requirements and received good feedback from customers in terms of performance.

(2) NFC- and QR code-based mobile phone credit cards and mobile phone transaction platforms that can integrate multiple credit cards will gradually replace physical credit cards as the future trend of credit cards. In response to such a new change in the industry, the Company has relevant products to cope with the new wave of terminal replacement.

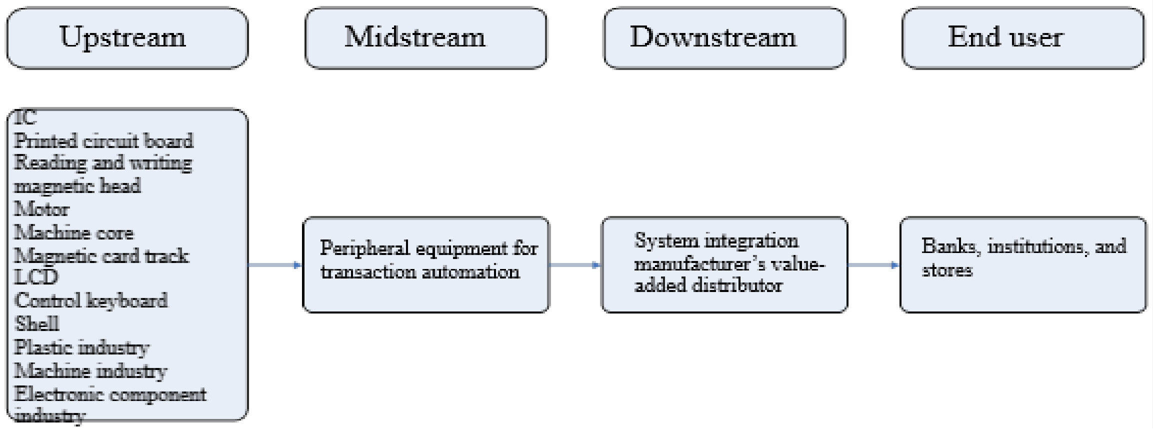
(3) In response to the popularization of mobile phones and tablets, EMV and PCI are also using mobile devices on the customer side in conjunction with backend security monitoring systems to conduct credit card transactions. The Company has relevant products and systems to respond to the business opportunities arising from next-generation transaction models.

(4) Data security and a user-friendly interface have become basic requirements for POS terminals. The next-generation high-performance Android platform developed by the Company in recent years not only provides a secure payment mechanism, but also integrates the user interface of mobile phones and tablets. When it was launched a few years ago, it received unanimous praise in the market. It is expected that the demand for cloud POS terminals will continue to grow rapidly from this year onward. In response to this trend, the Company will continue to develop cloud POS terminals with more functions to meet the market demand for this product in the coming years.

(5) In addition, the customer-end demand is more inclined toward obtaining a total solution, and providing products alone is no longer sufficient to meet this demand. Considering the changes in market demand, the Company provides a total payment solution that includes products, payment applications, and gateway systems in conjunction with cloud DMS (TMSII/RKI/Remote Diag) and other application systems to meet the expectations and needs of our customers.

2. Correlation between Upstream, Midstream and Downstream Industries

The upstream components of XAC’s financial transaction automation products can be roughly divided into magnetic heads, integrated circuits, printed circuit boards, LCD displays, control keyboards, and related components. The process involves configuring the relevant components on the printed circuit board and gradually assembling and testing the reading and writing magnetic heads, magnetic card tracks, motors, LCD displays, control keyboards, etc. to ensure product quality. The downstream sales targets are mainly system integration vendors whose ultimate users are banks, stores, etc., which can apply the products to bank transaction systems, store cash register systems, video game consoles, vending machines, online transactions, and data processing systems.



The future product development direction can be divided into transaction data security and confidentiality products, multifunctional IC card readers and writers, and electronic financial transaction terminals.

The key technologies of transaction data security and confidentiality products are data encryption, key management, and physical security protection. The design focus of multifunctional IC card readers and writers is that when in contact, the connecting device driven by the mechanism must have a service life of over 500,000 uses; the security, reliability, privacy, and convenience of electronic financial transaction terminals are the primary requirements, and the ability to connect through various networks is also an important feature under the condition of global circulation. The products have a wide range of applications and can be roughly divided into the three types: banking, POS, and gaming.

3. Product Development Trends:

(1) Transaction data security and confidentiality products

The key technologies that affect such products include data encryption, key management, and physical security protection.

Data encryption technology can be divided into symmetric and asymmetric types. After data is encrypted, the entire encryption security relies on the custody of the key. In terms of key management, there needs to be a good computational method to protect the security of the system; MK/SK and DUKPT methods are common key management methods.

Additionally, in order to prevent the key or verification and transaction information stored in electronic memory from being measured by hackers using advanced electronic devices, physical security protection technology has been further developed to achieve countermeasures to prevent such attacks. Different sensing and monitoring components are used to detect whether the product's shell has been damaged; once the shell is detected to be invaded, the system will erase the key and other information to prevent hackers from succeeding. The Company has patented inventions in physical security protection and has passed major global security verification tests.

In recent years, smart tablets and smartphones have become increasingly popular, and the mobile payment solutions launched for these products are also competing vigorously (Square, PayPal, Verifone, Ingenico, etc.). The Company is currently launching R&D projects for related products to compete for these new payment applications.

(2) Multifunctional card reading integration platform

With the advancement of technology, in addition to issuing traditional magnetic stripe cards, chip cards, and contactless cards, in recent years, domestic and international card issuers have attempted to issue mobile phone credit cards through the NFC function on mobile phones and the QR code screen display. In response, the Company has also quickly reflected this trend in our product platform planning. In addition to hardware development, software integration and read rate are also the focus of our development.

(3) High weather resistance trading modules for outdoor use

Self-service trading applications are very popular abroad, but because the products not only need to support the latest trading specifications but also must have the ability to operate in harsh environments, there are not many manufacturers who can provide relevant solutions. Owing to our trading security product platform and the design capabilities of our electronic and institutional design team, we are one of the few manufacturers capable of providing high weather resistance trading modules for outdoor use. Since 2016, we have cooperated with Wayne, a leading North American gas station equipment manufacturer, to supply it with all of the payment related modules for its gas machines, thereby becoming one of Wayne's main suppliers.

(4) Electronic financial transaction terminals

Security, reliability, privacy, and convenience are the most important aspects of financial automation systems; additionally, the product must have the ability to circulate around the world and connect through various networks. Especially at present, the O2O (Online to Offline) business model is becoming more and more common, and the demand for cloud POS/terminal and self-service payment devices on the market is also becoming more and more significant; this aligns with our goal of continuous cultivation in this field in recent years.

4. Product Competition

Transaction automation products are considered niche products within the entire information industry, and the competition is not fierce compared with mainstream information products. At present, most of our business models are developed in cooperation with system integration vendors (SI) or value-added distributors (VAR), with a focus on long-term high-quality partnerships based on reliable supply and demand. The supply chain is relatively stable, and there are few competitors.

The main products of electronic financial transaction terminals are credit card authorization terminals and POS keyboards, which can be divided into (1) cash flow processing transactions, such as card swiping for consumption which transmits data to the issuing bank for debit through the card swiping machine, and (2) POS systems and peripheral products for logistics stores.

The peripheral equipment manufacturers of transaction automation in the market are almost entirely American companies, with the exception of some Japanese companies that have entered the competition. XAC is one of the few professional manufacturers in Taiwan engaged in the manufacturing of electronic financial transaction terminals and related equipment, and our key products include pin pads and kiosks for transaction data security protection, card swiping machines, POS keyboard control boards for electronic financial transactions, and gaming machine assembly. If the market segmentation of our products is based on their final location of use, they can be divided into the following two categories:

(1) Integrated system provider of hypermarket cash flow logistics for large manufacturers such as IBM, Wincor Nixdorf, NCR, and Toshiba.
XAC was originally the only supplier of IBM’s point of sale terminal equipment, including input terminal devices such as card readers and keyboards. In 2012, Toshiba acquired IBM’s POS terminal business, and XAC is currently one of Toshiba’s suppliers.

(2) For single-machine credit card terminal equipment products commonly used in restaurants and shops, the major manufacturers in the market include Verifone and Ingenico. The manufacturing of card swiping machines is a closed oligopoly market, and the entry barrier to the industry lies in obtaining cash flow security certification from major card billing centers in various countries. XAC has surpassed Verifone and works directly with Fiserv, the largest card billing center in North America, as its supplier.

(3) Technology and R&D Overview

1. The R&D expenses for the most recent fiscal year and up to the date of annual report publication

The R&D expenses of the Group for the most recent fiscal year and up to the date of annual report publication are shown in the table below, with an estimated R&D investment of NT$294,031,000 in 2024.

Unit: Thousand NT$; %

Year / Item	2023	As of March 31, 2024
R&D expenses	275,615	75,952
Business revenue	767,333	335,222
Ratio %	36	23

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

Year	Major R&D Achievements
2011	1. Contactless card reading devices: - Embedded contactless card reading function in terminals and password input devices. - Developed next-generation contactless card reading platform to support diversified contactless specifications of NFC, Felica, etc. - Developed the next-generation contactless antenna module and hardware platform to provide better card reading and processing performance. 2. In addition to PCI PTS v3.0, we are working on the development and establishment of global transaction security platforms (OSeC, ZKA, INTERAC, APCA, etc.). 3. Developed a next-generation outdoor self-service trading security modules (EPP, Secure Hybrid Reader, Contactless Reader, etc.) and self-service trading terminals (terminals & kiosks).
2012	1. PCI3.0+EMV contact & contactless as the focus: Developed a series of devices including desktop, portable, and self-service payment terminals. 2. Development of payment systems and software, including payment applications and terminal management systems (TMS). 3. Rugged product development for outdoor and gas station environments. 4. Payment application security solutions for tablets and smartphones.
2013	1. Developed next-generation integrated trading terminals (PED + MSR + SCR + contactless + QR code). 2. Payment application security solutions for tablets and smartphones. 3. Developed the next-generation high-performance hardware platform. 4. Development of payment system and software, including payment applications and terminal management systems (TMS). 5. Continued providing customers with rugged self-service transaction security module solutions.
2014	1. Developed a series of PCI3.1+EMV 4.3 version devices, including desktop, portable, and self-service payment terminals. 2. Development of payment systems and software, including payment applications and terminal management systems (TMS). 3. Developed the next-generation high-performance hardware platform for secure cloud-based POS. 4. Payment application security solutions for tablets and smartphones.
2015	1. Continued the development of the next-generation high-performance hardware platform for secure cloud-based POS. 2. Developed the next-generation mPOS. 3. Developed PCI 4.0 self-service payment terminal equipment and related security modules. 4. Development of payment systems and software: including payment applications and terminal management systems (TMS).
2016	1. Developed the new-generation high-performance secure cloud-based POS/payment terminal. 2. Developed platforms and products for PCI5.0 desktop, portable, and self-service payment terminal devices. 3. Developed the Payment Gateway system, Mobile Device Management system, and Remote Key Injection system to provide customers with a total solution.

2017	1. Continued the development of the next-generation high-performance secure cloud-based POS/payment terminal. 2. Developed the next-generation efficient indoor and outdoor cloud payment device platforms and products. 3. Continued the development of payment platform related software systems (Gateway, Remote Key Injection and Mobile Device Management) to provide customers with a total solution. 4. Continued to update the PCI and EMV design of the payment terminal system; introduced to all products and obtained certification.
2018	1. Continued to optimize the next-generation high-performance secure cloud-based POS/payment terminal by adding 4G and WiFi dual band communication, upgrading the operating system to Android 8, etc. 2. Continued the development of the next-generation outdoor high-performance cloud payment device platforms, modules and products. 3. Continued to update the PCI and EMV design of the payment terminal system; introduced to all products and obtained certification. 4. Dedicated to planning merchant solutions; developed software and systems such as TMSII/RKL/payment apps.
2019	1. Continued to develop various forms of products and support the delivery of applications fo next-generation efficient cloud POS and payment terminal system platforms in order to obtain certification from banks and business operators. 2. Continued to update the PCI and EMV design of the payment terminal system; introduced to all products and obtained certification. 3. Continued to optimize the planning of merchant solutions; and developed the Commerce Enabling Platform (CE Platform) and related application systems and services, including TMSII/MDM/RKL/app store/PCI SPoC&CPoC/cloud logistics service and other application systems and services.
2020	1. Continued to optimize the next-generation efficient Android POS/terminal product platform and continued the development of various forms of products while simultaneously developing payment applications to obtain certification from banks and business operators. 2. Continued to update the PCI and EMV design of payment terminal system; introduced to all products and obtained certification. Continued to optimize merchant solutions and the Commerce Enabling platform; in addition to providing application systems and services such as TMSII/RKL/app store, provided necessary tools and services for hardware products in various stages such as development, installation, and maintenance.
2021	1. Continued the development of the next-generation efficient Android 9 POS/terminal product platforms and continued the development of various forms of products while simultaneously developing payment applications to obtain certification from banks and business operators. 2. Continued to update the PCI and EMV design of payment terminal system; introduced to all products and obtain certification. 3. Continued to develop and optimize merchant solutions and the Commerce Enabling platform; in addition to providing application systems and services such as TMSII/RKL/Cloud RMA, provided necessary systems and services for hardware products in various stages such as development, installation, maintenance, and repair.

2022	1. Continued the development of the next-generation efficient Android 12 Smart POS Terminal product platform and developed various forms of products based on different use cases while simultaneously developing payment applications to obtain certification from banks and business operators. 2. Continued to update the PCI and EMV design of payment terminal system; introduced to all products and obtain certification. 3. Continued to optimize merchant solutions and the Commerce Enabling platform; in addition to providing application systems and services such as Cloud DMS (TMSII/RKI/Remote Diag), provided necessary systems and services for hardware products in various stages such as development, installation, maintenance, and repair.
2023	1. Continued the development of the next-generation efficient Android 12 Smart POS Terminal desktop/handheld/outdoor products while simultaneously developing payment applications to obtain certification from major banks and business operators in North America, the United Kingdom, and other regions. 2. Continued to update the PCI and EMV design of the payment terminal system; introduced to all products and obtain certification. 3. Continued to optimize merchant solutions and the Commerce Enabling platform; in addition to providing application systems and services such as Cloud DMS (TMSII/RKI/Remote Diag) 4. Provided SoftPOS solution (SPoC/CPoC) and completed PCI CPoC certification.

3. Future Research and Development Plans

In view of the rapid development of mobile payment applications in the coming years, in addition to the technical development of the SAIO hardware development platform for payment security and multi-applications, more R&D resources will be invested in products with mobile payment applications as the core, as well as application system technology for cloud services. The key products completed and in progress include:

(1) Continue the development of next-generation high-performance terminal device platforms: Based on the core operating system of the latest smart mobile devices, which provides the multimedia functionality and better hardware processing efficiency required for advanced terminals.

(2) Terminal device management system: Research the terminal management system to enable domestic and foreign customers to manage installed terminal devices via internet. The design of this management system is based on cloud services and can be used for internal customer services or converted to SaaS architecture.

(3) Continue the development of next-generation security modules for outdoor use (EPP, secure hybrid readers, contactless readers, etc.) and self-service terminals and kiosks to respond to the rapid growth of self-service payment applications in Europe. Research product technologies that comply with transaction security standards; in addition to the already announced PCI PTS v6.0, new products must comply with global transaction security standards (PCI PTS 6.0, CC, GBIC, INTERAC, APCA, EFTPOS, PNC, etc.) in order to maintain a leading position in the global trend of security technology.

(4) Contactless trading application products: In view of the rapid global popularity of NFC applications, next-generation contactless trading devices have enormous potential, and the development of new products focuses on:

* Build contactless card reading functions into all terminals and password input products.

* Develop the next-generation contact card reading platform to support various contactless specifications such as NFC and Felica.

* Develop next-generation of contactless antenna modules and hardware platforms to

provide better card reading and processing efficiency.

(5) Continue the development of the next-generation high-performance hardware platform to develop a secure cloud based POS. In addition to integrating existing transaction end functions (PED+MSR+SCR+contactless), simultaneously develop system products such as POS cloud payment applications and the corresponding terminal management system (TMS) to provide customers with more diverse choices that meet their comprehensive needs.

(6) Provide a total solution for customers to optimize the Commerce Enabling Platform (XCE Platform), including Cloud DMS (terminal management systems, remote key injection systems, remote diagnostic systems, app stores, PCI SPoC/CPoC/MPoC backend systems, and Cloud gateways; obtain certification for PCI DSS, PCI P2PE, PCI PIN, PCI CPoC, and PCI MPoC.

(4) Long and Short-term Business Development Plans

1. Development Strategy

With the trend of mobile internet and the popularization of cloud systems, the development of cloud POS systems based on transaction automation products is the future direction of XAC Automation. The specific strategies are as follows:

(1) Product R&D

- Development of critical components.
- Payment software system technology: Focusing on ZAKUS, accelerate the establishment of payment systems and solution development capabilities through strategic alliances (Fiserv and DFS).
- Cloud business platforms and their required security management and control software systems (including cloud host software).
- Product design techniques for outdoor use specifications.

(2) High quality, elastic, and low-cost commercial product manufacturing system

- Establish the RMA system to provide fast after-sales product service and product quality improvement.
- The decisive point in terms of market share lies in quality.
- Establish a flexible delivery system to meet customer needs.

(3) Establish sales channels for the global market

- Establish strategic partnerships (VAR/SI/SO) in Europe, US, Japan, and around the world.
- Develop markets in various regions around the world.
- Establish a relationship based on trust among large enterprise users.

2. Short-term Business Development Plan

(1) The demand for EMV equipment due to the “Counterfeit Loss Responsibility Transfer” initiated by gas stations in 2020.

(2) Bid for Commerce Enabling platforms/solutions.

(3) Proactively promote the Android product line in the markets of the Middle East, Latin America, UK, France, US, Asia, and Africa through established channels.

3. Long-term Business Development Plan

Integration of omni channel system data in the retail industry to face the trend of competition in e-commerce is an urgent need. XAC's "transaction promotion platform based on cloud computing" has officially transitioned to a business model of "providing systems and solutions". Through this platform, small- and medium-sized retailers can implement optimized operating systems (payment/CRM/inventory) in a SAAS manner and achieve a multi-channel sales model through omni channel integration.

2. Overview of the Market and Production and Sales

(1) Market Analysis

1. Sales Regions of Key Products

Unit: Thousand NT$

Sales region \ Year		2022		2023	
		Amount	%	Amount	%
Domestic sales		1,228	0.09	5,864	0.77
Export	Americas	1,007,922	71.77	470,547	0.77
	Europe	217,369	15.48	147,043	61.32
	Asia	173,768	12.37	140,832	19.16
	Other	4,139	0.29	3,047	18.35
Total		1,404,426	100.00	767,333	100.00

2. Market Share

The Company is mainly engaged in the research, manufacture, and sale of card reading and writing devices as well as devices for electronic financial trading. The market demand for related products has high growth potential. Currently, there is no specialized research institution in Taiwan to conduct market share surveys. Among similar types of products, the ECR POS has a long-term and close supply partnership with large system integration vendors such as IBM, which has resulted in the stable growth of XAC in the field of financial electronic trading terminal equipment. In the Payment POS sector, we have collaborated with customers such as Fiserv and DFS (Dover Funding Solutions) in recent years to develop new products with our own core technology modules. Although we still face competition in the payment POS sector from internationally renowned companies such as Verifone and Ingenico, due to our early entry into the market with our competitive niche in core technology modules, and our development capabilities in various new products that have gradually received recognition from customers, we can gradually increase our market share by combining customers' promotion of new applications with business in new territories.

As for the smart card and exchange data security module related products, because VISA and other card issuing organizations have jointly developed specifications, we can look forward to the opportunity for significant growth of related products in the coming years. VISA, Master Card, and JCB (the world's three major card issuing organizations) stipulate that their members, banks, and stores can only use products certified by PCI. We have successively passed PCI certification, and in recent years, in addition to our main customers, we have contacted customers in Japan, Central and South America, Europe, Australia, and South Africa regarding the supply of related products. The sales volume continues to grow steadily.

3. Future Supply and Demand Situation and Growth Potential of the Market

(1) Multi-functional Card Reading Integrated Platform

There is no specialized research institution in Taiwan that conducts surveys and studies on card readers/writers and security devices, so there is no objective statistical data on the development of this business. However, these electronic trading products are terminal components of various application systems, and market demand and future development are determined by the effectiveness of various application systems. The better-known applications in the current market include e-commerce, the Taipei City Bus Rapid Transit Ticket Certification System, access control management systems, banking and financial transaction systems, credit card transaction systems, and the national health insurance card and electronic payment systems, which the government vigorously promoted; all of these applications need to be matched with contactless card, IC card, or magnetic card transaction systems.

The global usage of IC cards continues to grow every year with the growth of smart card applications, mainly in finance, telecommunications, mass transportation, healthcare and identity authentication. In response to the growth of IC cards, the demand for card reading and writing devices has also increased at a considerable growth rate.

Due to their anti-counterfeiting and powerful computing and storage capabilities, IC cards can enhance the added functions of logistics and cash flow for stores. In addition, with the joint efforts in specification development by the three major credit card issuing organizations, including VISA, it is currently widely expected that the specifications will be successfully introduced, which will result in many business opportunities for related products.

In recent years, due to the convenience of contactless cards, contactless card issuance has continued to rise. At the same time, domestic and foreign banks have plans to use the built-in NFC function of mobile phones to issue credit cards. We believe that in the near future, this will create a huge peripheral business opportunity for contactless transactions.

(2) Transaction Data Security Protection Equipment

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

IC cards are currently the most secure storage media known, and in terms of security, they are the most suitable for general users. Their application in the currently popular e-commerce market should have huge development potential.

In view of the fact that the theft of cardholder security information has been detected in the past few years, leading to numerous incidents of counterfeit card fraud, international card companies have formulated strict security testing standards specifically for machines with the password security input function to prevent the occurrence of malicious theft of the card's personal information. They further made it mandatory that stores with acquiring business provide the password input confirmation service, and must use a verified password input device to verify the cardholder. If a store fails to comply with the regulations, leading to theft incidents, the card issuing unit has the right to bear no responsibility for the losses caused by theft.

At present, the main unit in the global development of financial payment data security protection standards is PCI SSC, and the security standards already established include PCI DSS, PCI PA DSS and PCI PED.

VISA, MasterCard, and JCB (the world's three major card issuing organizations) stipulate that their members, banks, and stores may only use products certified by PCI. The transaction security platform used by our products has passed PCI certification and other local transaction security standards (CC, OSeC, GBIC, INTERAC, APCA, PNC, etc.), which is an important achievement of our R&D team in recent years.

(3) Electronic Financial Transaction Terminals and Peripheral Devices

Electronic financial transaction terminals are the end devices that provide financial transactions, which can transmit data to the mainframe, and these machines also have card reader functions. Due to the demand for security, reliability, privacy, and convenience in financial automation systems, they must have the ability to circulate around the world and connect through various networks. Products in this area can be roughly divided into those for banking purposes and those for store purposes (P.O.S).

For banking purposes, electronic financial transaction terminals are at the front of the banking business. They provide an environment that allows customers to complete financial transactions according to their requirements; at the same time, they are business tools that allow banks to penetrate markets that branch resources cannot cover, for example, credit card authorization terminals.

For store purposes (P.O.S), there has been rapid growth in the transfer card business worldwide in recent years, laying the foundation for the future development of point-of-sale terminals. MasterCard's Maestro and VISA's Interlink systems have been developed abroad, and although Taiwan is still in the early stage, it is one of the regions with the highest penetration rates of ATMs in the Asia Pacific region.

The cash flow automation business is a niche product within the entire information industry, and the competition situation is not as fierce as that of information products. The core of this business is system integration companies, most of which focus on computer systems and application software, and cooperation through ODM is sought for peripheral devices. The applications of cash flow automation are diverse, and most system vendors have their own system standards, leading to the small-quantity but diverse characteristics that peripheral equipment must have. Moreover, the supply and demand relationship is established based on long-term partnerships with high quality and reliability, and the products have a long lifecycle and relatively low price sensitivity, differentiating them from information products, which utilize a quantity-based competition model. Related products such as smart card terminal devices will grow rapidly in the environment of counterfeit cards and other transaction risks, indicating considerable business opportunities. With the business advantage, XAC is actively developing various new technologies and products to attract new customers and markets.

4. Competitive Niches, Favorable and Unfavorable Factors of Development Prospects, and Countermeasures

(1) Favorable Factors

① Firm grasp of the market demand and marketing channels of the product

The management team has accumulated years of marketing experience in the financial automation product market, which targets the market development of this industry to fully grasp customer dynamics. The planning ability of forward-looking products is an important basis for the Company to seize business opportunities. In addition to establishing a good business relationship with Toshiba and Fiserv, we will increase our cooperation partners in the future to reduce risks.

② Understanding of critical components

This includes the development of specialized IC (ASIC), critical components, precision mechanism components, next-generation transaction automation platform technology, and transaction security technology, along with utilization of the infrastructure and precision machining technology of the information electronics industry in Taiwan and Suzhou, in order to maintain high profits and competitiveness through a high ratio for self-manufactured content.

③ Long product lifecycle

The life cycle of financial or store automation transaction related products usually exceeds 3 years, and the focus of product demands is on safe and reliable quality; accordingly, price sensitivity is low, the operational risk of product or inventory depreciation is relatively small, and the profit margin is relatively easy to grasp compared to general consumer products.

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

Due to the fact that software and hardware products related to financial automation are used in financial transactions with extremely high requirements for security and reliability, any error can cause significant losses. Therefore, product quality is an extremely important competitive condition in this industry. The Company’s quality system passed the ISO9001 certification of the Bureau of Standards, Metrology and Inspection in March 1998. The management team has been collaborating with worldclass companies such as IBM and Fiserv for many years to establish manufacturing technology for high-quality products. The Company will continue to strive for the improvement of product quality on this basis to ensure that customers are always satisfied.

⑤ The R&D team has been deeply cultivating core technologies in the field of transaction automation for a long time, and can grasp the timeliness of product development.

The management team has accumulated years of experience in the research and development of financial automation products, especially mastering electromechanical integration technology and fully understanding the world standards and product specification requirements of large system companies. This gives the Company a considerable advantage in product development time and cost. In the future, we will strengthen the development and promotion of our own products to meet the needs of more customers and a wider range of applications.

(2) Unfavorable Factors

① Some components need to rely on imports, such as the supply of magnetic heads being controlled by Japan.

Countermeasures:

A. Maintain good relationships with suppliers and maintain stable supply conditions.

B. Search for alternative manufacturers and diversify supply sources to reduce risks.

② Difficulty in obtaining professional talents

Due to Taiwan's past emphasis on mainstream electronic products such as computers and ICs, academic and research institutions in Taiwan have mostly developed in this direction, while also attracting numerous talents to be devoted to these fields. This has long led to the exclusion of talents from the financial automation industry, which has made it difficult to obtain talents in this industry in the past.

Countermeasures:

A. By utilizing various channels to recruit professional talents, the Company established a US subsidiary (R&D base) in 2004 to engage in a technology platform that is more closely aligned with customer needs and industry development trends.

B. Implement an employee profit-sharing system and gradually use incentive tools such as employee stock options and treasury shares after OTC listing to attract new talent and inject new blood.

C. The Company has already imported the PLM system, which utilizes efficient tools to accumulate technical information, experience and knowledge.

③ Exchange rate risk

The demand for financial automation products mainly comes from system integration manufacturers. Many large foreign factories place orders with upstream card reader manufacturers on an OEM/ODM basis, and terminal equipment suppliers then produce and export according to the orders. Export sales (mainly in US dollars) account for a large proportion of the Company's sales, resulting in significant exchange rate risks.

Countermeasures: Strengthen foreign exchange hedging management.

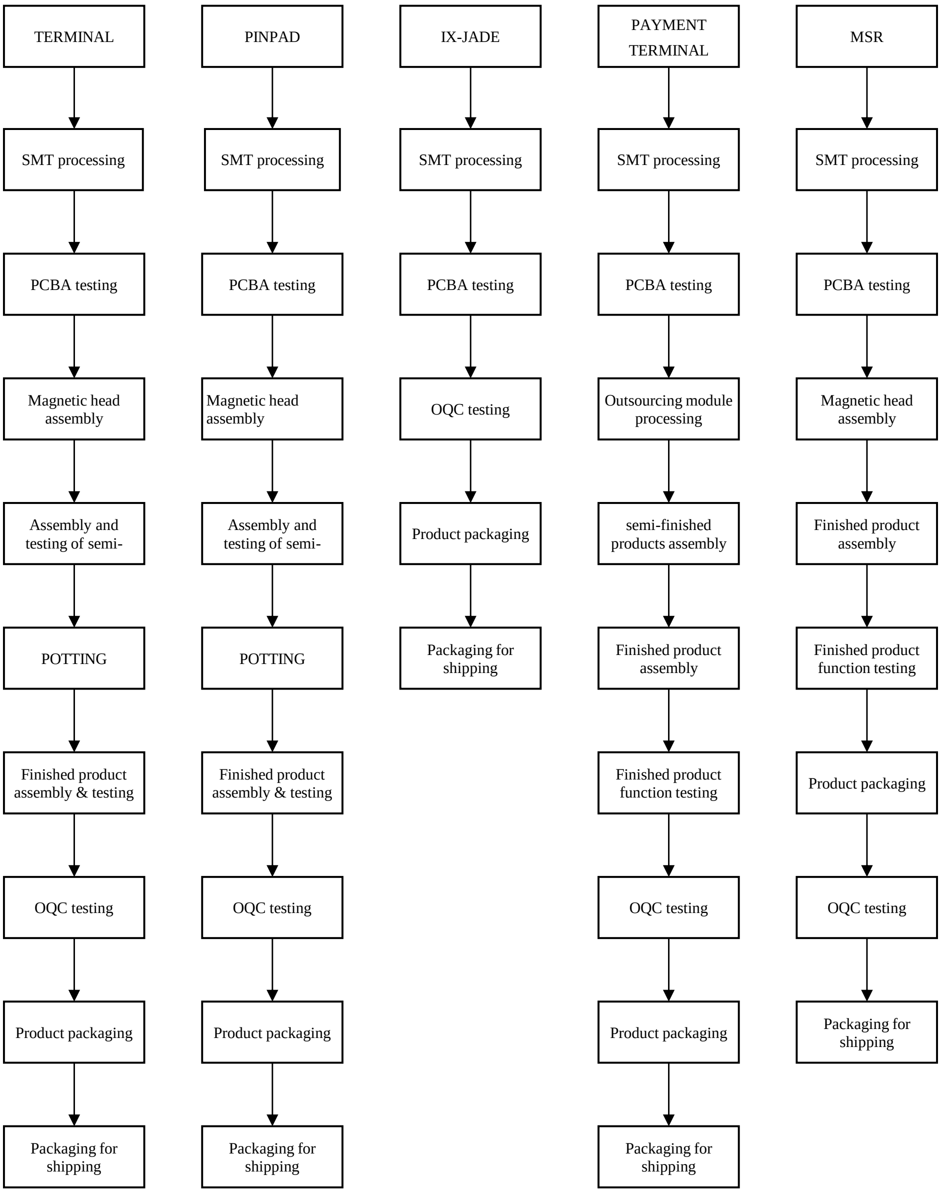
At present, the Company strictly implements relevant procedures and strengthens the monitoring of the Company's net US dollar position assets for foreign exchange hedging in order to reduce the impact of exchange rate fluctuations on profit and loss.

(2) Important Applications and Production Processes of Key Products

1. Important Applications of Key Products

Category	Key product	Applications
Card readers/writers	TTL Reader	Used for writing, reading, and confirming data in passbooks and magnetic cards. Credit card authorization terminals and password input devices.
	Motorized Hybrid Reader and Terminal	Financial card readers/writers, IC cards, and secure data processing; used for financial transactions, access control and password entry devices.
	Manual Insertion Reader	The read/write IC card is used for identity authentication and payment functions of public telephones, gas dispensers, network terminals, etc.
	Smart Card Reader (SCR)	Reads/writes data from IC cards, ATM cards, credit cards, and magnetic strips on passbooks, and transfers the read data to the main computer for processing and utilization.
Transaction data security protection equipment	Kiosk	Non-cash financial transactions, using passbooks, financial cards, IC cards, and electronic wallets for fund transfer.
	Transaction Security Product (TSP)	The main function of this product is to ensure that transaction data is not stolen during online transactions, as both automated trading systems and electronic commerce systems rely on communication networks to transmit transaction data. It encrypts the entered personal password according to DES/RSA standards and sends it to the main computer to prevent personal password theft.
Electronic financial transaction terminals and peripherals	P.O.S. Keyboard Card	Used on keyboards for P.O.S. terminals; can connect magnetic cards and IC card readers to accept credit and financial cards.
	Credit Card Authorization Terminal	Credit card credit investigation and authorized procurement for financial use.
	Electronic Fund Transaction Terminal (EFTT)	Electronic Fund Transaction Terminals (EFTTs) provide terminal devices for conducting financial transactions, which can transmit data to the main frame for processing and utilization.

2. Key Product Production Process



(3) Supply Status of Main Raw Materials

Main Raw Materials	Supply Status
Wireless Module	Good
IC	Good

(4) The names of suppliers and customers accounting for more than 10% of total purchases (sales) in any of the past 2 years (disclosed only by code due to confidentiality contracts signed between the Company and customers), as well as the amount and proportion of their purchases (sales).

1. List of main purchasing customers: None.
2. List of main sales customers:

Unit: Thousand NT$；%

	2022				2023				2024 up to the previous quarter (Note 2)			
Item	Name	Amount	Proportion of net annual sales (%)	Relationship with the issuer	Name	Amount	Proportion of net annual sales (%)	Relationship with the issuer	Name	Amount	Proportion of net annual sales up to the previous quarter (%)	Relationship with the issuer
1	B	345,941	25	None	B	209,579	27	None	B	136,390	41	None
2	A	379,326	27	None	A	151,563	20	None	A	77,780	23	None
3	E	16,738	-	None	E	118,953	16	None	E	54,672	16	None
4	C	153,849	11	None	C	20,331	3	None	C	9,164	3	None
5	D	142,500	10	None	D	-	-	None	D	-	-	None
6	Other	366,072	27	None	Other	266,907	34	None	Other	57,216	17	None
	Net sales	1,404,426	100		Net sales	767,333	100		Net sales	335,222	100	

Note 1: Reasons for changes in sales: The Company’s sales to customers A, B and C decreased due to the unfavorable overall economic environment. Customer D, serving as an agent, no longer handled shipments for the Company starting from 2023.The company’s sales to customer E increased due to the launch of new products this year.

Note 2: As of the date of publication of the annual report, if a company that is listed or whose stock is traded on securities firm’s business premises has had its most recent financial data audited, certified, or reviewed by a CPA, the data shall also be disclosed.

(5) Production Volume and Value for the Past 2 Years

Unit: sets, Thousand NT$

Year / Production volume and value / Key product	2022		2023	
	Production volume	Production value	Production volume	Production value
Card reader/writer	48,658	67,031	25,950	34,638
Transaction data security protection equipment	51,797	101,175	26,891	62,001
Financial transaction terminals and peripheral devices	280,313	524,652	178,037	383,952
Other products	225,851	168,143	108,032	91,356
Total	606,619	861,001	338,910	571,947

(6) Sales Volume and Value for the Past 2 Years

Unit: sets, Thousand NT$

Year / Sales volume and value / Key product	2022				2023			
	Domestic sales		Export		Domestic sales		Export	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Card reader/writer	3	13	51,306	99,223	500	2,046	45,170	66,074
Transaction data security protection equipment	1	5	67,473	175,447	520	1,649	35,416	106,804
Financial transaction terminals and peripheral devices	-	-	358,506	748,958	125	806	178,444	392,743
Other products	701	1,210	314,778	379,570	502	1,363	383,225	195,848
Total	705	1,228	792,063	1,403,198	1,647	5,864	642,255	761,469

Note 1: The sales volumes and values listed in the table above include the sales volume and value of triangular trade where Taiwan accepts orders for shipments from mainland China.

3. Employees

Information on employees in the last two years and as of the publication date of the annual report

Year / Item		2022	2023	Financial information as of March 31, 2024
Employee No.	Direct labor	88	79	78
	Indirect labor	289	287	286
	Total	376	365	369
Average age		38	39	39
Average seniority		8.2	8.8	9.0
Education Background	Ph. D	0%	0%	0%
	Master	14%	15%	15%
	University/ College	55%	57%	57%
	Senior high school	17%	16%	16%
	Below senior high school	14%	12%	12%

4. Environmental Expenditure Information

(1) For the year 2023 and up to the printing date of the annual report, any losses incurred due to environmental pollution (including compensation and findings of violations of environmental protection regulations) must be disclosed. This includes specifying the date of the penalty, penalty reference number, violated regulations, violation details, and penalty content. Additionally, disclose the estimated current and future amounts and response measures for any potential incidents. If these are not reasonably estimable, explain the reasons for the inability to provide a reasonable estimate: For the year 2023 and up to the printing date of the annual report, the Company did not incur any losses or penalties due to environmental pollution.

(2) The impact of the current pollution situation and improvements to it on the company's earnings, competitive position, and capital expenditure, as well as the major environmental capital expenditures expected in the next two years: For the year 2023 and up to the printing date of the annual report, the Company has not experienced any environmental pollution incidents.

(3) In response to the EU environmental directive (ROHS), whether the company directly or indirectly exports to Europe or is not involved in the EU environmental directive: The Company has fully implemented lead-free materials and lead-free product production in response to the EU environmental directive (ROHS).

(4) The Company is in a part of the high-tech industry with low pollution levels. Coupled with the presence of sewage treatment plants and other environmentally friendly pollution prevention and control equipment in the Science Park, the living and working environment is excellent.

5. Labor-Management Relations

(1) Employee Benefit Measures:

The Company's labor-management relations have always been harmonious. We have established comprehensive and thorough measures for employee incentives, communication, training, benefits, and retirement, ensuring mutual benefits between employees and the Company.

(2) Employee Continuing Education and Training System:

To ensure that all Company operations are carried out by well-trained and skilled personnel, and thus to guarantee the quality of work and improving efficiency, the Company has formulated employee continuing education and training policies based on the ISO principles. In accordance with these policies, we develop training plans for employees and review the outcomes of different training programs.

1. Annual Training Plan and Budget Allocation

The accumulation of employee education and training or work experience, and verification of employee compliance with qualification standards, is reviewed by the immediate supervisor and approved by the head of the corresponding department to grant specializations. The department supervisor, at the end of each year, in accordance with the operational needs for the following year, plans the annual employee training program, and compiles different training courses and training budgets. These include technical trainings compiled by specific business units, and management courses compiled by the HR department. The implementation of different education and training programs primarily consists of pre-employment training for new recruits and training for existing employees.

2. Review of Training Results

At the end of each quarter, the Company conducts reviews of each department's training results. These reviews serve as the basis for organizing training courses and making adjustments for the following quarter. Additionally, an annual review of training results is conducted at the end of each year, providing reference for compiling the next year's training plan.

3. Employee Training Expenditure in 2023

In 2023, the Company incurred a total of approximately 2,805 hours of employee training for an annual expenditure of approximately NT$220,000.

4. Estimated Employee Training Budget for 2024

The Company has budgeted approximately NT$400,000 for employee training expenses in 2024. Training expenses are expected to be similar to actual expenditures for the previous year.

(3) Whether the Company's personnel related to financial information transparency have obtained certifications designated by regulatory authorities:

Certificate of Competency in Basic Internal Control Assessment for Enterprises organized by the Securities and Futures Institute (SFI): Mr. HSU, JEN-CHIEN, Corporate Governance Officer and Accounting Supervisor.

(4) Implementation of the Retirement System:

The Company has established a retirement scheme and, in accordance with Article 2 of the Ministry of the Interior's Regulations for the Allocation and Management of Workers' Retirement Reserve Funds, allocates 2.5% of total employee salaries to the retirement fund, which is held in a dedicated account at the Bank of Taiwan. Additionally, since July 1, 2005, the Company has complied with the provisions of the Labor Pension Act and adopted the Defined Contribution Pension System. Under this system, employee retirement contributions are deducted at a rate of 6% of monthly wages and remitted to the Bureau of Labor Insurance.

(5) In the most recent year and up to the date of printing of the annual report, if there have been losses incurred due to labor disputes (including violations of the Labor Standards Act), details regarding the date of penalty, penalty reference number, violated articles of regulations, the content of violations, penalty content, current or future estimated amounts, or mitigation measures must be disclosed. If it is impossible to provide a reasonably estimate, the reason for such outcome must be stated: There have been no losses incurred due to labor disputes, including due to violations of the Labor Standards Act.

(6) Continuing Education and Training for Managerial Officers Corporate Governance Issues:

Job Title	Name	Training Date	Organizer	Course Name	Training Hours
Corporate Governance Officer and Accounting Supervisor	HSU, JEN-CHIEN	2023/10/16	Institute of Internal Auditors-Chinese Taiwan	Business Contract Management Audit Practices	6
		2023/11/22	Institute of Internal Auditors-Chinese Taiwan	How to Adjust Internal Control Systems to Meet New ESG Regulations	6
		2023/12/28–2023/12/29	Accounting Research and Development Foundation	Continuous Professional Development for Principal Accounting Officers in Issuers, Securities Firms, and Securities Exchanges	12

Financial Supervisor	CHANG, MENG-YI	2023/09/11–2023/09/12	Accounting Research and Development Foundation	Continuous Professional Development for Principal Accounting Officers in Issuers, Securities Firms, and Securities Exchanges	12

(7) Agreements between Labor and Management:

The Company adheres to all labor laws and regulations to uphold employee rights, demonstrating integrity and a sincere commitment to humane management practices. With mutual trust and respect between the Company and its employees, we maintain a positive labor-management relationship, free from major disputes. Additionally, the Company has established an Employee Welfare Committee responsible for handling different employee welfare matters, and regularly organizes activities to foster a harmonious work environment and enhance employee morale.

(8) Status of Measures to Protect Employee Rights:

The Company has well-established regulations to safeguard employee rights, and regularly reviews and enhances different welfare measures to ensure maximum protection of employee rights.

(9) Measures to Protect Workplace Environment and Employee Personal Safety:

Item	Content
Access Security	1. A strict access control surveillance system is in place day and night. 2. Security companies are contracted to maintain office and factory area security during nights and holidays.
Equipment Maintenance and Inspection	1. In accordance with the Regulations for Certification and Reporting of Building Public Safety Inspections, a professional company is commissioned every two years to conduct safety inspections. 2. In accordance with the Fire Services Act, external fire safety inspections are conducted annually. 3. Following the company's Occupational Health and Safety Guidelines, equipment such as electrical, air conditioning, fire protection, elevators, and compressors are maintained and inspected on a daily, monthly, quarterly, semi-annual, and annual basis. 4. Environmental testing is conducted semi-annually. 5. A contract with an external specialized vendor is established for the maintenance and emergency response of electrical equipment.
Disaster Prevention Measures and Response	1. The Company has established a fire protection team, and conducts fire drills every six months. 2. The Company is a member of the Civil Defense Protection Team, and sends representatives to participate in training seminars annually. 3. Different disaster prevention plans and emergency response procedures are established, including the Fire Protection Plan, Hazard Awareness Plan, Disaster Emergency Response Plan, and Occupational Health and Safety Guidelines and Operating Environment Measurement Plan, to address major disasters and emergencies.
Physiological Health	1. Health Check-ups: Physical examinations are conducted for new employees, and regular health check-ups are arranged for employees in

	accordance with Occupational Safety and Health Act. 2. Workplace Hygiene: Smoking bans in the workplace are implemented as required; health seminars and CPR training sessions are organized; daily office environment cleaning and regularly workspace disinfection is performed. 3. Regular On-site Medical and Nursing Services: On-site physician and nurse visits are scheduled on a monthly basis. Health risk and workplace risk assessments are conducted based on employee health check-up results. Case management and six major health management programs are implemented, including maternal health protection and prevention of work-related illnesses.
Mental Health	1. Education and Training: Employees are provided with seminars and courses on psychological adjustment, communication skills, strengthening intelligence, prevention and handling of workplace bullying, gender equality in the workplace, and other internal and external training sessions. 2. Club Activities: Club activities are subsidized annually, to encourage employees to participate in club activities and promote physical and mental well-being. 3. Expression of Opinions: Suggestion boxes are placed to provide employees with a channel for expressing opinions and releasing emotions. Care interviews are conducted for new employees to assist them in overcoming the adaptation period. 4. Prevention of Sexual Harassment: Measures are implemented in accordance with Ministry of Health and Welfare regulations. Advocacy discussions and announcements are conducted during labor-management meetings. Procedures are established for reporting and disciplining sexual harassment, and complaint channels are provided. 5. Prevention of Workplace Bullying: A declaration and complaint mechanism to prohibit workplace violence is established in accordance with regulations outlined in Occupational Safety and Health Act.
Insurance and Medical Assistance	Complying with the law, the Company provides labor insurance (including occupational accident insurance) and national health insurance. Additionally, we collaborate with insurance companies to offer life insurance, accident insurance, medical insurance, and cancer insurance to employees. We also extend preferential rates for accident insurance, medical insurance, and cancer insurance to employees' dependents.

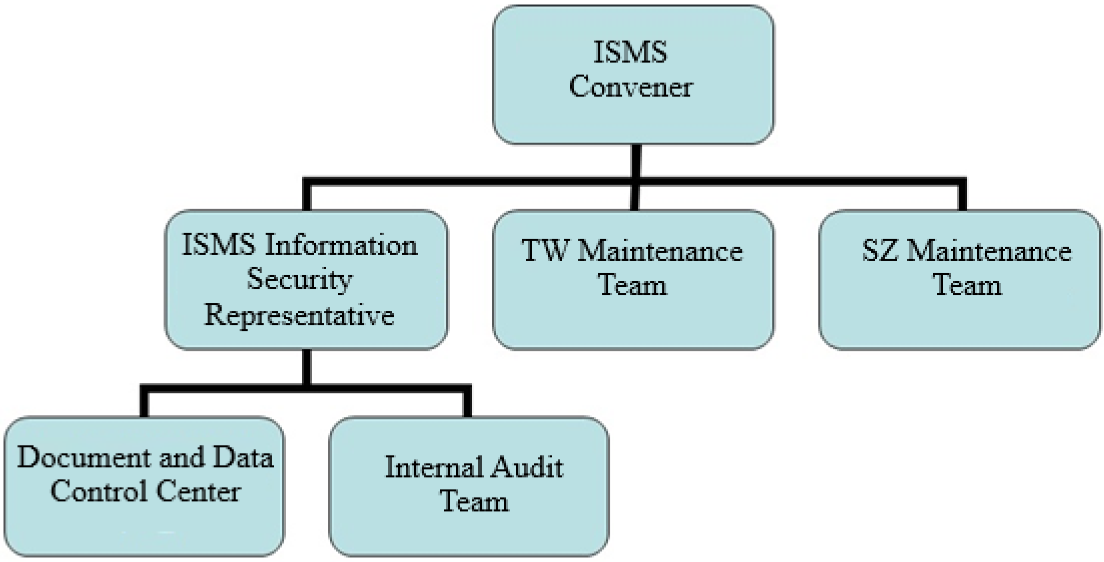
6. Cyber Security Management

(1) Cyber Security Management Strategy and Framework:

In order to maintain the effective implementation of the information security management system, ensure the continuous and stable operation of information security management, and improve overall information security, the Company has established an information security management organization to guide the development direction of the Company’s information security and demonstrate support at the management level. We have also formulated an information security organizational structure and information security responsibilities of relevant personnel for their reference and compliance.

In order to establish a complete Information Security Management System (ISMS) and promote the continuous certification of the international information security management system in various factories, the Company introduced ISO27001 in 2014 and obtained the certificate in 2015, and has been continuously maintaining its effectiveness.

1. Organizational Chart for Information Security Management



2. Table of Division of Information Security Responsibilities

Role	Responsibilities
Convener	1) Guide the direction of information security policies. 2) Evaluate and confirm the information security risks faced by the Company. 3) Formulate the organization and responsibilities of information security, and assign relevant members. 4) Review and supervise the scope and operation of the information security management system. 5) Coordinate and communicate information security related matters. 6) Review the internal audit report on information security. 7) Review the operations continuity plan. 8) Review the information security management system documents. 9) Review reports related to information security risk management. 10) Maintain appropriate communication channels with external organizations. 11) Decide on other information security management related matters.
ISMS Security Representative	1) Formulate information security measures. 2) Develop protection measures for information assets. 3) Develop an information security training and advocacy plan. 4) Supervise and review the execution and results of risk assessment. 5) Revise and issue information security management system documents.

	6) Review the appropriateness and testing results of the content of the business continuity plan. 7) Based on the situation of the information security incident, recommend whether to initiate a business continuity plan. 8) Be responsible for emergency response measures, and conduct rescue and notification operations when disasters occur. 9) Execute emergency operations for information security incidents. 10) Set up a window for reporting and consolidating information security incidents, which notifies the convener when encountering major information security incidents. 11) Maintain various information security records. 12) Review and track the safekeeping and management of various records. 13) Identify the regulatory and contractual requirements that the Company needs to comply with, and maintain the "List of Current Information Security Laws and Regulations".
TW Maintenance Team SZ Maintenance Team	1) Execute and assist in developing information security measures. 2) Implement and assist in formulating protection measures for information assets. 3) Implement and assist in employee information security training and advocacy. 4) Execute and assist in supervising and reviewing the execution and results of risk assessment. 5) Assist in revising and issuing information security management system documents. 6) Execute and assist in assessing business risks and threats, and developing a business continuity plan. 7) Be responsible for emergency response measures, and conduct rescue and notification operations when disasters occur. 8) Assist in carrying out emergency operations for information security incidents. 9) Evaluate business risks and threats, and establish a business continuity plan. 10) Be responsible for the update and maintenance of the business continuity plan specifications. 11) Assist in maintaining various information security records and lists. 12) Assist in maintaining and tracking the safekeeping and management of various records. 13) Assist in identifying the regulatory and contractual requirements that the Company needs to comply with, and maintain the "List of Current Information Security Laws and Regulations".
Internal Audit Team	1) Be responsible for executing information security audits and submitting audit reports. 2) Verify the implementation of corrective and preventive measures for audits. 3) Provide information on the implementation of corrective and preventive measures for audits, and report to the security representative and convener. 4) Regularly monitor and record the improvement of corrective and preventive measures for audits. 5) Execute internal information security audits assigned by the convener.
Document and	1) Process according to the "120-0004 Document and Data Management

Data Control Center	Procedure”. 2) Assist in the management, numbering, issuance, safekeeping, and cancellation of documents. 3) Archive and manage document control records.
Unit Supervisors and Employee	1) Cooperate in relevant operations based on the “Table of Division of Information Security Responsibilities”.

(2) Major information security incidents in the most recent fiscal year and up to the date of annual report publication: The Company has had no such incidents.

7. Important Contracts

None.

VI. Financial Status

1. Condensed balance sheet and statement of comprehensive income for the most recent 5 years

(1) Information on Condensed balance sheet and statement of comprehensive income

1. Condensed balance sheet -IFRSs (Parent company only)

Unit: Thousand NT$

Item \ Year		Financial Information for the most recent 5 years					Financial information as of March 31, 2024
		2019	2020	2021	2022	2023	
Current assets		1,687,712	1,736,516	1,559,901	1,370,759	1,203,391	Not applicalbe
Property, plant and equipment		80,015	77,182	71,414	65,803	60,607	
Intangible assets		531	49	191	3,149	3,249	
Other assets		440,190	473,396	512,915	555,219	624,174	
Total assets		2,208,448	2,287,143	2,144,421	1,994,930	1,891,421	
Current liabilities	Before distribution	486,858	477,626	449,578	228,961	302,246	
	After distribution	628,610	667,487	565,177	228,961	302,246	
Non-current liabilities		71,561	74,269	82,880	415,096	414,080	
Total liabilities	Before distribution	558,419	551,895	532,458	644,057	716,326	
	After distribution	700,171	741,756	648,057	644,057	716,326	
Equity attributable to owners of the parent		1,650,029	1,735,248	1,611,963	1,350,873	1,175,095	
Share capital		947,466	962,836	962,131	961,562	961,522	
Capital reserve		86,364	84,723	85,428	85,997	82,291	
Retained earnings	Before distribution	664,085	729,232	674,805	397,922	227,016	
	After distribution	522,333	539,371	559,206	397,922	227,016	
Other Equity		(47,886)	(41,543)	(27,554)	(11,790)	(12,916)	
Treasury share		0	0	(82,847)	(82,818)	(82,818)	
Non-controlling interest		0	0	0	0	0	
Total equity	Before distribution	1,650,029	1,735,248	1,611,963	1,350,873	1,175,095	
	After distribution	1,508,277	1,545,387	1,496,364	1,350,873	1,175,095	

2.Condensed balance sheet -IFRSs (Consolidated)

Unit: Thousand NT$

Item \ Year		Financial Information for the most recent 5 years					Financial information as of March 31, 2024 (Note 1)
		2019	2020	2021	2022	2023	
Current assets		2,020,701	2,135,127	2,073,939	1,843,726	1,596,296	1,664,301
Property, plant and equipment		83,298	80,903	75,599	69,175	64,718	63,156
Intangible assets		11,963	7,240	4,016	3,411	3,374	2,994
Other assets		67,123	75,288	102,635	123,957	188,049	190,450
Total assets		2,183,085	2,298,558	2,256,189	2,040,269	1,852,437	1,920,901
Current liabilities	Before distribution	448,033	472,649	529,028	249,219	245,626	646,681
	After distribution	589,785	662,510	644,627	249,219	245,626	646,681
Non-current liabilities		85,023	90,661	115,198	440,177	431,716	75,301
Total liabilities	Before distribution	533,056	563,310	644,226	689,396	677,342	721,982
	After distribution	674,808	753,171	759,825	689,396	677,342	721,982
Equity attributable to owners of the parent		1,650,029	1,735,248	1,611,963	1,350,873	1,175,095	1,198,919
Share capital		947,466	962,836	962,131	961,562	961,522	961,522
Capital reserve		86,364	84,723	85,428	85,997	82,291	82,291
Retained earnings	Before distribution	664,085	729,232	674,805	397,922	227,016	234,794
	After distribution	522,333	539,371	559,206	397,922	227,016	234,794
Other Equity		(47,886)	(41,543)	(27,554)	(11,790)	(12,916)	3,130
Treasury share		0	0	(82,847)	(82,818)	(82,818)	(82,818)
Non-controlling interest		0	0	0	0	0	0
Total equity	Before distribution	1,650,029	1,735,248	1,611,963	1,350,873	1,175,095	1,198,919
	After distribution	1,508,277	1,545,387	1,496,364	1,350,873	1,175,095	1,198,919

Note 1: The Q1 of 2024 consolidated financial report has been reviewed by the CPAs.

3. Condensed statement of comprehensive income-IFRSs(Parent company only)

Unit: Thousand NT$

Item \ Year	Financial Information for the most recent 5 years					Financial information as of March 31, 2024
	2019	2020	2021	2022	2023	
Operating revenue	2,024,230	1,707,564	1,578,931	1,404,417	767,333	
Gross operating profit	630,712	602,951	467,516	415,134	113,694	
Operating profit or loss	274,848	227,095	132,244	107,079	(228,554)	
Non-operating revenue and expense	52,610	36,840	34,322	(318,890)	9,428	**Not applicable**
Net profit (loss) before tax	327,458	263,935	166,566	(206,811)	(219,126)	
Net profit of continued operations for the period	263,391	207,153	133,260	(165,474)	(172,558)	
Loss of discontinued operations	0	0	0	0	0	
Net profit (loss) for the period	263,391	207,153	133,260	(165,474)	(172,558)	
Other comprehensive income for the period (net after tax)	(10,399)	(1,631)	3,754	14,173	(3,656)	
Total comprehensive income for the period	252,992	205,522	137,014	(151,301)	(176,214)	
Net profit attributable to owners of parent	263,391	207,153	133,260	(165,474)	(172,558)	
Net profit attributable to non-controlling interest	0	0	0	0	0	
Total comprehensive income attributable to owners of parent	252,992	205,522	137,014	(151,301)	(176,214)	
Total comprehensive income attributable to non-controlling interest	0	0	0	0	0	
Earnings per share	2.79	2.19	1.41	(1.79)	(1.85)	

4. Condensed statement of comprehensive income-IFRSs (Consolidated)

Unit: Thousand NT$

Year / Item	Financial Information for the most recent 5 years					Financial information as of March 31, 2024 (Note 1)
	2019	2020	2021	2022	2023	
Operating revenue	2,024,230	1,707,564	1,578,726	1,404,426	767,333	335,222
Gross operating profit	769,466	711,411	578,159	490,913	190,522	122,296
Operating profit or loss	337,242	263,427	169,534	108,528	(228,335)	12,434
Non-operating revenue and expense	3,203	9,863	5,667	(314,495)	10,417	(3,325)
Net profit (loss) before tax	340,445	273,290	175,201	(205,967)	(217,918)	9,109
Net profit of continued operations for the period	263,391	207,153	133,260	(165,474)	(172,558)	7,778
Loss of discontinued operations	0	0	0	0	0	0
Net profit (loss) for the period	263,391	207,153	133,260	(165,474)	(172,558)	7,778
Other comprehensive income for the period (net after tax)	(10,399)	(1,631)	3,754	14,173	(3,656)	16,046
Total comprehensive income for the period	252,992	205,522	137,014	(151,301)	(176,214)	23,824
Net profit attributable to owners of parent	263,391	207,153	133,260	(165,474)	(172,558)	7,778
Net profit attributable to non-controlling interest	0	0	0	0	0	0
Total comprehensive income attributable to owners of parent	252,992	205,522	137,014	(151,301)	(176,214)	23,824
Total comprehensive income attributable to non-controlling interest	0	0	0	0	0	0
Earnings per share	2.79	2.19	1.41	(1.79)	(1.85)	0.08

Note 1: The Q1 of 2024 consolidated financial report has been reviewed by the CPAs.

(2) The names of CPAs in the most recent 5 years and their audit opinions

Year	Name of accounting firm	CPAs	Audit opinions	Explanation
2019	KPMG Taiwan	TSENG, MEI-YU; HUANG, HAI-NING	Unqualified opinion	—
2020	KPMG Taiwan	TSENG, MEI-YU; HUANG, HAI-NING	Unqualified opinion	—
2021	KPMG Taiwan	HUANG, HAI-NING; TSENG, MEI-YU	Unqualified opinion	—
2022	KPMG Taiwan	HUANG, HAI-NING; TSENG, MEI-YU	Unqualified opinion	—
2023	KPMG Taiwan	CHENG, AN-CHIH; TSENG, MEI-YU	Unqualified opinion	—

2. Financial analysis for the most recent 5 years

(1) Financial analysis -IFRSs(Parent company only)

Analysis item \ Year		Financial analysis for the most recent 5 years				
		2019	2020	2021	2022	2023
Financial structure (%)	Debt to assets ratio	25	24.13	25	32.28	37.87
	Ratio of long-term capital to property, plant and equipment	2,152	2,344	2,373	2,683.72	2,622.10
Solvency (%)	Current Ratio	347	364	347	598.69	398.15
	Quick Ratio	338	348	310	518.67	352.17
	Times interest earned	91,569	92,063	60,891	(78,835.50)	(87,902.41)
Operating Ability	Accounts receivable turnover (times)	4.23	3.11	3.00	3.48	3.52
	Average collection days	86	117	122	104.88	103.69
	Inventory Turnover Rate (times)	25.14	18.97	9.11	5.48	3.85
	Accounts payable turnover (times)	6.11	3.48	3.76	4.85	4.30
	Average days in sales	15	19	40	66.60	94.80
	Property, plant and equipment turnover (times)	25.30	22.12	22.11	21.34	12.66
	Total asset turnover (times)	0.92	0.75	0.74	0.70	0.41
Profitability	Return on Assets(%)	13	9	6	(7.99)	(8.87)
	Return on equity(%)	17	12	8	(11.17)	(13.66)
	Ratio of net profit before tax to paid-in capital(%)(note 6)	35	27	17	(21.51)	(22.79)
	Net profit rate (%)	13	12	8	(11.78)	(22.49)
	Earnings per share (NT$)	2.79	2.19	1.41	(1.79)	(1.85)
Cash flow	Cash flow ratio (%)	43	75	(37)	123.78	(33.08)
	Cash flow adequacy ratio(%)	112	93	67	85.99	88.27
	Cash reinvestment ratio(%)	9	11	(20)	8.88	(5.82)
Leverage	Operating leverage	1.05	1.05	1.09	1.11	0.95
	Financial leverage	1.00	1.00	1.00	1.00	1.00

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

1. The decrease in current ratio and quick ratio is mainly due to the decrease in current financial assets measured at amortized cost.
2. The decrease in inventory turnover rate (times) and the increase in average days in sales are mainly due to the slowdown in customer demand.
3. The decrease in the property, plant and equipment turnover (times) and total asset turnover (times) is mainly due to a decrease in revenue.
4. The decrease in return on equity and net profit rate is mainly due to an increase in net loss in the current period.
5. The decrease in the cash flow ratio and the cash reinvestment ratio is mainly due to cash outflows used in operating activities.

(2) Financial analysis -IFRSs(Consolidated)

Analysis item / Year		Financial analysis for the most recent 5 years					As of March 31, 2024 (Note 1)
		2019	2020	2021	2022	2023	
Financial structure(%)	Debt to assets ratio	24	25	29	33.79	36.56	37.59
	Ratio of long-term capital to property, plant and equipment	2,083	2,257	2,285	2,589.16	2,482.79	2,017.58
Solvency%	Current Ratio	451	452	392	739.80	649.89	257.36
	Quick Ratio	393	397	280	512.72	468.23	189.88
	Times interest earned	48,655	49,609	20,982	(17,519.11)	(24,167.04)	5,722.84
Operating Ability	Accounts receivable turnover (times)	4.23	3.11	3.00	3.48	3.52	5.42
	Average collection days	86	117	122	104.88	103.69	67.34
	Inventory Turnover Rate (times)	3.17	3.07	2.05	1.42	0.99	1.60
	Accounts payable turnover (times)	7.80	5.02	4.58	6.01	9.82	9.22
	Average days in sales	115	119	178	257.04	368.68	228.12
	Property, plant and equipment turnover (times)	24.30	21.11	20.88	20.30	11.86	21.23
	Total asset turnover (times)	0.93	0.74	0.70	0.69	0.41	0.70
Profitability	Return on Assets(%)	13	9	6	(7.66)	(8.83)	1.68
	Return on equity(%)	17	12	8	(11.17)	(13.66)	2.62
	Ratio of net profit before tax to paid-in capital(%)(note 6)	36	28	18	(21.42)	(22.66)	3.79
	Net profit rate (%)	13	12	8	(11.78)	(22.49)	2.32
	Earnings per share (NT$)	2.79	2.19	1.41	(1.79)	(1.85)	0.08
Cash flow	Cash flow ratio (%)	48	96	(50)	124.57	(12.34)	(4.79)
	Cash flow adequacy ratio (%)	108	94	47	62.49	80.12	57.23
	Cash reinvestment ratio (%)	9	16	(24)	9.97	(1.73)	(0.54)
Leverage	Operating leverage	1.07	1.09	1.17	1.31	0.87	1.46
	Financial leverage	1.00	1.00	1.00	1.01	1.00	1.01

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

1. The decrease in the times interest earned, return on equity, and net profit rate is mainly due to an increase in net loss for the current period.
2. The decrease in inventory turnover rate (times) and the increase in average days in sales is mainly due to the slow down in customer demand.
3. The increase in accounts payable turnover (times)is mainly due to a decrease in accounts payable.
4. The decrease in property, plant, and equipment turnover (times) and total asset turnover (times) is mainly due to a decrease in operating income.
5. The decrease in the cash flow ratio and the cash reinvestment ratio is mainly due to cash outflows used in operating activities.
6. The increase in the cash flow adequacy ratio is mainly due to the decrease in average cash dividends over the past 5 years.

Note 1: The Q1 of 2024 financial report has been reviewed by the CPAs.

1.Financial structure

(1)Debt to assets ratio＝Total liabilities／Total assets

(2)Ratio of long-term capital to property, plant and equipment ＝ (Total equity＋Non-current liabilities)／Net property, plant and equipment

2.Solvency

(1)Current Ratio＝Current assets／Current liabilities

(2)Quick Ratio＝ (Current assets－Inventory－Prepaid expenses)／Current liabilities

(3)Times interest earned＝Net earnings before income tax and interest expenses／Interest expenses for this period

3.Operating Ability

(1)Accounts receivable (including accounts receivable and notes receivable arising from operating activities) turnover＝net sales／average accounts receivable balance (including accounts receivable and notes receivable arising from operating activities

(2)Average collection days＝365／Accounts receivable turnover

(3)Inventory Turnover Rate ＝Cost of goods sold／Average inventory

(4)Accounts payable (including accounts payable and notes payable arising from operating activities) turnover ＝cost of goods sold／average accounts payable balance (including accounts payable and notes payable arising from operating activities)

(5)Average days in sales＝365／Inventory Turnover Rate

(6)Property, plant and equipment turnover＝Net sales／Average net property, plant and equipment

(7)Total asset turnover＝Net sales／Average total assets

4.Profitability

(1)Return on Assets＝〔Profit or loss after tax＋Interest expense×（1－Tax rate)〕／Average total assets

(2)Return on equity＝Profit or loss after tax／Average total equity

(3)Net profit rate ＝Profit or loss after tax／Net sales

(4)Earnings per share＝(Profit or loss attributable to owners of parent－Preferred share dividends)／weighted average number of shares outstanding (Note 4)

5.Cash flow

(1)Cash flow ratio ＝Net cash flows from operating activities／Current liabilities

(2) Net cash flow adequacy ratio＝5-year sum of net cash flow from operating activities／5-year sum of (capital expenditures＋increases in inventory＋cash dividends)

(3)Cash reinvestment ratio＝(Net cash flows from operating activities－Cash dividends)／(Gross property, plant and equipment＋Long-term investments＋Other non-current assets＋Working capital) (Note 5)

6.Leverage:

(1)Operating leverage＝(Net operating revenue－Variable operating costs and expenses)／Operating income (Note 6)

(2)Financial leverage＝Operating income／(Operating income－Interest expense)

Note 4: When calculating the earnings per share as mentioned above, the following matters shall be noted:

1.The weighted average number of ordinary shares shall be used, rather than the number of shares issued at the end of the year.

2.For those with cash capital increase or treasury stock transaction, the weighted average number of shares shall be calculated taking into account their circulation period.

3. Where there is capital increase from surplus or capital reserve, when calculating earnings per share for previous years and semi-annual years, it shall be adjusted retroactively according to the capital increase ratio, regardless of the issuance period of the capital increase.

4. If the preferred share is non-convertible cumulative preferred stock, its dividends for the current year (whether distributed or not) shall be deducted from or added to the net profit after tax or net loss. If the preferred share is non-cumulative, in the case of net profit after tax, the preferred share dividends shall be deducted from the net profit after tax; if it is a loss, there is no need to adjust.

Note 5: The following shall be noted when measuring cash flow analysis:

1.Net cash flow from operating activities refers to the net cash inflow from operating activities in the cash flow statement.

2.Capital expenditure refers to the annual cash outflow of capital investment.

3.The increase in inventory will only be included when the balance at the end of the period is greater than the balance at the beginning of the period. If the inventory decreases at the end of the year, it will be calculated as zero.

4.Cash dividends include cash dividends of ordinary shares and preferred shares.

5.Gross property, plant and equipment refer to the total amount of property, plant and equipment before accumulated depreciation is deducted.

Note 6: The issuer shall classify various operating costs and expenses as fixed or variable according to their nature. If there is any estimation or subjective judgment involved, attention shall be paid to its rationality and consistency.

Note 7: If the Company’s share has no par value or the par value of each share is not NT$10, the ratio of paid-in capital stated above shall be calculated based on the equity ratio attributable to the owner of the parent company on the balance sheet.

3. Audit committee's review report for the most recent financial statements

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 Meetings

XAC Automation Corporation

Audit Committee Convener: HUANG, HSU-NAN_____

March 7, 2024

4. **The most recent financial report includes the certified public accountant's audit report, a two-year comparative balance sheet, a statement of comprehensive income, a statement of changes in equity, a cash flow statement, and notes or schedules:** Please refer to annual report page 119-190.

5. **The Company's parent company only financial report in the most recent year that has been audited and attested by a certified public accountant (which does not include a statement of accounting items:** Please refer to annual report page 191-268.

6. **In the most recent year and as of the date of publication of the annual report, if there is a financial turnover difficulty for the Company and its affiliates, and its impact on the Company's financial position:** No such situation exists.

VII. Review of Financial Position, Financial Conditions, and Risk Matters

1. Financial Position

Comparative analysis for financial position

Unit: Thousand NT$

Item \ Year	2022	2023	Variation	
			Amount	%
Current assets	1,843,726	1,596,296	(247,430)	(13.42)
Non-current liabilities	196,543	256,141	59,598	30.32
Total assets	2,040,269	1,852,437	(187,832)	(9.21)
Current liabilities	249,219	245,626	(3,593)	(1.44)
Non-current liabilities	440,177	431,716	(8,461)	(1.92)
Total liabilities	689,396	677,342	(12,054)	(1.75)
Common share- share capital	961,562	961,522	(40)	(0.00)
Capital reserve	85,997	82,291	(3,706)	(4.31)
Retained earnings	397,922	227,016	(170,906)	(42.95)
Other Equity	(11,790)	(12,916)	(1,126)	(9.55)
Treasury share	(82,818)	(82,818)	—	—
Total shareholders equity	1,350,873	1,175,095	(175,778)	(13.01)

The major reasons for major changes in assets, liabilities, and shareholders' equity in the recent most two years (changes of more than 20% between a previous and later period where the amount of changes reaches NT$10 million) and their impacts and future response plans shall be explained:

(1) Non-current assets: mainly due to an increase in deferred income tax assets.

(2) Retained earnings: Mainly due to a net loss in the current period.

(3) Other items with a change amount of less than 20% and a change amount reaching NT$10 million are exempt from analysis according to regulations.

2. Financial performance

(1) Financial performance analysis

Unit: Thousand NT$

Item \ Year	2022	2023	Increase (decrease) amount	Variation ratio%
Net operating revenue	1,404,426	767,333	(637,093)	(45.36)
Operating cost	913,513	576,811	(336,702)	(36.86)
Gross operating profit	490,913	190,522	(300,391)	(61.19)
Operating expense	382,385	418,857	36,472	9.54
Net operating profit	108,528	(228,335)	(336,863)	(310.39)
Non-operating revenue and expense	(314,495)	10,417	324,912	103.31
Net profit before tax	(205,967)	(217,918)	(11,951)	(5.80)
Income tax expense	(40,493)	(45,360)	(4,867)	(12.02)
Net profit for the period	(165,474)	(172,558)	(7,084)	(4.28)
Other comprehensive income for the period	14,173	(3,656)	(17,829)	(125.80)
Total comprehensive income for the period	(151,301)	(176,214)	(24,913)	(16.47)

Analysis of changes in the proportion of increase and decrease over the past 2 years:

(1) The decrease in net operating income, operating costs, gross operating profit, and net operating profit is mainly due to a decrease in shipments to major customers.

(2) The increase in non-operating income and expenses is mainly due to the recognition of arbitration compensation losses in accordance with the arbitration award in the previous period.

(3) The decrease in other comprehensive income for the current period is mainly due to a decrease in exchange differences of foreign operations.

(4) The remaining items are exempt from analysis according to regulations as the change amount does not reach 20%.

(2) Expected sales volume and its basis, potential impact on the Company's future financial operations, and countermeasures:

The Company does not need to compile a public financial forecast, so this is not applicable.

3. Cash flow

(1) Analysis status for the cash flow changes during the most recent year:

Unit: Thousand NT$

Beginning of year cash balance	Net cash outflow used in operating activities for the whole year	Net cash inflow from investing and financing activities for the whole year	Impact of exchange rate changes	Cash surplus	Remediation measures of estimated cash insufficiency	
					Investment	Wealth management
622,552	(30,313)	129,281	(46,022)	675,498	—	—

- Analysis of changes in cash flow for the current year

1. The cash outflow used in operating activities was NT$30,313,000, mainly due to an increase in accounts receivable.
2. Cash inflow from investment activities was NT$148,947,000, mainly due to a decrease in financial assets measured at amortized cost.
3. The cash outflow used in financing activities was NT$19,666,000, mainly due to the rent payment.

(2) Cash liquidity analysis for the next year:

The Company expects to continue investing in research and development in 2024, and it is expected that net profit will continue to increase due to the net cash inflow from operating activities. As of now, the accounts receivable and inventory turnover efficiency have been well controlled, so there is no risk of cash shortage in the next year.

4. Impact of significant capital expenditures on financial operations in the recent fiscal year: None.

5. Recent investment policies, main reasons for profit or loss, improvement plans, and investment plans for the next year

(1) Reinvestment policy: Consider the perspective of the entire company, make good use of subsidiary resources, and pursue synergy through layout planning. The management policy is in compliance with that formulated by the parent company, and the operational details are authorized to be tailored to the local conditions by the subsidiary. However, responsible personnel will oversee the integration of various functions. Among internal control related procedures, the “Procedures for Acquisition or Disposal of Assets” and the “Subsidiary Supervision Measures” are used as the management basis for reinvestment businesses.

(2) Main reasons for the profit or loss in reinvestment businesses in the most recent fiscal year and improvement plans:

Reinvestment Analysis Table

Explanation / Item	Amount	Policy	Main reasons for profit or loss	Improvement plans	Other future investment plans the next year
Value Investment Ltd.	168,889	Established a second manufacturing base in mainland China through the holding company to reduce manufacturing costs.	It suffered a net loss of NT$3,790,000 in 2023, and the Company recognized an investment loss of NT$3,864,000.	None.	None.
XAC Suzhou	165,841	Established a second manufacturing base in mainland China through the holding company to reduce manufacturing costs.	It suffered a net loss of NT$3,098,000 in 2023, which has been recognized as an investment loss by the subsidiary (Value Investment Ltd.).	None.	None.
Zakus Inc.	37,145	R&D center and market research related services.	It made a profit of NT$3,337,000 in 2023, and the Company recognized an investment gain of NT$3,337,000.	None.	None.

6. Risk Analysis and Evaluation

(1) Impacts of interest rate change, exchange rate fluctuation, and inflation on the Company's profit and loss, and future countermeasures:

1. Interest rate change: If the Company adopted variable interest rates for cash and cash equivalents, and if the interest rate increased or decreased by 0.25% while all other variables remained unchanged, the tax net profit before tax for 2023 would increase or decrease by NT$787,000. The impact of interest rate change on the Company is not significant.

2. Exchange rate fluctuation: The Company's purchases and sales are mainly denominated in foreign currencies, exposing our existing foreign currency assets and liabilities to market exchange rate fluctuation. Therefore, the Company engages in derivative financial product trading to hedge exchange rate risks of our foreign currency assets or liabilities. The gains and losses generated by exchange rate fluctuations are offset by the hedged items, so the market risk is usually low.

3. Inflation: Since 2023, the Company has not been directly or significantly affected by inflation.

(2) Policies on high-risk and highly leveraged investments, lending of funds to others, endorsements and guarantees, and derivatives trading; main reasons for profits or losses; and future countermeasures:

1. High-risk and high-leverage investments: The Company does not engage in financial

operations related to high-risk and high-leverage investments.

2. Lending of funds to others: The Company has established the “Procedures for Lending of Funds to Others”, which has been approved by the Board of Directors and the shareholders meeting.

3. Endorsements and guarantees: The Company has established the “Procedures for Endorsements and Guarantees”, which has been approved by the Board of Directors and the shareholders meeting.

4. Derivative product trading: The Company has established the “Procedures for Acquisition or Disposal of Assets”, which already covers the relevant regulations for engagement in derivatives trading.

(3) Future R&D plans and expected R&D expenses:

Please refer to page 76 of this annual report: V. Operations Overview - (3) Technology and R&D Overview.

(4) Impact of important domestic and foreign policies and legal changes on the Company's financial operations and countermeasures:

An internationalized and liberalized open trading system is an important trend that helps to explore international markets. The Company will strive to seize this very favorable opportunity for the development of our industry.

On the issuance and application of International Financial Reporting Standards (IFRS), the Company has applied the new and revised standards and interpretations.

(5) The impact of technological changes (including information security risks) and industrial changes on the Company’s financial operations and countermeasures:

XAC is a knowledge-based instead of a capital intensive or labor-intensive enterprise, and has established a sound information security framework. We strictly control information network security and contingency measures. Technological changes (including information security risks) and industrial changes have no significant impact on the Company’s financial operations.

(6) Impact of corporate image change on crisis management and countermeasures:

The Company adheres to the consistent philosophy of bottom-up, team spirit, sustainable operation, and shared prosperity and is committed to our core business. Our corporate image is good, but crisis management remains an important part of enterprise risk management. We have a complete set of emergency response plans, which are the basis for effective response and actions.

(7) Expected benefits, potential risks, and countermeasures for mergers and acquisitions: Not applicable.

(8) Expected benefits, potential risks, and countermeasures for factory expansion: The Company did not expand its factories in 2023 or as of the date of annual report publication, so this is not applicable.

(9) Risks faced by concentration of purchasing or sales and countermeasures: The Company has diversified its sales products, developed new sources of purchasing, and made good use of favorable resources in the supply chain across the Taiwan Strait and in the Greater China region, so there is no risk of purchasing concentration.

(10) Impact and risks of large-scale transfer or replacement of shares by directors, or major shareholders holding more than 10% of the shares on the Company and countermeasures:

This does not apply as the Company does not have any major shareholder holding more than 10% of the shares.

(11) Impact and risks of changes in management rights on the Company and countermeasures: This is not applicable as the Company does not have this situation.

(12) For major litigation, non-litigation, or administrative disputes of directors, the president, substantive responsible persons, major shareholders holding more than 10% of the shares, and affiliated companies of the Company, which have been determined by judgment or are still pending and where the results may have a significant impact on shareholder equity or securities prices, state the disputed facts, target amount, start date of litigation, main parties involved in the litigation, the handling situation as of the date of annual report publication, and countermeasures:

The Company received a notice of arbitration from the Singapore International Arbitration Center on April 12, 2021. This arbitration case is related to the product development and design in the sales contract signed between E LA CARTE, INC. and the Company in October 2015, where E LA CARTE, INC. requires the Company to pay a compensation of US$35 million. The Company has commissioned a lawyer to handle this case and carry out necessary procedures to protect the Company's rights and interests. A hearing was held in April 2022; both parties defended themselves based on the evidence and statements provided to the arbitral tribunal, and E LA CARTE, INC. requested that the compensation amount be changed to US$17.36 million. On June 28, 2022, the arbitration award was received, and the Company should compensate US$11.17 million and pay an arbitration fee of SG$187,000. The Company has recognized relevant liability provisions.

On August 12, 2022, the Company received a notice from the arbitration tribunal agreeing to reduce the compensation amount by US$70,000 based on the objection raised by the Company, and the Company has reversed the compensation amount to US$11.1 million. On April 11, 2023, the Company received the lawyer's notice that the High Court of Singapore rejected the Company's application to withdraw the arbitration judgment which was raised on November 11, 2022. On February 15, 2024, the Company received a decision from the Singapore Court of Appeal to dismiss the Company's appeal for revocation of the arbitration award raised on October 23, 2023. The Company will discuss with the lawyer on the follow-up measures and feasible strategies.

(13) Other important risks and countermeasures:

The Company introduced ISO27001 in 2014 and obtained a certificate in 2015, and has been continuously maintaining its effectiveness. After conducting an information security risk assessment and analysis, there were no significant operational risks.

7. Other important matters: None

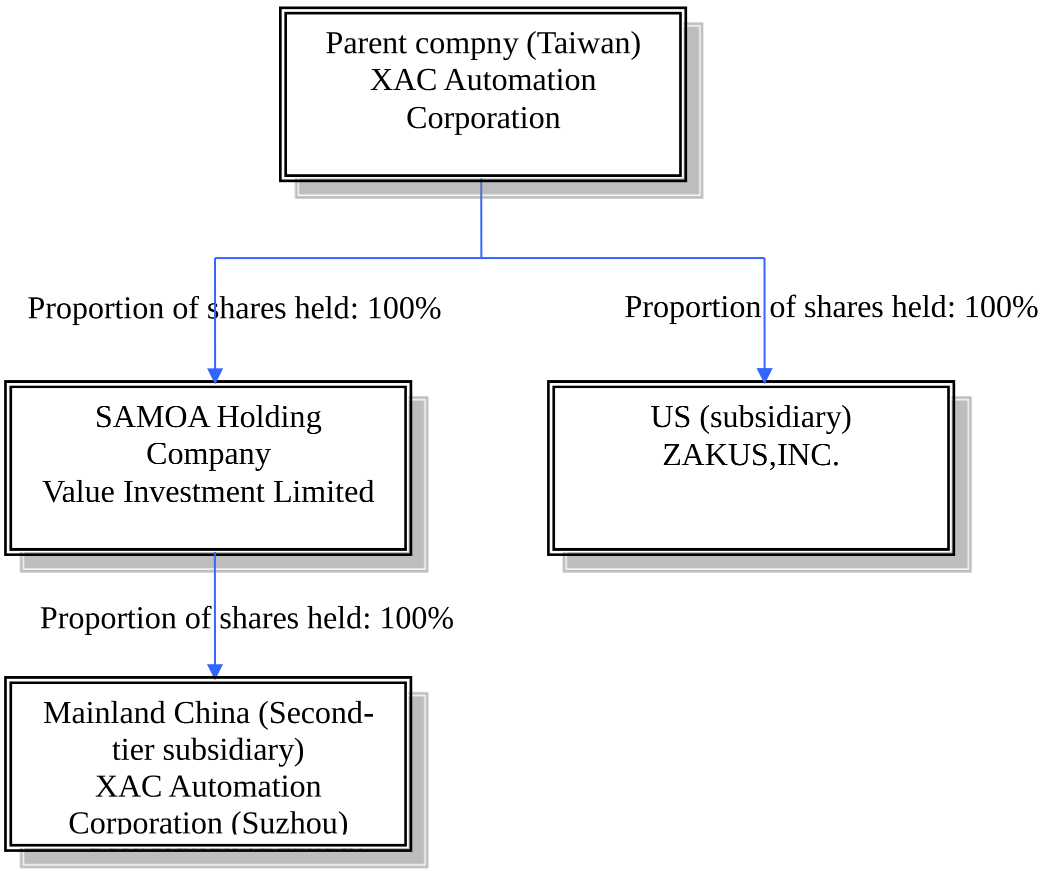
VIII. Special items to be included

1. Information related to affiliates

(1) Affiliates' consolidated business report

1. Affiliates' organization chart

December 31, 2023



2. Affiliates' basic information

December 31, 2023

Company name	Date of establishment	Address	Paid-in capital	Main Business/Production Items
Value Investment Limited	March 29, 2004	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa.	US$ 5.13 million	Overseas investment holding company.
XAC Automation Corporation (Suzhou)	June 17, 2004	No. 2, Standard Factory, Fuyang Industrial Zone, Fuyuan Road, Xiangcheng Economic Development Park, Suzhou	US$ 6.80 million	Engaging in the production and sales of electronic financial transaction terminals and their components, transaction data security protection devices and their components, as well as multifunctional smart card reading and writing machines and their components.
ZAKUS, INC.	June 10, 2004	146 Main Street, Suite 208 Los Altos, CA 94022 , USA	US$0.20 million	US R&D center and market research.

3. Information on the same shareholders as those presumed to have controlling and subordinate relationships: None.

4. Businesses operated by the affiliates and their interrelationships

Name of Affiliates	Association with the businesses of other related enterprises
Value Investment Limited	Overseas investment holding company.
XAC Automation Corporation (Suzhou)	Mainland manufacturing base.
ZAKUS, INC.	US R&D center and market research.

5. Directors and supervisors of affiliates

Name of Company	Position	Name	Shareholding	
			Number of shares	Proportion of shares held
Value Investment Limited	Chairman	CHANG, YENG-MING	-	-
XAC Automation Corporation (Suzhou)	Chairman	SHEN, PAO-HUI	-	-
ZAKUS, INC.	Director Director	CHANG, YENG-MING NI, CHU-CHING	-	-

6. Operation Overview of affiliates

Unit: Thousand NT$, earnings (loss) per share (NT$)

Name of company	Capital	Total assets	Total liabilities	Net worth	Operating revenue	Operating income	Profit or loss for current period	Earnings (loss) per share
Value Investment Limited	168,889	423,077	6,474	416,603	0	(713)	(3,790)	—
XAC Automation Corporation (Suzhou)	224,042	574,268	136,369	437,899	528,481	(2,316)	(3,098) (Note 1)	—
ZAKUS, INC.	6,770	68,390	3,459	64,931	67,719	3,321	3,337	16.69

Note 1: Relevant investment profit and loss is recognized by the subsidiary Value Investment Limited.

(2) Consolidated Financial Statements of Affiliates:

Refer to Annual Report Page 119.

(3) Relationship Report for Affiliate Enterprises: Not applicable.

2. Private placement of securities in the most recent year up to the date of publication of the annual report:

Item	Private Placement of Common Shares in 2023
Type of Privately Placed Securities	Common shares
Date and Amount Approved by the Shareholders' Meeting	The shareholders’ meeting on June 13, 2023 authorized the Board of Directors to conduct, at an appropriate time and based on prevailing market conditions, private placements of common shares within a maximum limit of 9,600,000 shares, and to do so once or in installments within one year from the date of the shareholders' meeting resolution, a maximum of three times.
Basis and Rationality for Price Determination	The pricing of the private placement of common shares in this instance shall not be lower than 80% of the higher of the following two criteria calculated before the Company's pricing date. The actual pricing date and the actual private placement price shall be proposed for approval by the shareholders' meeting, and authorized by the Board of Directors to be determined later based on specific subscribers and prevailing market conditions, and on the following pricing principles: 1. The simple average closing price of common shares for one, three, or five business days prior to the pricing date, excluding rights issues and dividends, and adding back the price after ex-rights and capital reduction. 2. The simple average closing price of common shares for the thirty business days prior to the pricing date, excluding rights issues and dividends, and adding back the price after ex-rights and capital reduction. The basis for the aforementioned private placement price determination complies with the Directions for Public Companies Conducting Private

	Placements of Securities, thus making its pricing determination reasonable.
Selection Criteria for Specific Candidates	1. Selection of applicants for private placement of common shares in this instance will be conducted in accordance with Article 43-6 of the Securities and Exchange Act and the Administrative Measures of the Financial Supervisory Commission dated June 13, 2002 (91-Tai-Tsai-Cheng-Yi-Tzu No. 0910003455), with the intention to introduce strategic investors based on market conditions and the Company's needs. However, specific applicants have not yet been identified. 2.Selection criteria, purpose, necessity, and expected benefits of strategic investors: (1) Selection criteria and purpose: The selection of strategic investors will be limited to those who can enhance the Company's market development, expand its operational scale, and directly or indirectly benefit the Company's future operations. The Company aims to attract strategic investors in the payment system solutions industry. (2) Necessity: Given the Company's focus on payment system solutions, it is deemed necessary for long-term development to introduce strategic partners through alliances with existing supply chains. This is essential for advancing solutions' global production and sales volume, thereby achieving the Company's long-term development goals. (3) Expected benefits: Alliance with strategic investors is expected to strengthen expansion of the Company's operational scale and increase channel growth, ultimately leading to increased profitability and positive benefits for shareholder equity.
Reasons for Conducting Private Placement	1. Reasons for not adopting public offering: The Company has considered market conditions, timeliness, feasibility, and issuance costs; compared to public offerings, private placements have the advantage of ensuring a long-term cooperative relationship between the Company and strategic investors due to the restriction on free transfers of privately placed securities within three years. Therefore, the Company opts not to use the public offering method, and instead conducts private placement of common shares in accordance with regulations such as the Securities and Exchange Act. 2. Intended use of funds for each tranche of private placement: The funds raised will be used to meet long-term strategic development needs, enhance the Company's operational efficiency, and strengthen competitiveness. 3. Expected benefits of each tranche: The implementation of this plan will strengthen the financial structure, improve operational efficiency, enhance industry position, and increase long-term competitiveness. This will result in positive benefits for shareholder equity.
Completion Date of Payment	Not applicable. Considering market conditions, as of the cutoff date for the annual report printing, this transaction has not been executed.
Subscribers' Information	
Actual Subscription Price	
Difference	

Between Actual Subscription Price and Reference Price	
Impact of Private Placement on Shareholder Equity	
Utilization of Private Placement Funds and Progress of Implementation Plans	
Manifestation of Benefits from Private Placement	

3. **Subsidiaries' holding or disposal of the Company's shares in the most recent year and up to the date of publication of the annual report:**

   No such situation exists.

4. **Other required supplementary notes:** None.

5. **Any matter in the most recent year and up to the date of publication of the annual report that has a significant impact on shareholders' equity or securities prices as stipulated in subparagraph 2 of paragraph 3 of Article 36 of the Securities and Exchange Act:** None.

Statement

The entities that are required to be included in the combined financial statements of XAC Automation Corporation as of and for the year ended December 31, 2023 under the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard 10, “Consolidated Financial Statements”. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, XAC Automation Corporation and Subsidiaries do not prepare a separate set of combined financial statements.

Sincerely,

Company Name: XAC Automation Corporation

Chairman: Edmund Chang

Date: March 7, 2024

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 contest of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Based on our judgements, the key audit matters should be communicated in the audit report are as follows:

I. Revenue recognition

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

Explanation of key audit matters:

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

Auditing Procedures:

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

II. Inventory valuation

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

Explanation of key audit matters:

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

Auditing Procedures:

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

Other Matters

XAC Automation Corporation has prepared its parent-company-only financial statements as of and for the years ended December 31, 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

<u>*Notices to Readers*</u>

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)

		2023.12.31		2022.12.31	
	Assets	**Amount**	**%**	**Amount**	**%**
	Current assets:				
1100	Cash and cash equivalents (Note 6 (1))	$ 675,498	37	622,552	32
1110	Financial assets at fair value through profit or loss - current (Note 6 (2))	589	-	-	-
1136	Financial assets at amortized cost- current (Note 6 (3))	195,690	11	354,629	17
1140	Contract assets - current (Note 6 (17))	10,832	-	44,418	2
1170	Accounts receivable, net (Notes 6 (4) and (17))	225,588	12	206,726	10
130X	Inventories (Note 6 (5))	446,201	24	565,934	28
1479	Other current assets	41,898	2	49,467	2
	Total current assets	1,596,296	86	1,843,726	91
	Non-current assets:				
1535	Financial assets at amortized cost – non-current (Note 8)	6,859	-	3,321	-
1600	Property, plant and equipment (Note 6 (6))	64,718	4	69,175	3
1755	Right-of-use assets (Note 6 (7))	41,886	2	56,139	3
1780	Intangible assets (Note 6 (8))	3,374	-	3,411	-
1840	Deferred tax assets (Note 6 (12))	108,228	6	60,999	3
1920	Refundable deposits	5,055	-	3,498	-
1930	Long-term accounts receivable, net (Notes 6 (4) and (17))	26,021	2	-	-
	Total non-current assets	256,141	14	196,543	9
	Total assets	**$ 1,852,437**	**100**	**2,040,269**	**100**

		2023.12.31		2022.12.31	
	Liabilities and Equity	**Amount**	**%**	**Amount**	**%**
	Current liabilities:				
2120	Financial liabilities at fair value through profit or loss - current (Note 6 (2))	$ 667	-	111	-
2170	Accounts payable	61,051	3	56,483	3
2201	Salaries and bonuses payable	77,866	4	95,468	5
2230	Current tax liabilities	5,888	-	4,470	-
2280	Lease liabilities - current (note 6 (9))	11,864	1	20,297	1
2300	Other current liabilities (Notes 6 (10) and (17))	88,290	5	72,390	4
	Total current liabilities	245,626	13	249,219	13
	Non-current liabilities:				
2550	Provision – non-current (Note 6 (10))	347,168	19	347,434	17
2570	Deferred tax liabilities (Note 6 (12))	41,851	2	41,829	2
2580	Lease liabilities – non-current (Note 6 (9))	29,621	2	36,233	2
2640	Net defined benefit liabilities – non-current (Note 6 (11))	13,076	1	14,681	1
	Total non-current liabilities	431,716	24	440,177	22
	Total liabilities	677,342	37	689,396	35
	Equity (Notes 6 (13) and (14)):				
3110	Common stock	961,522	52	961,562	47
3200	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)
	Total equity	1,175,095	63	1,350,873	65
	Total liabilities and equity	**$ 1,852,437**	**100**	**2,040,269**	**100**

(See accompanying notes to consolidated financial statement)

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

XAC Automation Corporation and Subsidiaries

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2023 and 2022

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

		2023		2022	
		Amount	%	Amount	%
4000	**Operating revenue** (Note 6 (17))	$ 767,333	100	1,404,426	100
5000	**Operating costs** (Notes 6 (5), (11), 7 and 12)	576,811	75	913,513	65
	Gross profit	190,522	25	490,913	35
	Operating expenses (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)	-
	Total operating expenses	418,857	54	382,385	27
	Net operating profit (loss)	(228,335)	(29)	108,528	8
	Non-operating revenue and expenses:				
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)
	Net loss before tax	(217,918)	(28)	(205,967)	(15)
7950	**Income tax gain** (Note 6 (12))	(45,360)	(6)	(40,493)	(3)
	Loss for the year	(172,558)	(22)	(165,474)	(12)
8300	**Other comprehensive income:**				
8310	**Items that will not be reclassified subsequently to profit or loss**				
8311	Remeasurement of defined benefit plan (Note 6 (11))	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	**Items that may be reclassified subsequently to profit or loss**				
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)	-
	Total items that may be reclassified subsequently to profit or loss	(5,308)	(1)	9,983	1
8300	**Other comprehensive income**	(3,656)	(1)	14,173	1
	Total comprehensive income	$ (176,214)	(23)	(151,301)	(11)
	Earnings per share (NT$)(Note 6 (15))				
	Basic earnings per share	$ (1.85)		(1.79)	
	Diluted earnings per share	$ (1.85)		(1.79)	

(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 (accumulated deficit)	Total	Exchange differences on translation of foreign operations	Unearned employee compensation	Total	Treasury stock	Total equity
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)	-	-	-	-	-	3,23 9	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
Cash flows from operating activities:			
Net loss before income tax	$	(217,918)	(205,967)
Adjustments:			
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)
Net cash generated from (used in) operating activities		(30,313)	310,446
Cash flows from investing activities:			
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)
Net cash generated from (used in) investing activities		148,947	(52,704)
Cash flows from financing activities:			
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)
Net cash flows used in financing activities		(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	$	675,498	622,552

(See accompanying notes to consolidated financial statement)

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

XAC Automation Corporation and Subsidiaries

Notes to Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

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

I. Company history

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

II. The authorization of financial statements

The consolidated financial statements were approved and authorized for issue by the Board of Directors on March 7, 2024.

III. Application of new and revised standards and interpretations

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

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2023:

- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction ”

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from May 23, 2023:

- Amendments to IAS 12 “International Tax Reform—Pillar Two Model Rules”

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

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2024, would not have a significant impact on its consolidated financial statements:

- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Non-current Liabilities with Covenants”
- Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”
- Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”

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

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

- Amendments to IFRS 10 and IAS 28 “Sales or Contributions of Assets Between an Investor and its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information”
- Amendments to IAS21 “Lack of Exchangeability”

IV. Summary of significant accounting policies

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

(I) Compliance declaration

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

(II) Basis of preparation

1. Measurement bases

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

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

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

2. Functional and presentation currency

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

(III) Basis of consolidation

1. Principles of preparation of the consolidated financial statements

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

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

From the date of acquisition of control over the subsidiary, its financial statement is included in the consolidated financial statement until the date when it no longer has control. Intra-group balances and transactions, and any unrealized income and expenses arising from Intra-group transactions are eliminated in the consolidated financial statements. Total comprehensive income of subsidiaries is attributed to the shareholders of the parent and to the non-controlling interests even if the results in the non-controlling interests having a deficit balance.

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

Changes in the Group's ownership interest in a subsidiary that do not result in the loss of control are accounted as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received will be directly recognized in equity, and the Group will attribute it to the owners of the parent.

2. Subsidiaries in the consolidated financial statements

   The subsidiaries in the consolidated financial statement include:

Name of Investor	Name of Subsidiary	Nature of Business	Percentage of Ownership 2023.12.31	Percentage of Ownership 2022.12.31
The Company	Value Investment Ltd. (Value)	Investment Holding Company	100%	100%
The Company	Zakus, Inc. (Zakus)	R&D Center and Market Research Related Services	100%	100%
Value	XAC Automation (Suzhou) Co., Ltd. (XAC Suzhou)	Research, development, production, manufacture and sale of electronic financial transaction terminals and their components, transaction data security protection equipment and their components as well as multi-function smart cards, card readers and writers and their components	100%	100%

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

(IV) Foreign currencies

1. Foreign currency transactions

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

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

2. Foreign operation

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

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

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

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

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

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

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

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

(VI) Cash and cash equivalents

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

(VII) Financial instruments

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

1. Financial assets

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

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

(1) Financial assets at amortized cost

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

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

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

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

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

These assets are subsequently measured at fair value. Net gains or losses (including dividend or interest revenue) are recognized in profit or loss.

(3) Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

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

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

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

- Significant financial difficulties of the borrower or the issuer;

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

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

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

(4) Derecognition of financial assets

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

2. Financial liabilities and equity instruments

(1) Classification of debt or equity

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

(2) Equity Transactions

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

(3) Treasury shares

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

(4) Financial liabilities

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

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

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

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

(5) Offseting of financial assets and liabilities

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

3. Derivative financial instruments

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

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

(VIII) Inventories

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

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

(IX) Property, plant, and equipment

1. Recognition and Measurement

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

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

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

2. Subsequent expenditure

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

3. Depreciation

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

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

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

(2) Machinery and equipment: 5-8 years

(3) Office equipment: 3-5 years

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

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

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

(X) Leases

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

Lessee

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

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

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

Lease payment measured by lease liabilities include:

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

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

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

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

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

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

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

(XI) Intangible assets

1. Recognition and measurement

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

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

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

2. Subsequent expenditures

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

3. Amortization

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

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

(XII) Impairment of non-financial assets

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

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

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

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

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

(XIII) Provision

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

1. Warranties

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

2. Site restoration

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

3. Loss of arbitration claim

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

(XIV) Recognition of revenue

1. Revenue from contracts with customers

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

   (1) Sale of goods

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

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

   The Group recognizes accounts receivable (including long-term accounts receivable) at the time of delivery of the goods because the Group has the right to receive consideration unconditionally at that time.

   (2) Provision of technical services

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

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

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

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

(3) Financial component

Except for long-term accounts receivable are evaluated using the discount rate, the Group expects all customer contracts will transfer goods or services to customer within one year after the customer pays for the goods or services. As a consequence, the Group does not adjust the transaction price for the monetary time.

(XV) Employee benefits

1. Defined contribution plans

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

2. Defined benefit plans

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

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

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

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

3. Short-term employee benefits

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

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

(XVI) Share-based payment transactions

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

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

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

(XVII) Income tax

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

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

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

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

1. Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that, at the time of the transaction, affects neither accounting nor taxable profits (losses) and does not give rise to equal taxable and deductible temporary differences;
2. Temporary differences arising from investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of temporary differences and it is probable that they will reverse in the foreseeable future.

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

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

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

   (1) the same taxpayer; or

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

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

(XVIII) Earnings per share

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

(XIX) Segment information

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

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

When the management prepared the consolidated financial statements, they needs to make judgements, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

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

Information about critical judgment in applying accounting policies that have the significant effect on the amount recognized in the consolidated financial statements in included in the following notes:

Valuation of inventory

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

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

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

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

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

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

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

VI. Details of significant accounts

(I) Cash and cash equivalents

	2023.12.31	2022.12.31
Cash, checking deposits and demand deposits	$ 224,967	319,251
Time deposits	450,531	303,301
	$ 675,498	622,552

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

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

	2023.12.31	2022.12.31
Mandatory financial assets at fair value through profit or loss:		
Forward exchange contracts	$ 589	-
Financial liabilities held for trading:		
Forward exchange contracts	$ 667	111

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

	2023.12.31				
	Notional principal (USD/JPY in thousands)	**Currency**	**Maturity Date**	**Book value**	
Derivative financial assets:					
Sell forward exchange	$ 1,250	USD to NTD	2024.02.15~2024.02.26	$	403
Sell forward exchange	500	USD to RMB	2024.01.12		96
Sell forward exchange	50,000	JPY to RMB	2023.03.27		90
				$	**589**
Derivative financial liabilities:					
Sell forward exchange	$ 1,000	USD to RMB	2024.02.20~2024.3.13	$	73
Sell forward exchange	7,000	JPY to RMB	2024.01.12~2024.01.31		597
				$	**667**

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

(III) Financial assets at amortized cost - current

	2023.12.31	**2022.12.31**
Time deposits	$ 194,890	354,290
Others	800	339
	195,690	354,629
Less: allowance for impairment loss	-	-
	$ 195,690	**354,629**

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

1. The Group holds domestic and foreign time deposits with an annual interest rate of 1.25% to 1.34% in 2024 and matures from December 30, 2023 to May 22, 2024. The annual interest rate of 2022 was 0.190% to 1.215%, due from January 17, 2023 to June 30, 2023.

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

(IV) Accounts receivable (including long-term accounts receivable)

	2023.12.31	2022.12.31
Accounts receivable	$ 204,974	208,046
Current installments of long-term accounts receivable	22,550	-
	227,524	208,046
Less: allowance for doubtful accounts	(1,936)	(1,320)
	$ 206,726	206,726
Long-term accounts receivable	$ 48,717	-
Less: current installments of long-term accounts receivable	(22,550)	-
	26,167	-
Less: allowance for doubtful accounts	(146)	-
	$ 26,021	-

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables (including long-term accounts receivable). To measure the expected credit losses, accounts receivables (including long-term accounts receivable) have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information.

The loss allowance provision were determined as follows:

	2023.12.31		
	Carrying amount of accounts receivable	**Weighted average expected credit loss rate**	**Loss allowance for lifetime expected credit losses**
Not Past Due	$ 192,258	0.56%	1,075

Past due 1-30 days	61,350	1.64%	1,005
Past due 31-60 days	83	2.21%	2
Total	$ 253,691		2,082

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

The movements in the allowance for accounts receivable (including long-term accounts receivable) were as follows:

	For the years ended December 31,	
	2023	**2022**
Beginning balance	$ 1,320	1,487
Expected credit impairment loss (reversal gain)	762	(167)
Ending balance	$ 2,082	1,320

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

The Group did not provide any accounts receivable (including long-term accounts receivable) as pledge collateral.

(V) Inventories

	2023.12.31	**2022.12.31**
Raw materials	$ 193,426	313,374
Work in process	21,128	13,436
Semi-finished products	79,948	70,533
Finished goods	151,699	168,591
	$ 446,201	565,934

For the years ended December 31, 2023 and 2022, the details of cost of sales were as follows:

	For the years ended December 31,	
	2023	2022
Cost of goods sold	$ 492,655	814,595
Allowance for inventory valuation loss	13,283	13,359
Labor cost	5,690	46,353
Obsolescence loss	37,229	21,656
Repairs and others	27,954	17,550
	$ 576,811	913,513

The inventories of the Group were not pledged.

(VI) Property, plant, and equipment

For the years ended December 31, 2023 and 2022, the details of the cost and depreciation of property, plant and equipment of the Group were as follows:

	Buildings and ancillary equipment	Machinery and equipment	Office Equipment	Lease improvement, Research & development and other equipment	Equipment to be inspected	Total
Cost:						
Balance as of January 1, 2023	$ 159,919	17,149	8,673	47,218	-	232,959
Addition	167	1,349	684	1,701	808	4,709
Disposal	-	(2,879)	(95)	(23,361)	-	(26,335)
Reclassifications	-	-	-	-	(808)	(808)
Effects of Changes in Exchange Rates	-	(216)	(34)	(380)	-	(630)
Balance as of December 31, 2023	$ 160,086	15,403	9,228	25,178	-	209,895
Balance as of January 1, 2022	$ 159,620	16,661	7,690	45,805	843	230,619
Addition	83	168	1,032	1,345	2,366	4,994
Disposal	-	-	(81)	(323)	-	(404)
Reclassifications	216	-	-	-	(3,209)	(2,993)
Effects of Changes in Exchange Rates	-	320	32	391	-	743
Balance as of December 31, 2022	$ 159,919	17,149	8,673	47,218	-	232,959

Accumulated depreciation:						
Balance as of January 1, 2023	$ 98,233	14,305	6,825	44,421	-	163,784
Current year depreciation	4,833	941	1,143	1,414	-	8,331
Disposal	-	(2,879)	(94)	(23,361)	-	(26,334)
Effects of Changes in Exchange Rates	-	(196)	(31)	(377)	-	(604)
Balance as of December 31, 2023	**$ 103,066**	**12,171**	**7,843**	**22,097**	**-**	**145,177**
Balance as of January 1, 2022	$ 93,301	12,888	5,669	43,162	-	155,020
Current year depreciation	4,932	1,148	1,211	1,209	-	8,500
Disposal	-	-	(80)	(323)	-	(403)
Effects of Changes in Exchange Rates	-	269	25	373	-	667
Balance as of December 31, 2022	**$ 98,233**	**14,305**	**6,825**	**44,421**	**-**	**163,784**
Carrying value:						
Balance as of December 31, 2023	**$ 57,020**	**3,232**	**1,385**	**3,081**	**-**	**64,718**
Balance as of January 1, 2022	**$ 66,319**	**3,773**	**2,021**	**2,643**	**843**	**75,599**
Balance as of December 31, 2022	**$ 61,686**	**2,844**	**1,848**	**2,797**	**-**	**69,175**

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

(VII) Right-of-use assets

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

	Land	Housing and Construction	Transportation Equipment	Total
Cost:				
Balance as of January 1, 2023	$ 18,011	56,129	3,729	77,869
Addition	-	4,764	-	4,764
Decrease	-	(28,150)	-	(28,150)
Effects of Changes in Exchange Rates	-	(790)	-	(790)
Balance as of December 31, 2023	**$ 18,011**	**31,953**	**3,729**	**53,693**
Balance as of January 1, 2022	$ 17,371	54,527	3,729	75,627
Addition	640	802	-	1,442
Effects of Changes in Exchange Rates	-	800	-	800
Balance as of December 31, 2022	**$ 18,011**	**56,129**	**3,729**	**77,869**
Accumulated depreciation:				

Balance as of January 1, 2023	$	4,034	15,728	1,968	21,730
Depreciation charges		1,042	17,384	1,243	19,669
Decrease		-	(29,087)	-	(29,087)
Effects of Changes in Exchange Rates		-	(505)	-	(505)
Balance as of December 31, 2023	$	5,076	3,520	3,211	11,807
Balance as of January 1, 2022	$	2,992	5,835	725	9,552
Depreciation charges		1,042	18,432	1,243	20,717
Reclassifications		-	(8,532)	-	(8,532)
Effects of Changes in Exchange Rates		-	(7)	-	(7)
Balance as of December 31, 2022	$	4,034	15,728	1,968	21,730
Carrying value:					
Balance as of December 31, 2023	$	12,935	28,433	518	41,886
Balance as of January 1, 2022	$	14,379	48,692	3,004	66,075
Balance as of December 31, 2022	$	13,977	40,401	1,761	56,139

(VIII) Intangible assets

For the years ended December 31, 2023 and 2022, the details of the cost and amortization of intangible assets of the Group were as follows:

		Expertise	Computer Software	Others	Total
Cost:					
Balance as of January 1, 2023	$	16,902	20,193	2,135	39,230
Additions		-	649	-	649
Decrease		-	(29)	-	(29)
Reclassifications		-	808	-	808
Effects of Changes in Exchange Rates		-	(78)	-	(78)
Balance as of December 31, 2023	$	16,902	21,543	2,135	40,580
Balance as of January 1, 2022	$	15,234	17,009	1,924	34,167
Additions		-	235	-	235
Reclassifications		-	2,993	-	2,993
Effects of Changes in Exchange Rates		1,668	(44)	211	1,835
Balance as of December 31, 2022	$	16,902	20,193	2,135	39,230
Amortization:					
Balance as of January 1, 2023	$	16,902	16,782	2,135	35,819
Amortization		-	1,494	-	1,494
Decrease		-	(29)	-	(29)
Effects of Changes in Exchange Rates		-	(78)	-	(78)
Balance as of December 31, 2023	$	16,902	18,169	2,135	37,206
Balance as of January 1, 2022	$	12,186	16,427	1,538	30,151
Amortization		3,286	409	415	4,110
Effects of Changes in Exchange Rates		1,430	(54)	182	1,558

Balance as of December 31, 2022	$ 16,902	16,782	2,135	35,819
Carrying value:				
Balance as of December 31, 2023	$ -	3,374	-	3,374
Balance as of January 1, 2022	$ 3,048	582	386	4,016
Balance as of December 31, 2022	$ -	3,411	-	3,411

The intangible assets of the Group were not pledged.

(IX) Lease liabilities

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

	2023.12.31	2022.12.31
Current	$ 11,864	20,297
Non-current	$ 29,621	36,233

The amounts recognized in profit or loss were as follows:

	For the years ended December 31,	
	2023	2022
Interest on lease liabilities	$ 844	1,156
Expenses relating to low-value leased assets (excluding low-value leases for short-term leases)	$ 3,893	2,067

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

	For the years ended December 31,	
	2023	2022
Total cash flows on lease	$ 23,896	23,291

1. Lease of land, houses and buildings

   As of December 31, 2023 and 2022, the Group leased land, housing and construction as office space and factories. The leases typically ran for a period of 20 years, 2 years and 3 years, respectively. Some leases include the option to renew the same period as the original contract upon expiration of the lease period.

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

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

2. Other leases

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

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

(X) Provision for liabilities

		Warranty	Site Restoration	Loss of Arbitration Claim	Total
Balance as of January 1, 2023	$	1,779	2,469	344,417	348,665
Additions (reversals)		1,878	(567)	-	1,311
Effects of changes in exchange rates		-	(37)	554	517
Balance as of December 31, 2023	$	3,657	1,865	344,971	350,493
Current (accounted as other current liabilities)	$	3,325	-	-	3,325
Non-current		332	1,865	344,971	347,168
Balance as of December 31, 2023	$	3,657	1,865	344,971	350,493
Balance as of January 1, 2022	$	5,131	2,504	-	7,635
Additions (reversals)		(1,352)	(75)	331,730	330,303
Reclassifications		(2,000)	-	2,000	-
Effects of changes in exchange rates		-	40	10,687	10,727
Balance as of December 31, 2022	$	1,779	2,469	344,417	348,665
Current (accounted as other current liabilities)	$	1,231	-	-	1,231
Non-current		548	2,469	344,417	347,434
Balance as of December 31, 2022	$	1,779	2,469	344,417	348,665

1. Warranty

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

2. Site Restoration

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

3. Loss of arbitration claim

The Company was notified of the arbitration case by the Singapore International Arbitration Centre on April 12, 2022. The arbitration case is related to the product development and design in the sales contract signed between E LA CARTE, INC. and the Company in October 2014. E LA CARTE, INC. has demanded the Company pay compensation of US$ 35 million. The Company has appointed a lawyer to handle the case and carry out the necessary subsequent procedures to protect the Company's rights and interests. The hearing was held in April 2023, and both parties provided evidence and written statements to the arbitration tribunal for defense. E LA CARTE, INC. has requested a change in the compensation amount to be paid by the Company to US$17.36 million. Received the arbitration result on June 28, 2023, the Company shall compensate US$11.17 million and pay the arbitration fee of SGD$187,000, and the Company has recognized the relevant provision for liabilities. On August 12, 2023, the Company was notified by the arbitral tribunal and agreed to reduce the amount of compensation by US$70,000 based on the objection raised by the Company, and the Company reversed the amount of compensation to US$11.1 million. The Company received notification on April 11, 2023 that Supreme Court of Singapore dismissed the Company's appeal, filed on November 11, 2022 to set aside the Award issued. The Company received notification on February 15, 2024 that the Court of Appeal of the Republic of Singapore ultimately dismissed the Company's appeal, filed on October 23, 2023 to set aside the Award issued. The Company will discuss with the lawyer the next relevant countermeasures and possible strategies.

(XI) Employee benefits

1. Defined benefit plan

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

	2023.12.31	2022.12.31
Present value of defined benefit obligation	$ 55,846	56,556
Fair value of plan assets	(42,770)	(41,875)
Net defined benefit liabilities	**$ 13,076**	**14,681**

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

(1) Component of plan asset

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

As of December 31, 2023, the Group's Bank of Taiwan labor pension reserve account balance amounted to $42,770. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

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

The movements in the present value of the defined benefit obligations of the Group for the years ended December 31, 2023 and 2022 were as follows:

	For the years ended December 31,	
	2023	**2022**
Defined benefit obligations as of January 1	$ 56,556	60,891
Benefit paid by the plan	-	(3,556)
Current service cost and interests	963	978
Net remeasurements of defined benefit liability		
- Actuarial gain arising from changes in financial assumptions	-	(2,085)
- Actuarial losses (gains) arising from changes in experience	(1,673)	328
Defined benefit obligations as of December 31	**$ 55,846**	**56,556**

(3) Movements in the fair value of plan assets

The movements in the fair value of assets of the Group's defined benefit plan for the years ended December 31, 2023 and 2022 were as follows:

	For the years ended December 31,	
	2023	**2022**
Fair value of plan assets as of January 1	$ 41,875	41,672
Benefit paid by the plan	-	(3,556)
Expected return on plan assets	503	278
Net remeasurements of defined benefit assets (liabilities)		
- Return on plan asset (excluding current interest)	392	3,481
Fair value of plan assets as of December 31	**$ 42,770**	**41,875**

(4) Expenses recognized in profit or loss

The Group's expenses recognized in profit and loss for the years ended December 31, 2023 and 2022 were as follows:

	For the years ended December 31,	
	2023	**2022**
Current service costs	$ 284	566
Net interest on net defined benefit liabilities	176	134
	$ 460	**700**
Selling and marketing expenses	$ (6)	(2)
General and administrative expenses	568	737
Research and development expenses	(102)	(35)
	$ 460	**700**

(5) Actuarial assumptions

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

	2023.12.31	**2022.12.31**
Discount rate	1.20%	1.20%
Future salary increment	3.00%	3.00%

The Group expects to pay 0 thousand dollars towards the provision of the defined benefit plan for the one-year period after December 31, 2023.

The weighted average lifetime of the defined benefit plan is 6 years.

(6) Sensitivity analysis

The impact of changes in major actuarial assumptions adopted as of December 31, 2023 and 2022 on the determination of the present value of defined benefit obligations were as follows:

	Impact on defined benefit obligations	
	Increase 0.25%	**Decrease 0.25%**
December 31, 2023		
Discount rate	$ (791)	820
Future salary increment	$ 736	(715)
December 31, 2022		
Discount rate	$ (984)	1,023
Future salary increment	$ 923	(895)

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

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

2. Defined contribution plans

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

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

The Group’s pension expenses under the defined contribution plan were $25,611 and $24,363 for the years ended December 31, 2023 and 2022, respectively.

(XII) Income tax

1. Income tax gain

The component of income tax gain for the years ended December 31, 2023 and 2022 were as follows:

	For the years ended December 31,	
	2023	**2022**
Current tax gain		
Current period	$ (236)	351
Adjustment of prior period	1,169	(1,209)
	933	(858)
Deferred tax gain		
Origination and reversal of temporary differences	(46,293)	(39,635)
Income tax gain	**$ (45,360)**	**(40,493)**

The amounts of income tax expense (gain) recognized in other comprehensive income for the years ended December 31, 2023 and 2022 were as follows:

	For the years ended December 31,	
	2023	**2022**
Items not reclassified to profit or loss:		
Remeasurement of defined benefit plans	**$ 413**	**1,048**
Items that may be subsequently reclassified to profit or loss:		
Exchange differences on the translation of foreign financial statements	**$ (1,327)**	**2,495**

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

	For the years ended December 31,	
	2023	**2022**
Loss before tax	$ (217,918)	(205,967)
Income tax calculated based on the Company's statutory tax rate	(43,584)	(41,193)
Effect of tax rate differences in foreign jurisdictions	(835)	1,040
Prior-period tax adjustments and changes in unrecognized temporary differences	(941)	(340)
	$ (45,360)	**(40,493)**

2. Unrecognized deferred tax assets

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

	2023.12.31	2022.12.31
Deductible temporary differences	$ 9,336	7,633

3. The movements of deferred tax assets and liabilities

   Deferred income tax assets

	2022.1.1	Recognized in profit and loss	Recognized in other comprehensive income	2022.12.31	Recognized in profit and loss	Recognized in other comprehensive income	2023.12.31
Provision for inventory valuation	$ 7,838	2,326	-	10,164	1,295	-	11,459
Provision for liabilities	1,026	(670)	-	356	376	-	732
Accrued pension liabilities	3,845	140	(1,048)	2,937	92	(413)	2,616
Loss carryforwards	-	35,961	-	35,961	49,585	-	85,546
Exchange gains on the translation of foreign financial statements	3,469	-	(2,495)	974	-	1,327	2,301
Others	11,041	(434)	-	10,607	(5,033)	-	5,574
	$ 27,219	37,323	3,543	60,999	46,315	914	108,228

   Deferred income tax liabilities

	2022.1.1	Recognized in profit and loss	Recognized in other comprehensive income	2022.12.31	Recognized in profit and loss	Recognized in other comprehensive income	2023.12.31
Recognized share of gain of subsidiaries and associate accounted the equity method	$ (42,707)	878	-	(41,829)	105	-	(41,724)
Others	(1,434)	1,434	-	-	(127)	-	(127)
	$ (44,141)	2,312	-	(41,829)	(22)	-	(41,851)

   As of December 31, 2023, the Group's recognized deferred tax assets result from loss carryforwards and the expiry year were as follows:

Year of loss	Unused tax loss	Expiry year
2022	$ 197,769	2032
2023	220,506	2033
	$ 418,275	

As of December 31, 2023, the deferred tax assets arising from loss carryforwards of the Group’s subsidiary was $1,891.

4. The Company's tax returns for the years 2021 were examined and approved by the Taiwan National Tax Administration.

(XIII) Capital and other equity

Reconciliation of shares outstanding for 2023 and 2022 was as follows:

	Common stock	
(expressed in thousands of shares)	**2023**	**2022**
Balance at January 1	92,973	92,479
Vested of restricted stock award	179	494
Balance at December 31	**93,152**	**92,973**

1. Issuance of ordinary shares

As of December 31, 2023 and 2022, the total authorized share capital of the Company was $1,200,000 (including the reserved employee share options of $50,000), with a par value of $10 per share, and the paid-in share capital was $961,522 and $961,562, respectively.

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

On November 8, 2023 and November 9, 2022, the Board of Directors resolved to cancel 4 thousand and 57 thousand restricted stock award shares and process the cancellation. Capital reduction cases use November 20, 2023 and November 22, 2022, as the base date of capital reduction, and the relevant cancellation procedure has been completed.

2. Capital surplus

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

	2023.12.31		2022.12.31
Sellback (redemption) of convertible bonds for reclassification of equity conversion rights	$	22,124	22,124
Employee Share Option Conversion and Cash Increase - premium		30,348	30,348
Treasury share transactions		5,985	5,985
Conversion of convertible bonds - premium		1,851	1,851
Difference between acquisition price and the carrying amount of subsidiaries and others		617	617
Restricted stock awards		21,366	25,072
	$	**82,291**	**85,997**

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

3. Retained earnings

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

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

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

(1) Legal reserve

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

(2) Special reserve

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

(3) Earnings distribution

The 2022 deficit compensation and the 2021 earnings distribution which were approved at the Board of Directors on March 15, 2023 and March 16, 2022, respectively. The 2022 deficit compensation and the 2021 earnings distribution which were approved at the stockholders' meeting on June 13, 2023 and June 14, 2022, respectively. The dividends distributed were appropriated as follows:

	2022	
	Share Allocation Ratio (NTD)	**Amount (NT$ in thousands)**
Dividends distributed to ordinary shareholders:		
Cash	**$ 1.25**	**115,599**

The aforementioned deficit compensation for the years 2022 and distribution of earnings for the years 2021 did not differ from the amount recognized in the financial statements of the Company, and the related information would be available at the Market Observation Post System (MOPS).

The appropriation of earnings in 2023 was approved by the Board of Directors on March 7, 2024, the Board of Directors, is to be presented for approval in the shareholders' meeting. The related information will be available on the Market Observation Post System (MOPS) after the resolution meeting.

(4) Other equity

	Exchange differences on the translation of foreign financial statements		Unearned employee compensation	Total
Balance as of January 1, 2023	$	(7,608)	(4,182)	(11,790)
Exchange differences on the translation of net assets of foreign operations (net of tax)		(5,308)	-	(5,308)
Resolve to cancel restricted stock		-	3,239	3,239
Compensation costs of restricted stock award		-	943	943
Balance as of December 31, 2023	$	(12,916)	-	(12,916)
Balance as of January 1, 2022	$	(17,591)	(9,963)	(27,554)
Exchange differences on the translation of net assets of foreign operations (net of tax)		9,983	-	9,983
Compensation costs of restricted stock award		-	5,781	5,781
Balance as of December 31, 2022	$	(7,608)	(4,182)	(11,790)

(5) Treasure stock

On November 8, 2021, the Board of Directors of the Company resolved to execute the repurchase of treasury shares and transfer the shares to the employees. From November 12, 2021 to December 29, 2021 the Company repurchased a total of 3,000 thousand shares, totaling $82,847, and the discount amount of the repurchase of treasury shares was $29 in January 2022. It shall be transferred within five years from the date of buyback, and there is no transfer or cancellation as of December 31, 2023.

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

(XIV) Share-based payment

1. As of December 31, 2023, the Group had the following equity-settled share-based payment transactions:

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

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

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

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

3. Restricted stock awards

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

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

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

Unit: thousands of shares

	2023	2022
Outstanding at January 1	183	734
Vested in the current period	(179)	(494)
Cancellation recovered from resignation in the current period	(4)	(57)
Outstanding at December 31	**-**	**183**

In 2020, the Company issued 570 thousand shares of restricted stock awards, resulting in the amount of $13,729 to be recognized as capital surplus - restricted stock awards. As of December 31, 2023 and 2022, the Company has deferred the compensation cost arising from the issuance of restricted stock awards were $0 and $4,182, respectively. Such deferred amounts were recorded as deduction of other equity. The compensation costs recognized by the Group in 2023 and 2022 were $943 and $5,781, respectively, of which the amount of the subsidiaries was $198 and $2,000, respectively.

(XV) Earnings per Share

	For the years ended December 31,	
	2023	**2022**
Basic and diluted earnings per share:		
Net loss attributable to ordinary equity holders of the Company	**$ (172,558)**	**(165,474)**
Weighted average number of ordinary shares outstanding (in thousands)	**93,054**	**92,600**
Basic and diluted earnings per share (NTD)	**$ (1.85)**	**(1.79)**

In 2023 and 2022, the operating results of the Company showed a loss. When the calculation of diluted earnings per share result in antidilution effect will not include potential ordinary shares arising from eligible share issuance of employee remuneration in shares and restricted stock awards unvested.

(XVI) Remuneration of employees and directors

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

The recipients of shares and cash may include the employee of the XAC's affiliated companies who meet certain conditions.

The Company did not accrue remuneration to employees and directors due to the loss making position for the year ended December 31, 2023 and 2022. The estimated amounts mentioned above were calculated based on the net profit before tax, excluding the remuneration to employees and directors of the period, multiplied by the percentage remuneration to employees and directors as specified in the Company's Articles of Incorporation under operating cost or expense.

(XVII) Revenue from contracts with customers

1. Disaggregation of revenue

	For the years ended December 31,	
	2023	**2022**
Primary geographical markets:		
United States	$ 470,212	1,007,077
Japan	118,953	16,738
United Kingdom	58,192	81,189
Sweden	47,744	107,429
Saudi Arabia	20,331	153,849
Other countries	51,901	38,144
	$ 767,333	1,404,426
Major products:		
Electronic fund transaction terminals	$ 393,549	748,958
Transaction security products	108,453	175,453
Card readers and writers	68,120	99,236
Others	197,211	380,779
	$ 767,333	1,404,426

2. Timing of revenue recognition

	For the years ended December 31,	
	2023	**2022**
At a point in time	$ 749,997	1,344,543
Over time	17,336	59,883
	$ 767,333	1,404,426

3. Contract balances

	2023.12.31	**2022.12.31**	**2022.1.1**
Accounts receivable	$ 204,974	208,046	599,846
Long-term accounts receivable (including Current installments)	48,717	-	-
Less: allowance for doubtful accounts	(2,082)	(1,320)	(1,487)
	$ 251,609	206,726	598,359

	2023.12.31	**2022.12.31**	**2022.1.1**
Contract assets	$ 10,832	44,418	23,977

Less: allowance for doubtful accounts	-	-	-
	$ 10,832	44,418	23,977
Contract liabilities (accounted in other current liabilities)	$ 17,771	19,090	15,134

For disclosure of accounts receivables (including long-term accounts receivables) and loss allowance, please refer to Note 6 (4).

The contract assets were primarily related to the amount of revenue that has been recognized due to the transfer of labor services to customers but have not yet billed at the reporting date. When the Company enjoys unconditional right to the price, the contract assets are reclassified as accounts receivable.

The contract liabilities were primarily related to the advance received from customers, which revenue is recognized when products are delivered to customers. The amount of revenue recognized for the years ended December 31, 2023 and 2022, which included in the contract liability balance at the beginning of the period were $7,895 and $4,585, respectively.

(XVIII) Non-operating income and expenses

1. Interest revenue

The details of the Group's interest revenue were as follows:

	For the years ended December 31,	
	2023	2022
Interest revenue on bank deposits	$ 12,574	4,760
Other interest revenue	1,829	3
	$ 14,403	4,763

2. Other gains and losses

The details of the Group's other gains and losses were as follows:

	For the years ended December 31,	
	2023	2022
Foreign exchange gain (loss), net	$ (3,711)	42,337
Net gain or loss on financial assets (liabilities) at fair value through profit or loss	(2,085)	(32,495)
Loss on arbitration compensation (Note 6 (10))	-	(329,728)
Others	2,708	1,797
	$ (3,088)	(318,089)

3. Finance costs

The details of the Group's financial costs were as follows:

	For the years ended December 31,	
	2023	2022
Interest expense on bank borrowings	$ 43	9
Interest expense on lease liabilities	844	1,156
Others	11	4
	$ 898	1,169

(XIX) Financial instruments

1. Credit risk

(1) Credit risk exposure

The carrying amount of financial assets and contract assets represent the maximum amount of credit risk exposure.

(2) Concentration of credit risk

As of December 31, 2023 and 2022, 77% and 81% of the Group's accounts receivable (including long-term accounts receivable) were comprised of four customers, respectively. Although there is a potential in concentration of credit risk, the Group periodically assesses the recoverability of accounts receivable (including long-term accounts receivable) and made a corresponding allowance for doubtful accounts. The management does not expect significant losses to occur.

(3) Credit risk of accounts receivable (including long-term accounts receivable) and debt securities

For credit risk and exposure information on accounts receivable (including long-term accounts receivable), please refer to Note 6 (4). Other financial assets at amortized cost include term deposits, details of related investments and impairment provision, please refer to Note 6 (3).

All of the above are financial assets are considered to have low credit risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses.

2. Liquidity risk

The following table shows the contractual maturity date of financial liabilities, including estimated interest payments but excluding the impact of netting agreements.

	Carrying amount	Contractual cash flows	Within 6 months	6-12 months	1-2years	2-5years	More than 5 years
December 31, 2023							
Non-derivative financial liabilities							
Accounts payable	$ 61,051	(61,051)	(61,051)	-	-	-	-
Salaries and bonuses payable	77,866	(77,866)	(67,771)	(10,095)	-	-	-
Lease liabilities — current and non-current	41,485	(43,157)	(6,431)	(5,969)	(11,970)	(10,340)	(8,447)
Deposits for guarantees (accounted in other current liabilities)	106	(106)	-	(106)	-	-	-
Derivative financial liabilities							
Financial liabilities at fair value through profit or loss - current							
Outflow	667	(45,989)	(45,989)	-	-	-	-
Inflow	-	45,322	45,322	-	-	-	-
	$ 181,175	(182,847)	(135,920)	(16,170)	(11,970)	(10,340)	(8,447)
December 31, 2022							
Non-derivative financial liabilities							
Accounts payable	$ 56,483	(56,483)	(56,483)	-	-	-	-
Salaries and bonuses payable	95,468	(95,468)	(78,558)	(16,910)	-	-	-
Lease liabilities — current and non-current	56,530	(58,748)	(10,646)	(10,490)	(17,583)	(10,443)	(9,586)
Deposits for guarantees (recorded in other current liabilities)	106	(106)	-	(106)	-	-	-
Derivative financial liabilities							
Financial liabilities at fair value through profit or loss - current							
Outflow	111	(53,415)	(53,415)	-	-	-	-
Inflow	-	53,304	53,304	-	-	-	-
	$ 208,698	(210,916)	(145,798)	(27,506)	(17,583)	(10,443)	(9,586)

The Group does not except that the cash flows included in the maturity analysis will occur significantly earlier or at significantly different amount.

3. Currency risk

(1) Exposure to currency risk

The Group’s financial assets and liabilities exposed to significant foreign currency risk were as follows:

		2023.12.31			2022.12.31	
	Foreign currencies	**Exchange Rate**	**NTD**	**Foreign currencies**	**Exchange Rate**	**NTD**
Financial assets						
Monetary items						
USD	$ 13,553	30.725	416,416	13,919	30.675	426,965
JPY	194,872	0.2173	42,346	-	-	-
Non-monetary items						
USD	1,750	30.725 ~31.065	Note	250	30.611	Note
JPY	50,000	0.2183	Note	-	-	-
Financial liabilities						
Monetary items						
USD	1,896	30.725	58,255	1,684	30.675	51,657
Non-monetary items						
USD	12,097	30.715 ~30.738	Note	12,847	30.457 ~30.472	Note
JPY	70,000	0.2080	Note	-	-	-

Note: As of December 31, 2023 and 2022, please refer to Note 6 (2) for the information on the fair value valuation of forward exchange contracts and others.

(2) Sensitivity analysis

The Group’s exposure to foreign currency risk from the translation of the foreign currency exchange gains or losses on cash and cash equivalents, accounts receivable (including long-term accounts receivable) and accounts payable that were denominated in foreign currency. Depreciation or appreciation of the NTD by 1% against the USD at December 31, 2023 and 2022, while all other variables were remained constant, would have increased or decreased by $4,005 and $3,753. The two analyses were based on the same basis.

(3) Exchange gains or losses on monetary items

Due to the wide variety of functional currencies of the Group, the exchange gains and losses of monetary items were disclosed in an aggregated manner, and the foreign currency exchange gains (losses) (including realized and unrealized) for 2023 and 2022 were $(3,711) and $42,337, respectively.

4. Interest rate analysis

The Group’s cash and cash equivalents with variable rates, if the interest rates had to increase or decrease by 0.25%, the Group’s profit before tax would have increased or decreased by $787 and $1,000, respectively for the years ended December 31, 2023 and 2022 with all other variable factors remaining constant.

5. Fair value information

(1) Categories of financial instruments and fair value

The financial assets and liabilities at fair value through profit or loss are at fair value is measured on a recurring basis. The carrying amount and fair value of the Group’s of financial assets and liabilities (including fair value hierarchy levels information, but excluding the financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and for lease liabilities, disclosure of fair value information is not required) were as follows:

	2023.12.31				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	**$ 589**	**-**	**589**	**-**	**589**
Financial assets at amortized cost					
Cash and cash equivalents	$ 675,498	-	-	-	-
Financial assets at amortized cost - current	195,690	-	-	-	-
Accounts receivable (including long-term accounts receivable), net	251,609	-	-	-	-
Financial assets at amortized cost - non-current	6,859	-	-	-	-
Refundable deposits	5,055	-	-	-	-
	$ 1,134,711	**-**	**-**	**-**	**-**
Financial liabilities at fair value through profit or loss	**$ 667**	**-**	**667**	**-**	**667**
Financial liabilities at amortized cost					
Accounts payable	$ 61,051	-	-	-	-
Lease liabilities (included current and non-current)	41,485	-	-	-	-
Deposits for guarantees (recorded in other current liabilities)	106	-	-	-	-
	$ 102,642	**-**	**-**	**-**	**-**

	2022.12.31				
	Carrying amount	**Fair value**			
		Level 1	**Level 2**	**Level 3**	**Total**
Financial assets at amortized cost					
Cash and cash equivalents	$ 622,552	-	-	-	-
Financial assets at amortized cost - current	354,629	-	-	-	-
Accounts receivable, net	206,726	-	-	-	-
Financial assets at amortized cost - non-current	3,321	-	-	-	-
Refundable deposits	3,498	-	-	-	-
	$ 1,190,726	-	-	-	-
Financial liabilities at fair value through profit or loss	$ 111	-	111	-	111
Financial liabilities at amortized cost					
Accounts payable	$ 56,483	-	-	-	-
Lease liabilities (included current and non-current)	56,530	-	-	-	-
Deposits for guarantees (recorded in other current liabilities)	106	-	-	-	-
	$ 113,119	-	-	-	-

(2) Valuation technique of financial instruments not measured at fair value

The Group's valuation technique and assumptions used for financial instruments not measured at fair value were as follows:
Financial assets and liabilities at amortized cost are valued at fair value based on the latest quoted price and agree-upon price. If market value is unavailable, the fair value is evaluated based on the discounted cash flows.

(3) Valuation techniques for financial instruments at fair value - derivative financial instruments

Forward exchange contracts are usually measured at the current forward exchange rate.

No changes to fair value hierarchies in 2023 and 2022.

(XX) Financial risk management

1. Overview

The Group has exposed to the following risks from its financial instruments:

(1) Credit risk

(2) Liquidity risk

(3) Market risk

The following likewise discusses the Group's objectives, policies, and processes for measuring and managing the above-mentioned risks. For more disclosures about the quantitative effects of these risk exposures, please refer to the respective notes to in the accompanying consolidated financial statements.

2. Structure of risk management

   The Group develops a disciplined and constructive control environment through training, management guidelines and procedures to make all employees aware of their roles and obligations.

   The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has reviewed the adequacy of the Group's risk management policies and procedures. Internal auditors play a supervisory role. They perform periodic and hoc reviews procedures to risk management relevant controls and procedures and report them to the Board of directors.

3. Credit risk

   Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's cash and cash equivalents and receivables (including long-term accounts receivable).

   (1) Cash and cash equivalents

   As of December 31, 2023 and 2022, the Group's cash balance held by domestic financial institution accounted for 66% and 60% of the Group's account balance, respectively. However, the credit status of the financial institution is good, and no significant credit risk loss is expected to occur.

   (2) Accounts receivable (including long-term accounts receivable)

   The Group has established a credit policy, under which each new customer is analyzed for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes, if available, external ratings and, in some cases, bank references. These limits are reviewed periodically. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

   When monitoring customer credit risk, grouped customers based on credit characteristics, including legal entity; region, industry, aging, maturity date and pre-existing financial difficulties. Customers rated as high-risk are placed on a restricted customer list and future sales are based on a prepayment basis.

   (3) Guarantee

The Group's policy can only provide endorsement guarantee for companies directly or indirectly owned more than 90% shares with voting right by the Group. As of December 31, 2023 and 2022, the Group did not provide any endorsement guarantee.

4. Liquidity risk

The Group's capital and working capital are sufficient to fulfill contractual obligations, and it is not expected that liquidity risk will arise due to the inability to raise capital to settle contractual obligations.

The Group trades derivative financial instrument to avoid the exchange rate risk of net assets and liabilities. There is no significant liquidity risk arising from related cash inflow or outflow at maturity. The Group's liquidity management policy to ensure, as far as possible, that the Group has sufficient capital to meet its obligations as they fall due, under normal and stressful conditions without unacceptable risk of loss or damage to the Group's reputation.

The Group uses the operating base costing system to estimate the cost of its products and services to assist the Group in monitoring cash flow requirements and optimal cash returns on investments. In general, the Group ensures that it has sufficient cash to meet the expected operating expenditure need of 60 days, including the fulfilment of financial obligations, but excludes potential impacts that cannot be reasonably expected in extreme circumstances, such as natural disasters. As of December 31, 2023 and 2022, the Group's unused credit lines were $693,210 and $645,547 respectively.

5. Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, would affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management was to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Group's exposure to the risk of fluctuations in foreign currency exchange rates related primarily to the Group's purchases and sales that are denominated in foreign currencies. Therefore, the Group trades derivative financial instruments adopts economic hedging to avoid the exchange rate risk of foreign currency assets or liabilities held by the Group. The gains and losses arising from exchanges rate changes will offset of hedged items, so the market risk is usually low.

(1) Foreign exchange risk

The Group's exposure to the risks of fluctuation in foreign currency exchanges rates relates primarily to the Group's sales, purchases and borrowings transactions, and those are not denominated in functional currencies of the Group. These transactions are denominated in NTD, JPY and USD.

In respect of other monetary assets and liabilities denominated in other foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when it is necessary to address short-term imbalances.

(2) Interest rate risk

The Group holds variable-rate assets, which cause the exposure to interest rate risk in cash flows, please refer to the detailed explanation in Note 6 (19).

(XXI) Capital management

The Board of Directors' policy is to maintain a strong capital base in order to maintain the confidence of investors, creditors and to sustain future development of the business. Capital consists of share capital, capital surplus and retained earnings of the Company. The Board of Directors monitors the return on capital as well as the level of dividend to ordinary stockholders.

The Group's debt-to-capital ratio at the reporting date was as follows:

	2023.12.31	2022.12.31
Total liabilities	$ 677,342	689,396
Less: cash and cash equivalents	(675,498)	(622,552)
Net liabilities	**$ 1,844**	**66,844**
Total Equity	**$ 1,175,095**	**1,350,873**
Debt-to-capital ratio	**0.16%**	**4.95%**

As of December 31, 2023, the decrease in the debt-to-capital ratio was mainly due to an increase in cash and cash equivalents resulting from the maturity of time deposits at amortized cost.

(XXII) Non-cash investments and financing activities

For the years ended December 31, 2023 and 2022, reconciliation of liabilities arising from non-cash investment and financing activities were as follows:

Lease liabilities	For the years ended December 31, 2023	2022
Beginning balance	$ 56,530	66,442
Cash flows from:		
Repayment of the principal portion of lease liabilities	(19,159)	(20,068)
Interest paid (Note)	(844)	(1,156)
Non-cash changes		
Interest expense (Note)	844	1,156
Acquisition of right-of-use assets	4,764	1,442
Changes in lease payment	937	7,892
Effects of Changes in Exchange Rates	(1,587)	822
Ending balance	**$ 41,485**	**56,530**

Note: This is from operating activities.

VII. Related party transactions

Key management personnel compensation comprised of:

	For the years ended December 31, 2023	2022
Short-term employee benefits	$ 43,985	44,413
Post-employment benefits	1,604	1,717
Share-based payment	171	922
	$ 45,760	**47,052**

VIII. Pledged assets

The carrying amounts of the Group's pledged assets were as follows:

Asset name	Object	2023.12.31	2022.12.31
Time deposits (recorded in financial assets at amortized cost – non-current)	Guarantee for land lease agreements with the Hsinchu Science Park Bureau	$ 2,000	2,000
Time deposits (recorded in financial assets at amortized cost – non-current)	Guarantee payment for import VAT	4,859	1,321
		$ 6,859	**3,321**

IX. Significant contingent liabilities and unrecognized commitments

As of December 31, 2023 and 2022, the total amounts of promissory notes deposited by the Group at the bank for acquiring financing were $526,116 and $526,074, respectively.

X. Losses due to major disasters: None.

XI. Subsequent events: None.

XII. Others

Total personnel, depreciation and amortization expense categorized by function were as follows:

By function / By item	For the year ended December 31, 2023			For the year ended December 31, 2022		
	Classified as operating cost	Classified as operating expenses	Total	Classified as operating cost	Classified as operating expenses	Total
Employee benefits						
Salary	90,312	243,416	333,727	136,677	210,476	347,153
Labor health insurance	11,209	24,860	36,069	10,958	24,364	35,322
Pension	10,472	15,599	26,071	10,083	14,980	25,063
Others	4,837	10,491	15,328	5,202	9,562	14,764
Depreciation	13,239	14,761	28,000	15,980	13,237	29,217
Amortization	4	1,490	1,494	22	4,088	4,110

XIII. Supplementary Disclosures

(I) Information on significant transactions

From January 1 to December 31, 2023, in accordance with the provisions of the compilation standards, the information related to major transactions that the Group should disclose further is as follow:

1. Money lending to others:

No.	Companies that Lend Funds	Borrower	Financial Statement Account	Related Party	Maximum Amount for the Period	Ending Balance	Actual Amount Drawn	Interest Rate	Nature of financing	Amount of Transactions	Reasons for Short-term Financing	Allowance for doubtful accounts	Collateral		Individual funding limits	Maximum limit of fund financing
													Item	Value		
0	The Company	XAC Suzhou	Other receivables - related parties	Yes	64,830 (USD2,000 in thousands)	61,450	-	6.607%	Short-term capital turnover	-	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.

2. Guarantee and endorsement for other parties: None.

3. Marketable securities held (excluding investment in subsidiaries, associates and joint ventures): None.

4. Individual securities acquired or disposed of with accumulated amount exceeding

the lower of NT$300 million or 20% of the paid-in capital: None.

5. Acquisition of individual real estate with amounts exceeding NT$300 million or 20% of the paid-in capital: None.

6. Disposal of individual real estate with amounts exceeding NT$300 million or 20% of the paid-in capital: None.

7. Purchases from or sales to related parties with amounts exceeding NT$100 million or 20% of the paid-in capital:

Company Name	Counterparty	Relationship	Transaction Details				Transaction with Terms Different from Others		Notes /Accounts Receivable (Payable)		Note
			Purchases /Sales	Amount	Percentage of Total Purchases /Sales	Credit Terms	Unit Price	Credit Terms	Ending Balance	Percentage of Total Notes / Accounts Receivable (Payable)	
The Company	XAC Suzhou	Subsidiaries	Purchase	534,282	95%	30~90 days	-	-	(151,448)	(81)%	

Note: All inter-company transactions have been eliminated in the consolidated financial statements.

8. Receivables from related parties with amounts exceeding NT$100 million or 20% of the paid-in capital:

Company Name	Counterparty	Relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period (Note 1)	Loss allowance
					Amount	Action taken		
XAC Suzhou	The Company	Parent	151,448	4.61%	-		73,241	-

Note 1: The collection situation as of February 7, 2024.
Note 2: All inter-company transactions have been eliminated in the consolidated financial statements

9. Derivatives transaction: Please refer to Note 6 (2).

10. Business relationship and significant intercompany transaction:

No.	Company	Counterparty	Relationship	Description of Transactions			
				Financial Statement Account	Amount	Trading Term	Percentage of consolidated net revenue or total assets
0	The Company	Value	Parent to subsidiary	Investment accounted for using equity method	416,603	-	23%
0	The Company	Zakus	Parent to subsidiary	Investment accounted for using equity method	64,931	-	4%
0	The Company	XAC Suzhou	Parent to subsidiary	Purchase	534,282	30~90 days	29%
0	The Company	XAC Suzhou	Parent to subsidiary	Accounts payable	151,448	30~90 days	8%
0	The Company	XAC Suzhou	Parent to subsidiary	Warranty and production expense	10,568	30~90 days	1%
0	The Company	Zakus	Parent to subsidiary	Research and development and service expenses	67,719	30 days	9%
1	Value	XAC Suzhou	Parent company to subsidiary	Investment accounted for using equity method	437,899	-	24%

(II) Investment on investees:

For the year ended December 31, 2023, the investment information was as follows (excluding the investee in mainland China):

Name of Investor	Name of Investee	Location	Main Business Activities	Initial Investment Amount		End-of-period holding			Highest Percentage of ownership during the Period	Net income (losses) of investee	Share of profit/loss of investee	Note
				Ending Balance	Beginning balance	Shares	Percentage of Ownership	Carrying Amount				
The Company	Value	Samoa	Holding company	168,889	168,889	(Note 1)	100%	416,603 36	100%	(3,790)	(3,864) (Note 2)	Subsidiaries of the Company
The Company	Zakus	United States	R&D Center and Market Research Related Services	37,145	37,145	200	100%	64,931 62	100%	3,337	3,337	Subsidiaries of the Company

Note 1. Is a limited company.
Note 2. Unrealized gains or losses on upstream transactions have been eliminated in the consolidated financial statements.

(III) Information on investment in Mainland China:

1. The name of investee in Mainland China, the main business and other related information:

Investee Company	Main Business Activities	Total Amounts of Paid-in Capital	Method of Investments	Accumulated Outflow of Investment from Taiwan as of January 1, 2023	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2023	Net Income (Loss) of Investee	Ownership through Direct / Indirect Investment	Investment Income (Loss) Recognized by the Company	Carrying Amount of Investments as of December 31, 2023	Accumulated Inward Remittance of Earnings in as of December 31, 2023
					Outflow	Inflow						
XAC Suzhou	Production and marketing of electronic financial transaction terminals, transaction data security protection equipment, multi-function smart cards, card readers and writers, and their components	224,042	(Note 1)	165,841	-	-	165,841 (Note 3)	(3,098)	100%	(3,098) (Note 2)	437,899	396,532

Note 1. Indirect investment in Mainland China through Value.
Note 2. The financial statements of the investee company were audited by the international accounting firms which cooperated with R.O.C. accounting firms.
Note 3. The accumulated outflow of investment remitted from Taiwan at the end of the current period did not include the earnings transferred to capital stock of $58,201 in 2008.

2. Quota for investment in Mainland China:

Accumulated investment in Mainland China as of December 31, 2023 (Note 1 and 2)	Investment amounts authorized by the Investment Commission of Economic Affairs (MOEA)	Upper Limit on Investment imposed by Investment Commission of Economic Affairs (MOEA)
197,901 (USD 5,995 in thousands)	252,441 (USD 7,795 in thousands)	705,057

Note 1. Beijing Tongjinhua Technology Co., Ltd., an indirectly invested subsidiary by the Company has completed its liquidation of various rights and obligations and cancelled its registration in 2011. The investment amounted to $25,715 (USD 800 in thousands) still needs to be included in the cumulative amount of investments from Taiwan to Mainland China according to the regulations of the Investment Commission of Economic Affairs (MOEA).
Note 2. Tongjinhua Suzhou Co., Ltd., an indirectly invested subsidiary by the Company has completed its liquidation of various rights and obligations and cancelled its registration in

2011. The investment amounted to $6,345 (USD 195 in thousands) still needs to be included in the cumulative amount of investments from Taiwan to Mainland China according to the regulations of the Investment Commission of Economic Affairs (MOEA).

3. Significant transactions:

   Significant direct or indirect transactions with the investees in Mainland China for the year ended December 31, 2023, for which intercompany transactions were eliminated upon consolidation, are disclosed in "Information on significant transactions."

(IV) Major shareholder information:

Unit: Thousands of shares

Shareholding / Major Shareholders	Total Shares Owned	Ownership Percentage
Zhang Ruimin	5,060	5.26%

Note: (1) The main shareholder information in this table is calculated by the Taiwan Depository & Clearing Corporation on the last business day at the end of each quarter, based on those who held more than 5% of the Company's ordinary shares and preference shares and have completed unregistered non-physical securities delivered (including treasury shares). As for the share capital recorded in the Company's financial statements and the actual number of shares delivered without physical registration, there may be differences due to different basis of calculation.

(2) In the case of the above information, if a shareholder delivers the shares to the trust, it is disclosed in the individual accounts of the trustee who opened the trust account by the trustee. As for the shareholders' declaration of insider's equity holding more than 10% of the shares in accordance with the Securities and Exchange Act, his shareholding includes his shareholding plus the shares delivered to the trust and the right to use the trust property, etc.. Please refer to the Market Observation Post System (MOPS) for the insider's equity declaration information.

XIV. Segment Information

(I) General Information

The Group is mainly engaged in the research, development, production, manufacture and sale of electronic fund transaction terminals and their components, transaction security products and their components as well as multi-function smart cards, card readers and writers and their components, as a single operating segment.

The segment financial information is found in the consolidated financial statements. For sales (from external customers) and income before tax, please refer to the consolidated statement of comprehensive income; for assets, please refer to the consolidated balance sheet.

(II) Products and services information

The Group's revenue from external customers were as follows:

		For the years ended December 31,
	2023	2022
Product:		
Electronic fund transaction terminals	$ 393,549	748,958
Transaction security products	108,453	175,453
Card readers and writers	68,120	99,236
Labor services	17,336	59,883
Others	179,875	320,896
	$ 767,333	**1,404,426**

(III) Geographic information

In presenting information on the basis of geographic, segment revenue is based on the geographical location of customers, and segment assets are based on the geographical location of the assets.

		For the years ended December 31,
	2023	2022
Revenue from external customers:		
United States	$ 470,212	1,007,077
Japan	118,953	16,738
United Kingdom	58,192	107,429
Sweden	47,744	81,189
Saudi Arabia	20,331	153,849
Other countries	51,901	38,144
	$ 767,333	**1,404,426**

	2023.12.31	2022.12.31
Non-current assets:		
Taiwan	$ 80,996	86,382
China	28,982	42,343
	$ 109,978	**128,725**

(IV) Major customer information

The amounts of sales to customers representing greater than 10% of the net revenue were as follows:

	For the years ended December 31,			
	2023		2022	
	Amount	Percentage of Net Revenue %	Amount	Percentage of Net Revenue %
B Customer	$ 209,579	27	345,941	25
C Customer	151,563	20	379,326	27
E Customer	118,953	16	16,738	1
D Customer	20,331	3	153,849	11
G Customer	-	-	142,500	10
	$ 500,426	66	1,038,354	74

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	
	Assets	**Amount**	**%**	**Amount**	**%**
	Current assets:				
1100	Cash and cash equivalents (Note 6 (1))	$ 628,959	33	578,390	29
1110	Financial assets at fair value through profit or loss - current (Note 6 (2))	403	-	-	-
1136	Financial assets at amortized cost – current (Note 6 (3))	195,547	11	354,560	18
1140	Contract assets - current (Note 6 (18))	10,832	1	44,418	2
1170	Accounts receivable, net (Notes 6 (4) and (18))	225,588	12	206,726	11
130X	Inventories (Note 6 (5))	136,486	7	180,510	9
1479	Other current assets	5,576	-	6,155	-
	Total current assets	1,203,391	64	1,370,759	69
	Non-current assets:				
1535	Financial assets at amortized cost – non-current (Note 8)	2,000	-	2,000	-
1550	Investments accounted for using equity method (Note 6(6))	481,534	25	488,498	25
1600	Property, plant and equipment (Note 6 (7))	60,607	3	65,803	3
1755	Right-of-use assets (Note 6 (8))	17,139	1	17,430	1
1780	Intangible assets (Note 6 (9))	3,249	-	3,149	-
1840	Deferred tax assets (Note 6 (13))	95,350	5	46,763	2
1920	Refundable deposits	2,130	-	528	-
1930	Long-term acounts receivable, net (Notes 6 (4) and (18))	26,021	2	-	-
	Total non-current assets	688,030	36	624,171	31
	Total assets	**$ 1,891,421**	**100**	**1,994,930**	**100**

		2023.12.31		2022.12.31	
	Liabilities and Equity	**Amount**	**%**	**Amount**	**%**
	Current liabilities:				
2120	Financial liabilities at fair value through profit or loss - current (Note 6 (2))	$ -	-	111	-
2170	Accounts payable	2,526	-	11,883	1
2180	Accounts payables to related parties (Note 7)	183,525	10	105,806	6
2201	Salaries and bonuses payable	48,218	3	58,636	3
2230	Current tax liabilities	5,878	-	4,482	-
2280	Lease liabilities – current (Note 6 (10))	3,415	-	3,926	-
2300	Other current liabilities (Notes 6 (11) and (18))	58,684	3	44,117	2
	Total current liabilities	302,246	16	228,961	12
	Non-current liabilities:				
2550	Provision –non-current (Note 6 (11))	345,303	18	344,965	17
2570	Deferred tax liabilities (Note 6 (13))	41,805	2	41,829	2
2580	Lease liabilities – non-current (Note 6 (10))	13,896	1	13,621	1
2640	Net defined benefit liabilities – non-current (Note 6 (12))	13,076	1	14,681	1
	Total non-current liabilities	414,080	22	415,096	21
	Total liabilities	716,326	38	644,057	33
	Equity (Notes 6 (14) and (15)):				
3110	Common stock	961,522	51	961,562	48
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)
		227,016	12	397,922	20
3400	Other Equity	(12,916)	(1)	(11,790)	(1)
3500	Treasury stock	(82,818)	(4)	(82,818)	(4)
	Total equity	1,175,095	62	1,350,873	67
	Total liabilities and equity	**$ 1,891,421**	**100**	**1,994,930**	**100**

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

(English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese)

XAC Automation Corporation

Statements of Comprehensive Income

For the years ended December 31, 2023 and 2022

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

		2023		2022	
		Amount	%	Amount	%
4000	**Operating revenue** (Note 6 (18))	$ 767,333	100	1,404,417	100
5000	**Operating costs** (Notes 6 (5), (12), 7 and 12)	653,639	85	989,283	70
	Gross profit	113,694	15	415,134	30
	Operating expenses (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)	-
	Total operating expenses	342,248	44	308,055	22
	Net operating profit	(228,554)	(29)	107,079	8
	Non-operating revenue and expenses:				
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)
	Net profit (loss) before tax	(219,126)	(28)	(206,811)	(15)
7950	**Income tax expense (gain)** (Note 6 (13))	(46,568)	(6)	(41,337)	(3)
	Profit (loss) for the year	(172,558)	(22)	(165,474)	(12)
8300	**Other comprehensive income:**				
8310	**Items that will not be reclassified subsequently to profit or loss**				
8311	Remeasurement of defined benefit plan (Note 6 (12))	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	**Items that may be reclassified subsequently to profit or loss**				
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)	-
	Total items that may be reclassified subsequently to profit or loss	(5,308)	(1)	9,983	1
8300	**Other comprehensive income**	(3,656)	(1)	14,173	1
	Total comprehensive income	$ (176,214)	(23)	(151,301)	(11)
	Earnings per share (NT$)(Note 6 (15))				
	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	Total	Treasury stock	Total equity
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 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)

		2023	2022
Cash flows from operating activities:			
Net loss before income tax	$	(219,126)	(206,811)
Adjustments:			
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		(1,696)	22,643
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		107,614	487,668
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)
Net cash generated from (used in) operating activities		(99,994)	283,400
Cash flows from investing activities:			
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)
Net cash generated from (used in) investing activities		154,599	(54,501)
Cash flows from financing activities:			
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)
Net cash flows used in financing activities		(4,590)	(119,598)
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	$	628,959	578,390

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

(English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese)

XAC Automation Corporation

Notes to the Financial Statements

For the years ended December 31, 2023 and 2022

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

I. Company history

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

II. The authorization of financial statements

The parent-company-only financial statements were approved and authorized for issue by the Board of Directors on March 7, 2024.

III. Application of new and revised standards and interpretations

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

The Company has initially adopted the following new amendments, which do not have a significant impact on its parent-company-only financial statements, from January 1, 2023:

- Amendments to IAS 1 "Disclosure of Accounting Policies"
- Amendments to IAS 8 "Definition of Accounting Estimates"
- Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction "

The Company has initially adopted the following new amendments, which do not have a significant impact on its parent-company-only financial statements, from May 23, 2023:

- Amendments to IAS 12 "International Tax Reform—Pillar Two Model Rules"

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

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2024, would not have a significant impact on its parent-company-only financial statements:

- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Non-current Liabilities with Covenants”
- Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”
- Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”

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

The Company does not expect the following new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its parent-company-only financial statements:

- Amendments to IFRS 10 and IAS 28 “Sales or Contributions of Assets Between an Investor and its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information”
- Amendments to IAS21 “Lack of Exchangeability”

IV. Summary of significant accounting policies

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

(I) Compliance declaration

The parent-company-only financial statements have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” (hereinafter referred to as the Regulations).

(II) Basis of preparation

1. Measurement bases

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

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

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

2. Functional and presentation currency

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

(III) Foreign currencies

1. Foreign currency transactions

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

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

2. Foreign operation

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

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

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

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

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

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

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

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

(V) Cash and cash equivalents

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

(VI) Financial instruments

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

1. Financial assets

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

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

(1) Financial assets at amortized cost

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

- It is held within a business model objective is to hold assets to collect contractual cash flows; and

- Its contractual terms give rise on specified dates to cash flows on specified dates to cash flows that are solely payments of principal and interest on the principal amounts outstanding.

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

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

Financial assets not measured at cost after amortization and measured at fair value through other comprehensive income described as above (e.g. financial assets held for trading and those that are managed and whose performance is evaluated on a fair value basis), are measured at fair value through profit or loss, including derivative financial assets. In order to eliminate or significantly reduce accounting mismatch, at the time of original recognition, the Company may irrevocably designate financial assets that meet the criteria for measurement at amortized cost or fair value through other comprehensive income as financial assets at fair value through profit or loss.

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

(3) Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

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

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

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

- Significant financial difficulties of the borrower or the issuer;
- Default, such as delay or overdue for more than 90 days;

- For economic or contractual reasons related to the borrower's financial difficulties, the Company makes concessions to the borrower that it would not otherwise consider;
- The borrower is likely to file for bankruptcy or other financial restructurings; or
- Due to financial difficulties, the active market of the financial asset disappeared.

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

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

(4) Derecognition of financial assets

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

2. Financial liabilities and equity instruments

(1) Classification of debt or equity

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

(2) Equity Transactions

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

(3) Treasury shares

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

(4) Financial liabilities

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

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

(5) Derecognition of financial liabilities

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

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

(6) Offsetting of financial assets and liabilities

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

3. Derivative financial instruments

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

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

(VII) Inventories

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

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

(VIII) Investment in subsidiaries

The Company's subsidiaries are accounted for using the equity method when preparing their parent-company-only financial statements. Under the equity method, profit, other comprehensive income and equity in the parent-company-only financial statements are equivalent to those of the profit, other comprehensive income and equity which are contributed to the owners of the parent in the consolidated financial statements.

The changes in the parent's interest in its subsidiaries that do not result in a loss of control are accounted as equity transactions.

(IX) Property, plant, and equipment

1. Recognition and Measurement

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

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

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

2. Subsequent expenditure

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

3. Depreciation

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

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

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

   (2) Machinery and equipment: 5 years

   (3) Office equipment: 3-5 years

   (4) Research and development and other equipment: 3-9 years

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

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

(X) Leases

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

Lessee

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

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

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

Lease payment measured by lease liabilities include:

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

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

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

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

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

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

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

(XI) Intangible assets

1. Recognition and measurement

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

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

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

2. Subsequent expenditures

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

3. Amortization

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

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

(XII) Impairment of non-financial assets

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

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

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

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

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

(XIII) Provision

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

1. Warranties

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

2. Loss of arbitration claim

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

(XIV) Recognition of revenue

1. Revenue from contracts with customers

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

(1) Sale of goods

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

Please refer to Note 6 (11) for details on the obligation of the Company to provide standard warranty and therefore is liable for a refund for defects, and the provision for warranty liabilities has been recognized in respect of the obligation.

The Company recognizes accounts receivable (long-term accounts receivable) at the time of delivery of the goods because the Company has the right to receive consideration unconditionally at that time.

(2) Provision of technical services

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

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

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

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

(3) Financial component

Except for long-term accounts receivable are evaluated using the discount rate, the Company expects all customer contracts will transfer goods or services to customer within one year after the customer pays for the goods or services. As a consequence, the Company does not adjust the transaction price for the monetary time.

(XV)Employee benefits

1. Defined contribution plans

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

2. Defined benefit plans

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

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

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

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

3. Short-term employee benefits

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

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

(XVI) Share-based payment transactions

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

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

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

(XVII) Income tax

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

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

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

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

1. Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that, at the time of the transaction, affects accounting or taxable profits (losses) and does not give rise to equal taxable and deductible temporary differences;

2. Temporary differences arising from investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of temporary differences and it is probable that they will reverse in the foreseeable future.

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

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

1. The Company has the legally enforceable right to offset the current tax assets and liabilities; and

2. Deferred tax assets and deferred tax liabilities are related to one of the following taxable entities subject to income tax levied by the same tax authority;

   (1) the same taxpayer; or

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

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

(XVIII) Earnings per share

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

(XIX) Segment information

The Company has disclosed operating segment information in consolidated financial statements. Hence, this information is not required to be disclosed in these parent-company-only financial statements.

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

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

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

Information about critical judgment in applying accounting policies that have the significant effect on the amount recognized in the consolidated financial statements in included in the following notes:

Valuation of inventory

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

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

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

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

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

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

For any transfer within the fair value hierarchy, the Company recognizes the transfer on the reporting date. For the assumptions used to measure fair value, please refer to Note 6 (20) of the financial instruments.

VI. Details of significant accounts

(I) Cash and cash equivalents

	2023.12.31	2022.12.31
Cash, checking deposits and demand deposits	$ 180,579	281,948
Time deposits	448,380	296,442
	$ 628,959	**578,390**

Please refer to Note 6 (20) for the disclosure of interest rate risk and sensitivity analysis of the Company's financial assets and liabilities.

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

	2023.12.31	2022.12.31
Mandatory financial assets at fair value through profit or loss:		
Forward exchange contracts	**$ 403**	**-**
Financial liabilities held for trading:		
Forward exchange contracts	**$ -**	**111**

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

	2023.12.31			
	Notional principal (US $ in thousands)	**Currency**	**Maturity Date**	**Book value**
Derivative financial assets:				
Sell forward exchange	$ 1,250	USD to NTD	2024.02.15~2024.02.26	$ 403

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

(III) Financial assets at amortized cost - current

	2023.12.31	**2022.12.31**
Time deposits	$ 194,890	354,290
Others	657	270
	195,547	354,560
Less: allowance for impairment loss	-	-
	$ 195,547	354,560

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

1. The Company holds domestic and foreign time deposits with an annual interest rate of 1.25% to 1.34% in 2023 and matures from December 30, 2023 to May 22, 2024. The annual interest rate of 2022 was 0.190% to 1.215%, due from January 17, 2023 to June 30, 2023.

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

(IV) Accounts receivable (including long-term accounts receivable)

	2023.12.31	2022.12.31
Accounts receivable	$ 204,974	208,046
Current installments of long-term accounts receivable	22,550	-
	227,524	208,046
Less: allowance for doubtful accounts	(1,936)	(1,320)
	$ 225,588	206,726
Long-term accounts receivable	$ 48,717	-
Less: current installments of long-term accounts receivable	(22,550)	-
	26,167	-
Less: allowance for doubtful accounts	(146)	-
	$ 26,021	-

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

	2023.12.31		
	Carrying amount of accounts receivable	Weighted average expected credit loss rate	Loss allowance for lifetime expected credit losses
Not Past Due	$ 192,258	0.56%	1,075
Past due 1-30 days	61,350	1.64%	1,005
Past due 31-60 days	83	2.21%	2
Total	$ 253,691		2,082

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

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

	For the years ended December 31,	
	2023	**2022**
Beginning balance	$ 1,320	1,487
Expected credit impairment loss (reversal gain)	762	(167)
Ending balance	**$ 2,082**	**1,320**

The allowance for accounts receivable (including long-term accounts receivable) is used to record the expense of bad debts. However, when the Company considers the receivables cannot be collected, it offsets directly offsetting allowance for doubtful accounts against financial assets.

The Company did not provide any accounts receivable (including long-term accounts receivable) as pledge collateral.

(V) Inventories

		2023.12.31	2022.12.31
Raw materials	$	45,152	86,867
Work in process		4,058	13,436
Semi-finished products		43,969	39,920
Finished goods		43,307	40,287
	$	136,486	180,510

For the years ended December 31, 2023 and 2022, the details of cost of sales were as follows:

		For the years ended December 31,	
		2023	2022
Cost of goods sold	$	636,134	932,002
Allowance for inventory valuation loss (gain on recovery)		(1,707)	7,533
Labor cost		3,164	40,903
Repairs and others		16,048	8,845
	$	653,639	989,283

The inventories of the Company were not pledged.

(VI) Investments accounted for using equity method

The summary of the Company's financial information for investments accounted for using the equity method at the reporting date was as follows:

		2023.12.31	2022.12.31
Subsidiaries	$	481,534	488,498

1. Subsidiaries

For related information, please refer to consolidated financial statements for the year ended December 31, 2023.

The shares of losses of subsidiaries accounted for using equity method amounted to $527 and $4,393 for the years ended December 31, 2023 and 2022, respectively.

2. Guarantee

The Company did not provide any investments accounted for using equity method as pledge collaterals.

(VII) Property, plant, and equipment

For the years ended December 31, 2023 and 2022, the details of the cost and depreciation of property, plant and equipment of the Company were as follows:

	Buildings and ancillary equipment	Machinery and equipment	Office Equipment	Research & development and other equipment	Equipment to be inspected	Total
Cost:						
Balance as of January 1, 2023	$ 159,920	1,721	6,390	22,012	-	190,043
Addition	167	-	366	1,268	808	2,609
Disposal	-	-	(42)	(1,576)	-	(1,618)
Reclassifications	-	-	-	-	(808)	(808)
Balance as of December 31, 2023	**$ 160,087**	**1,721**	**6,714**	**21,704**	**-**	**190,226**
Balance as of January 1, 2022	$ 159,620	1,721	5,927	20,990	843	189,101
Addition	84	-	542	1,345	2,366	4,337
Disposal	-	-	(79)	(323)	-	(402)
Reclassifications	216	-	-	-	3,209	(2,993)
Balance as of December 31, 2022	**$ 159,920**	**1,721**	**6,390**	**22,012**	**-**	**190,043**
Accumulated depreciation:						
Balance as of January 1, 2023	$ 98,233	846	5,295	19,866	-	124,240
Current year depreciation	4,833	344	734	1,085	-	6,996
Disposal	-	-	(41)	(1,576)	-	(1,617)
Balance as of December 31, 2023	**$ 103,066**	**1,190**	**5,988**	**19,375**	**-**	**129,619**
Balance as of January 1, 2022	$ 93,301	502	4,535	19,349	-	117,687
Current year depreciation	4,932	344	839	840	-	6,955
Disposal	-	-	(79)	(323)	-	(402)
Balance as of December 31, 2022	**$ 98,233**	**846**	**5,295**	**19,866**	**-**	**124,240**
Carrying value:						
Balance as of December 31, 2023	**$ 57,021**	**531**	**726**	**2,329**	**-**	**60,607**
Balance as of January 1, 2022	**$ 66,319**	**1,219**	**1,392**	**1,641**	**843**	**71,414**
Balance as of December 31, 2022	**$ 61,687**	**875**	**1,095**	**2,146**	**-**	**65,803**

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

(VIII) Right-of-use assets

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

	Land	Housing and Construction	Transportation Equipment	Total
Cost:				
Balance as of January 1, 2023	$ 18,011	3,691	3,729	25,431
Addition	-	3,847	-	3,847
Decrease	-	(3,692)	-	(3,692)
Balance as of December 31, 2023	**$ 18,011**	**3,846**	**3,729**	**25,586**
Balance as of January 1, 2022	$ 17,371	3,691	3,729	24,791
Addition	640	-	-	640
Balance as of December 31, 2022	**$ 18,011**	**3,691**	**3,729**	**25,431**
Accumulated depreciation:				
Balance as of January 1, 2023	$ 4,034	1,999	1,968	8,001
Depreciation charges	1,042	1,853	1,243	4,138
Decrease	-	(3,692)	-	(3,692)
Balance as of December 31, 2023	**$ 5,076**	**160**	**3,211**	**8,447**
Balance as of January 1, 2022	$ 2,992	153	725	3,870
Depreciation charges	1,042	1,846	1,243	4,131
Balance as of December 31, 2022	**$ 4,034**	**1,999**	**1,968**	**8,001**
Carrying value:				
Balance as of December 31, 2023	**$ 12,935**	**3,686**	**518**	**17,139**
Balance as of January 1, 2022	**$ 14,379**	**3,538**	**3,004**	**20,921**
Balance as of December 31, 2022	**$ 13,977**	**1,692**	**1,761**	**17,430**

(IX) Intangible assets

For the years ended December 31, 2023 and 2022, the details of the cost and amortization of intangible assets of the Company were as follows:

	Computer Software
Cost:	
Balance as of January 1, 2023	$ 14,971
Additions	590
Reclassifications	808
Disposal	(29)
Balance as of December 31, 2023	**$ 16,340**
Balance as of January 1, 2022	$ 11,814
Additions	164
Reclassifications	2,993
Balance as of December 31, 2022	**$ 14,971**
Amortization:	
Balance as of January 1, 2023	$ 11,822
Amortization	1,298
Disposal	(29)
Balance as of December 31, 2023	**$ 13,091**
Balance as of January 1, 2022	$ 11,623
Amortization	199
Balance as of December 31, 2022	**$ 11,822**
Carrying value:	
Balance as of December 31, 2023	**$ 3,249**
Balance as of January 1, 2022	**$ 191**
Balance as of December 31, 2022	**$ 3,149**

The intangible assets of the Company were not pledged.

(X) Lease liabilities

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

	2023.12.31	2022.12.31
Current	**$ 3,415**	**3,926**
Non-current	**$ 13,896**	**13,621**

The amounts recognized in profit or loss were as follows:

	For the years ended December 31,	
	2023	2022
Interest on lease liabilities	$ 206	253
Expenses relating to low-value leased assets (excluding low-value leases for short-term leases)	$ 700	639

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

	For the years ended December 31,	
	2023	2022
Total cash flows on lease	$ 4,989	4,920

1. Lease of land, houses and buildings

   As of December 31, 2023 and 2022, the Company leased land, housing and construction as office space and factories. The leases typically ran for a period of 20 years and 2 years, respectively. Some leases include the option to renew the same period as the original contract upon expiration of the lease period.

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

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

2. Other leases

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

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

(XI) Provision for liabilities

	Warranty	Loss of Arbitration Claim	Total
Balance as of January 1, 2023	$ 1,779	344,417	346,196
Additions	1,878	-	1,878
Effects of changes in exchange rates	-	554	554
Balance as of December 31, 2023	$ 3,657	344,971	348,628
Current (accounted as other current liabilities)	$ 3,325	-	3,325
Non-current	332	344,971	345,303
Balance as of December 31, 2023	$ 3,657	344,971	348,628
Balance as of January 1, 2022	$ 5,131	-	5,131
Additions (reversals)	(1,352)	331,730	330,378
Reclassifications	(2,000)	2,000	-
Effects of changes in exchange rates	-	10,687	10,687
Balance as of December 31, 2022	$ 1,779	344,417	346,196
Current (accounted as other current liabilities)	$ 1,231	-	1,231
Non-current	548	344,417	344,965
Balance as of December 31, 2022	$ 1,779	344,417	346,196

1. Warranty

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

2. Loss of arbitration claim

   The Company was notified of the arbitration case by the Singapore International Arbitration Centre on April 12, 2022. The arbitration case is related to the product development and design in the sales contract signed between E LA CARTE, INC. and the Company in October 2014. E LA CARTE, INC. has demanded the Company pay compensation of US$ 35 million. The Company has appointed a lawyer to handle the case and carry out the necessary subsequent procedures to protect the Company’s rights and interests. The hearing was held in April 2023, and both parties provided evidence and written statements to the arbitration tribunal for defense. E LA CARTE, INC. has requested a change in the compensation amount to be paid by the Company to US$17.36

million. Received the arbitration result on June 28, 2023, the Company shall compensate US$11.17 million and pay the arbitration fee of SGD$187,000, and the Company has recognized the relevant provision for liabilities. On August 12, 2023, the Company was notified by the arbitral tribunal and agreed to reduce the amount of compensation by US$70,000 based on the objection raised by the Company, and the Company reversed the amount of compensation to US$11.1 million. The Company received notification on April 11, 2023 that Supreme Court of Singapore dismissed the Company's appeal, filed on November 11, 2022 to set aside the Award issued. The Company received notification on February 15, 2024 that the Court of Appeal of the Republic of Singapore ultimately dismissed the Company's appeal, filed on October 23, 2023 to set aside the Award issued. The Company will discuss with the lawyer the next relevant countermeasures and possible strategies.

(XII) Employee benefits

1. Defined benefit plan

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

	2023.12.31	2022.12.31
Present value of defined benefit obligation	$ 55,846	56,556
Fair value of plan assets	(42,770)	(41,875)
Net defined benefit liabilities	**$ 13,076**	**14,681**

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

(1) Component of plan asset

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

As of December 31, 2023, the Company's Bank of Taiwan labor pension reserve account balance amounted to $42,770. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds Ministry of Labor.

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

The movements in the present value of the defined benefit obligations of the Company for the years ended December 31, 2023 and 2022 were as follows:

	For the years ended December 31,	
	2023	2022
Defined benefit obligations as of January 1	$ 56,556	60,891
Benefit paid by the plan	-	(3,556)
Current service cost and interests	963	978
Net remeasurements of defined benefit liability		
- Actuarial gain arising from changes in financial assumptions	-	(2,085)
- Actuarial losses (gains) arising from changes in experience	(1,673)	328
Defined benefit obligations as of December 31	**$ 55,846**	**56,556**

(3) Movements in the fair value of plan assets

The movements in the fair value of assets of the Company's defined benefit plan for the years ended December 31, 2023 and 2022 were as follows:

	For the years ended December 31,	
	2023	2022
Fair value of plan assets as of January 1	$ 41,875	41,672
Benefit paid by the plan	-	(3,556)
Expected return on plan assets	503	278
Net remeasurements of defined benefit assets (liabilities)		
- Return on plan asset (excluding current interest)	392	3,481
Fair value of plan assets as of December 31	**$ 42,770**	**41,875**

(4) Expenses recognized in profit or loss

The Company's expenses recognized in profit and loss for the years ended December 31, 2023 and 2022 were as follows:

	For the years ended December 31,	
	2023	**2022**
Current service costs	$ 284	566
Net interest on net defined benefit liabilities	176	134
	$ 460	**700**
Selling and marketing expenses	$ (6)	(2)
General and administrative expenses	568	737
Research and development expenses	(102)	(35)
	$ 460	**700**

(5) Actuarial assumptions

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

	2023.12.31	**2022.12.31**
Discount rate	1.20%	1.20%
Future salary increment	3.00%	3.00%

The Company expects to pay 0 thousand dollars towards the provision of the defined benefit plan for the one-year period after December 31, 2023.

The weighted average lifetime of the defined benefit plan is 6 years.

(6) Sensitivity analysis

The impact of changes in major actuarial assumptions adopted as of December 31, 2023 and 2022 on the determination of the present value of defined benefit obligations were as follows:

	Impact on defined benefit obligations	
	Increase 0.25%	**Decrease 0.25%**
December 31, 2023		
Discount rate	**$ (791)**	**820**
Future salary increment	**$ 736**	**(715)**
December 31, 2022		
Discount rate	**$ (984)**	**1,023**
Future salary increment	**$ 923**	**(895)**

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

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

2. Defined contribution plans

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

The Company's pension expenses under the defined contribution plan were $8,316 and $8,042 for the years ended December 31, 2023 and 2022, respectively.

(XIII) Income tax

1. Income tax gain

The component of income tax gain for the years ended December 31, 2023 and 2022 were as follows:

	For the years ended December 31,	
	2023	**2022**
Current tax gain		
Adjustment of prior period	$ 1,129	(38)
Deferred tax gain		
Origination and reversal of temporary differences	$ (47,697)	(41,299)
Income tax gain	**$ (46,568)**	**(41,337)**

The amounts of income tax benefits recognized in other comprehensive income for the years ended December 31, 2023 and 2022 were as follows:

	For the years ended December 31,	
	2023	**2022**
Items not reclassified to profit or loss:		
Remeasurement of defined benefit plans	**$ 413**	**1,048**
Items that may be subsequently reclassified to profit or loss:		
Exchange differences on the translation of foreign financial statements	**$ (1,327)**	**2,495**

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

	For the years ended December 31,	
	2023	**2022**
Profit (loss) before tax	$ (219,126)	(206,811)
Income tax calculated based on the Company's statutory tax rate	(43,825)	(41,362)
Prior-period tax adjustments and permanent difference adjustment	(2,743)	(25)
	$ (46,568)	**(41,337)**

2. The movements of deferred tax assets and liabilities

Deferred income tax assets

	2022.1.1	**Recognized in profit and loss**	**Recognized in other comprehensive income**	**2022.12.31**	**Recognized in profit and loss**	**Recognized in other comprehensive income**	**2023.12.31**
Provision for inventory valuation	$ 1,024	1,507	-	2,531	(406)	-	2,125
Provision for liabilities	1,026	(670)	-	356	376	-	732
Loss carryforwards	-	35,961	-	35,961	47,694	-	83,655
Accrued pension liabilities	3,845	140	(1,048)	2,937	92	(413)	2,616
Exchange gains on the translation of foreign financial statements	3,469	-	(2,495)	974	-	1,327	2,301
Others	1,689	2,315	-	4,004	(83)	-	3,921
	$ 11,053	**39,253**	**(3,543)**	**46,763**	**47,673**	**914**	**95,350**

Deferred income tax liabilities

	2022.1.1	Recognized in profit and loss	Recognized in other comprehensive income	2022.12.31	Recognized in profit and loss	Recognized in other comprehensive income	2023.12.31
Recognized share of gain of subsidiaries and associate accounted the equity method	$ (42,707)	878	-	(41,829)	105	-	(41,724)
Others	(1,168)	1,168	-	-	(81)	-	(81)
	$ (43,875)	2,046	-	(41,829)	24	-	(41,805)

As of December 31, 2023, the Company's recognized deferred tax assets result from loss carryforwards and the expiry year were as follows:

Year of loss	Unused tax loss	Expiry year
2022 (filed)	$ 197,769	2032
2023 (estimated)	220,506	2033
	$ 418,275	

3. The Company's tax returns for the years 2021 were examined and approved by the Taiwan National Tax Administration.

(XIV) Capital and other equity

Reconciliation of shares outstanding for 2023 and 2022 was as follows:

	Common stock	
(expressed in thousands of shares)	**2023**	**2022**
Balance at January 1	92,973	92,479
Vested of restricted stock award	179	494
Balance at December 31	93,152	92,973

1. Issuance of ordinary shares

As of December 31, 2023 and 2022, the total authorized share capital of the Company was $1,200,000 (including the reserved employee share options of $50,000), with a par value of $10 per share, and the paid-in share capital was $961,522 and $961,562, respectively.

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

On November 8, 2023 and November 9, 2022, the Board of Directors resolved to cancel 4 thousand and 57 thousand restricted stock award shares and process the cancellation. Capital reduction cases use November 20, 2023 and November 22, 2022, as the base date of capital reduction, and the relevant cancellation procedure has been completed.

2. Capital surplus

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

	2023.12.31	**2022.12.31**
Sellback (redemption) of convertible bonds for reclassification of equity conversion rights	$ 22,124	22,124
Employee Share Option Conversion and Cash Increase - premium	30,348	30,348
Treasury share transactions	5,985	5,985
Conversion of convertible bonds - premium	1,851	1,851
Difference between acquisition price and the carrying amount of subsidiaries and others	617	617
Restricted stock awards	21,366	25,072
	$ 82,291	**85,997**

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

3. Retained earnings

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

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

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

(1) Legal reserve

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

(2) Special reserve

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

(3) Earnings distribution

The 2022 deficit compensation and the 2021 earnings distribution which were approved at the Board of Directors on March 15, 2023 and March 16, 2022, respectively. The 2022 deficit compensation and the 2021 earnings distribution which were approved at the stockholders' meeting on June 13, 2023 and June 14, 2022, respectively. The dividends distributed were appropriated as follows:

	2022	
	Share Allocation Ratio (NTD)	**Amount (NT$ in thousands)**
Dividends distributed to ordinary shareholders:		
Cash	**$ 1.25**	**115,599**

The aforementioned deficit compensation for the years 2022 and distribution of earnings for the years 2021 did not differ from the amount recognized in the financial statements of the Company, and the related information would be available at the Market Observation Post System (MOPS).

The appropriation of earnings in 2023 was approved by the Board of Directors on March 7, 2024, the Board of Directors, is to be presented for approval in the shareholders' meeting. The related information will be available on the Market Observation Post System (MOPS) after the resolution meeting.

(4) Other equity

		Exchange differences on the translation of foreign financial statements	Unearned employee compensation	Total
Balance as of January 1, 2023	$	(7,608)	(4,182)	(11,790)
Exchange differences on the translation of net assets of foreign operations (net of tax)		(5,308)	-	(5,308)
Resolve to cancel restricted stock		-	3,239	3,239
Compensation costs of restricted stock award		-	943	943
Balance as of December 31, 2023	**$**	**(12,916)**	**-**	**(12,916)**
Balance as of January 1, 2022	$	(17,591)	(9,963)	(27,554)
Exchange differences on the translation of net assets of foreign operations (net of tax)		9,983	-	9,983
Compensation costs of restricted stock award		-	5,781	5,781
Balance as of December 31, 2022	**$**	**(7,608)**	**(4,182)**	**(11,790)**

(5) Treasure stock

On November 8, 2022, the Board of Directors of the Company resolved to execute the repurchase of treasury shares and transfer the shares to the employees. From November 12, 2022 to December 29, 2022 the Company repurchased a total of 3,000 thousand shares, totaling $82,847, and the discount amount of the repurchase of treasury shares was $29 in January 2022. It shall be transferred within five years from the date of buyback, and there is no transfer or cancellation as of December 31, 2023.

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

(XV) Share-based payment

1. As of December 31, 2023, the Company had the following equity-settled share-based payment transactions:

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

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

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

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

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

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

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

Unit: thousands of shares

	2023	2022
Outstanding at January 1	183	734
Vested in the current period	(179)	(494)
Cancellation recovered from resignation in the current period	(4)	(57)
Outstanding at December 31	-	183

In 2020, the Company issued 570 thousand shares of restricted stock awards, resulting in the amount of $13,729 to be recognized as capital surplus - restricted stock awards. As of December 31, 2023 and 2022, the Company has deferred the compensation cost arising from the issuance of restricted stock awards were $0 and $4,182, respectively. Such deferred amounts were recorded as deduction of other equity. The compensation costs recognized by the Company in 2023 and 2022 were $943 and $5,781, respectively, of which the amount of the subsidiaries was $198 and $2,000, respectively.

(XVI) Earnings per Share

	For the years ended December 31,	
	2023	2022
Basic and diluted earnings per share:		
Net loss attributable to ordinary equity holders of the Company	$ (172,558)	(165,474)
Weighted average number of ordinary shares outstanding (in thousands)	93,054	92,600
Basic and diluted earnings per share (NTD)	$ (1.85)	(1.79)

In 2023 and 2022, the operating results of the Company showed a loss. When the calculation of diluted earnings per share result in antidiluvian effect will not include potential ordinary shares arising from eligible share issuance of employee remuneration in shares and restricted stock awards unvested.

(XVII) Remuneration of employees and directors

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

The recipients of shares and cash may include the employee of the XAC's affiliated companies who meet certain conditions.

The Company did not accrue remuneration to employees and directors due to the loss making position for the year ended December 31, 2023 and 2022. The estimated amounts mentioned above were calculated based on the net profit before tax, excluding the remuneration to employees and directors of the period, multiplied by the percentage remuneration to employees and directors as specified in the Company's Articles of Incorporation under operating cost or expense.

(XVIII) Revenue from contracts with customers

1. Disaggregation of revenue

	For the years ended December 31,	
	2023	**2022**
Primary geographical markets:		
United States	$ 470,212	1,007,077
Japan	118,953	16,738
United Kingdom	58,192	107,429
Sweden	47,744	81,189
Saudi Arabia	20,331	153,849
Other countries	51,901	38,135
	$ 767,333	1,404,417

	For the years ended December 31,	
	2023	**2022**
Major products:		
Electronic fund transaction terminals	$ 393,549	748,958
Transaction security products	108,453	175,453
Card readers and writers	68,120	99,227
Others	197,211	380,779
	$ 767,333	1,404,417

2. Timing of revenue recognition

	For the years ended December 31,	
	2023	**2022**
At a point in time	$ 749,997	1,344,534
Over time	17,336	59,883
	$ 767,333	1,404,417

3. Contract balances

	2023.12.31	2022.12.31	2022.1.1
Accounts receivable	$ 204,974	208,046	599,846
Long-term accounts receivable (including Current installments)	48,717	-	-
Less: allowance for doubtful accounts	(2,082)	(1,320)	(1,487)
	$ 251,609	**206,726**	**598,359**
Contract assets	$ 10,832	44,418	23,977
Less: allowance for doubtful accounts	-	-	-
	$ 10,832	**44,418**	**23,977**
Contract liabilities (accounted in other current liabilities)	**$ 17,771**	**19,090**	**15,134**

For disclosure of accounts receivables and loss allowance, please refer to Note 6 (4).

The contract assets were primarily related to the amount of revenue that has been recognized due to the transfer of labor services to customers but have not yet billed at the reporting date. When the Company enjoys unconditional right to the price, the contract assets are reclassified as accounts receivable.

The contract liabilities were primarily related to the advance received from customers, which revenue is recognized when products are delivered to customers. The amount of revenue recognized for the years ended December 31, 2023 and 2022, which included in the contract liability balance at the beginning of the period were $7,895 and $4,585, respectively.

(XIX) Non-operating income and expenses

1. Interest revenue

The details of the Company's interest revenue were as follows:

	For the years ended December 31,	
	2023	2022
Interest revenue on bank deposits	$ 12,841	4,562
Other interest revenue	1,350	3
	$ 14,191	**4,565**

2. Other gains and losses

The details of the Company's other gains and losses were as follows:

	For the years ended December 31,	
	2023	**2022**
Foreign exchange gain (loss), net	$ (1,400)	40,824
Net gain or loss on financial assets (liabilities) at fair value through profit or loss	(2,445)	(25,427)
Loss on arbitration compensation (Note 6 (11))	-	(329,728)
Others	(142)	531
	$ (3,987)	**(313,800)**

3. Finance costs

The details of the Company's financial costs were as follows:

	For the years ended December 31,	
	2023	**2023**
Interest expense on bank borrowings	$ 43	9
Interest expense on lease liabilities	206	253
	$ 249	**262**

(XX) Financial instruments

1. Credit risk

(1) Credit risk exposure

The carrying amount of financial assets and contract assets represent the maximum amount of credit risk exposure.

(2) Concentration of credit risk

As of December 31, 2023 and 2022, 77% and 81% of the Company's accounts receivable (including long-term accounts receivable) were comprised of four customers, respectively. Although there is a potential in concentration of credit risk, the Company periodically assesses the recoverability of accounts receivable (including long-term accounts receivable) and made a corresponding allowance for doubtful accounts. The management does not expect significant losses to occur.

(3) Credit risk of accounts receivable and debt securities

For credit risk and exposure information on accounts receivable, please refer to Note 6 (4). Other financial assets at amortized cost include term deposits, details of related investments and impairment provision, please refer to Note 6 (3).
All of the above are financial assets are considered to have low credit risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses.

2. Liquidity risk

The following table shows the contractual maturity date of financial liabilities, including estimated interest payments but excluding the impact of netting agreements.

	Carrying amount	Contractual cash flows	Within 6 months	6-12 months	1-2years	2-5years	More than 5 years
December 31, 2023							
Non-derivative financial liabilities							
Accounts payable	$ 186,051	(186,051)	(186,051)	-	-	-	-
Salaries and bonuses payable	48,218	(48,218)	(38,123)	(10,095)	-	-	-
Lease liabilities — current and non-current	17,311	(18,442)	(2,083)	(1,553)	(2,942)	(3,417)	(8,447)
Deposits for guarantees (accounted in other current liabilities)	97	(97)	-	(97)	-	-	-
	$ 251,677	(252,808)	(226,257)	(11,745)	(2,942)	(3,417)	(8,447)
December 31, 2022							
Non-derivative financial liabilities							
Accounts payable (included related parties)	$ 117,689	(117,689)	(117,689)	-	-	-	-
Salaries and bonuses payable	58,636	(58,636)	(58,636)	-	-	-	-
Lease liabilities — current and non-current	17,547	(18,798)	(2,141)	(1,985)	(1,669)	(3,417)	(9,586)
Deposits for guarantees (recorded in other current liabilities)	97	(97)	-	(97)	-	-	-
Financial liabilities at fair value through profit or loss - current							
Outflow	111	(53,415)	(53,415)	-	-	-	-
Inflow	-	53,304	53,304	-	-	-	-
	$ 194,080	(195,331)	(178,577)	(2,082)	(1,669)	(3,417)	(9,586)

The Company does not except that the cash flows included in the maturity analysis will occur significantly earlier or at significantly different amount.

3. Currency risk

(1) Exposure to currency risk

The Company's financial assets and liabilities exposed to significant foreign currency risk were as follows:

	2023.12.31			2022.12.31		
	Foreign currencies	Exchange Rate	NTD	Foreign currencies	Exchange Rate	NTD
Financial assets						
Monetary items						
USD	$ 13,354	30.725	410,292	13,748	30.675	421,718
JPY	192,832	0.2173	41,902	-	-	-
Non-monetary items						
USD	1,250	30.725~ 31.065	Note	250	30.611	Note
Investments accounted for using equity method						
USD	15,672	30.725	481,534	15,925	30.675	488,498

	2023.12.31			2022.12.31		
	Foreign currencies	Exchange Rate	NTD	Foreign currencies	Exchange Rate	NTD
Financial liabilities						
Monetary items						
USD	5,009	30.725	153,895	3,755	30.675	115,183
JPY	130,397	0.2173	28,335	-	-	-
Non-monetary items						
USD	11,097	30.725	340,969	12,847	30.457~ 30.472	Note

Note: As of December 31, 2023 and 2022, please refer to Note 6 (2) for the information on the fair value valuation of forward exchange contracts and others.

(2) Sensitivity analysis

The Company' exposure to foreign currency risk from the translation of the foreign currency exchange gains or losses on cash and cash equivalents, accounts receivable (including long-term accounts receivable) and accounts payable that were denominated in foreign currency. Depreciation or appreciation of the NTD by 1% against the USD at December 31, 2023 and 2022, while all other variables were remained constant, would have increased or decreased by $2,700 and $3,065. The two analyses were based on the same basis.

(3) Exchange gains or losses on monetary items

The Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivables and accounts payable. The Company's foreign exchange gains (losses) (realized and unrealized) on the foreign currency monetary items using the functional currency were as follows:

	2023		2022	
	Foreign exchange gains or losses	Average exchange rate	Foreign exchange gains or losses	Average exchange rate
USD	$ (793)	31.1655	$ (41,209)	29.8481
JPY	(568)	-	-	-
Others	(39)	-	(106)	-
	$ (1,400)		48,824	

4. Interest rate analysis

The Company's cash and cash equivalents with variable rates, if the interest rates had to increase or decrease by 0.25%, the Company's profit before tax would have increased or decreased by $691 and $925, respectively for the years ended December 31, 2023 and 2022 with all other variable factors remaining constant.

5. Fair value information

(1) Categories of financial instruments and fair value

The financial assets and liabilities at fair value through profit or loss are at fair value is measured on a recurring basis. The carrying amount and fair value of the Company's of financial assets and liabilities (including fair value hierarchy levels information, but excluding the financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and for lease liabilities, disclosure of fair value information is not required) were as follows:

	2023.12.31				
		Fair value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	$ 403	-	403	-	403
Financial assets at amortized cost					
Cash and cash equivalents	$ 628,959	-	-	-	-
Financial assets at amortized cost - current	195,547	-	-	-	-
Accounts receivable, net (including long-term accounts receivable)	251,609	-	-	-	-
Financial assets at amortized cost - non-current	2,000	-	-	-	-
Refundable deposits	2,130	-	-	-	-
	$ 1,080,245	-	-	-	-
Financial liabilities at amortized cost					
Accounts payable	$ 186,051	-	-	-	-
Lease liabilities (included current and non-current)	17,311	-	-	-	-
Deposits for guarantees (recorded in other current liabilities)	97	-	-	-	-
	$ 203,459	-	-	-	-

	2022.12.31				
		Fair value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets at amortized cost					
Cash and cash equivalents	$ 578,390	-	-	-	-
Financial assets at amortized cost - current	354,560	-	-	-	-
Accounts receivable, net	206,726	-	-	-	-
Financial assets at amortized cost - non-current	2,000	-	-	-	-
Refundable deposits	528	-	-	-	-
	$ 1,142,204	-	-	-	-
Financial liabilities at fair value through profit or loss	$ 111	-	111	-	111
Financial liabilities at amortized cost					
Accounts payable	$ 117,689	-	-	-	-
Lease liabilities (included current and non-current)	17,547	-	-	-	-
Deposits for guarantees (recorded in other current liabilities)	97	-	-	-	-
	$ 135,333	-	-	-	-

(2) Valuation technique of financial instruments not measured at fair value

The Company’s valuation technique and assumptions used for financial instruments not measured at fair value were as follows:

Financial assets and liabilities at amortized cost are valued at fair value based on the latest quoted price and agree-upon price. If market value is unavailable, the fair value is evaluated based on the discounted cash flows.

(3) Valuation techniques for financial instruments at fair value - derivative financial instruments

Forward exchange contracts are usually measured at the current forward exchange rate.

No changes to fair value hierarchies in 2023 and 2022.

(XXI) Financial risk management

1. Overview

The Company has exposed to the following risks from its financial instruments:

(1) Credit risk

(2) Liquidity risk

(3) Market risk

The following likewise discusses the Company's objectives, policies, and processes for measuring and managing the above-mentioned risks. For more disclosures about the quantitative effects of these risk exposures, please refer to the respective notes to in the accompanying parent-company-only financial statements.

2. Structure of risk management

The Company develops a disciplined and constructive control environment through training, management guidelines and procedures to make all employees aware of their roles and obligations.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has reviewed the adequacy of the Company's risk management policies and procedures. Internal auditors play a supervisory role. They perform periodic and hoc reviews procedures to risk management relevant controls and procedures and report them to the Board of directors.

3. Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's cash and cash equivalents and receivables.

(1) Cash and cash equivalents

As of December 31, 2023 and 2022, the Company's cash balance held by domestic financial institution accounted for 71% and 65% of the Company's account balance, respectively. However, the credit status of the financial institution is good, and no significant credit risk loss is expected to occur.

(2) Accounts receivable (including long-term accounts receivable)

The Company has established a credit policy, under which each new customer is analyzed for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes, if available, external ratings and, in some cases, bank references. These limits are reviewed periodically. Customers that fail to meet the Company's benchmark creditworthiness may transact with the Company only on a prepayment basis.

When monitoring customer credit risk, grouped customers based on credit characteristics, including legal entity, region, industry, aging, maturity date and pre-existing financial difficulties. Customers rated as high-risk are placed on a restricted customer list and future sales are based on a prepayment basis.

(3) Guarantee

The Company's policy can only provide endorsement guarantee for companies directly or indirectly owned more than 90% shares with voting right by the Company. As of December 31, 2023 and 2022, the Company did not provide any endorsement guarantee.

4. Liquidity risk

The Company's capital and working capital are sufficient to fulfill contractual obligations, and it is not expected that liquidity risk will arise due to the inability to raise capital to settle contractual obligations.

The Company trades derivative financial instrument to avoid the exchange rate risk of net assets and liabilities. There is no significant liquidity risk arising from related cash inflow or outflow at maturity. The Company's liquidity management policy to ensure, as far as possible, that the Company has sufficient capital to meet its obligations as they fall due, under normal and stressful conditions without unacceptable risk of loss or damage to the Company's reputation.

The Company uses the operating base costing system to estimate the cost of its products and services to assist the Company in monitoring cash flow requirements and optimal cash returns on investments. In general, the Company ensures that it has sufficient cash to meet the expected operating expenditure need of 60 days, including the fulfilment of financial obligations, but excludes potential impacts that cannot be reasonably expected in extreme circumstances, such as natural disasters. As of December 31, 2023 and 2022 the Company's unused credit lines were $498,000.

5. Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, would affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management was to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Company's exposure to the risk of fluctuations in foreign currency exchange rates related primarily to the Group's purchases and sales that are denominated in foreign currencies. Therefore, the Company trades derivative financial instruments adopts economic hedging to avoid the exchange rate risk of foreign currency assets or liabilities held by the Company. The gains and losses arising from exchanges rate changes will offset of hedged items, so the market risk is usually low.

(1) Foreign exchange risk

The Company's exposure to the risks of fluctuation in foreign currency exchanges rates relates primarily to the Company's sales, purchases and borrowings and transactions, and those are not denominated in functional currencies of the Company. These transactions are denominated in NTD, JPY and USD.

In respect of other monetary assets and liabilities denominated in other foreign currencies, the Company ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when it is necessary to address short-term imbalances

(2) Interest rate risk

The Company holds variable-rate assets, which cause the exposure to interest rate risk in cash flows, please refer to the detailed explanation in Note 6 (20).

(XXII) Capital management

The Board of Directors' policy is to maintain a strong capital base in order to maintain the confidence of investors, creditors and to sustain future development of the business. Capital consists of share capital, capital surplus and retained earnings of the Company. The Board of Directors monitors the return on capital as well as the level of dividend to ordinary stockholders.

The Company's debt-to-capital ratio at the reporting date was as follows:

	2023.12.31	2022.12.31
Total liabilities	$ 716,326	644,057
Less: cash and cash equivalents	(628,959)	(578,390)
Net liabilities	**$ 87,367**	**65,667**
Total Equity	**$ 1,175,095**	**1,350,873**
Debt-to-capital ratio	**7.43%**	**4.86%**

As of December 31, 2023, the decrease in the debt-to-capital ratio was mainly due to an increase in net loss for the current period.

(XXIII) Non-cash investments and financing activities

For the years ended December 31, 2023 and 2022, reconciliation of liabilities arising from non-cash investment and financing activities were as follows:

	For the years ended December 31,	
Lease liabilities	**2023**	**2022**
Beginning balance	$ 17,547	21,250
Cash flows from:		
Repayment of the principal portion of lease liabilities	(4,083)	(4,028)
Interest paid (Note)	(206)	(253)
Non-cash changes		
Interest expense (Note)	206	253
Acquisition of right-of-use assets	3,847	640
Gains on lease modifications	-	(315)
Ending balance	**$ 17,311**	**17,547**

Note: This is from operating activities.

VII. Related party transactions

(I) Name and relationship of related parties:

Name of related party	Relationship with the Company
Value Investment Ltd.(Value)	The subsidiary of the Company
Zakus, Inc. (Zakus)	The subsidiary of the Company
XAC AUTOMATION (SUZHOU) CO., LTD (XAC Suzhou)	The subsidiary of Value

(II) Significant related-party transactions:

1. Purchases

The purchases amount of the Company related parties were as follows:

	For the years ended December 31,	
	2023	2023
Subsidiary-XAC Suzhou	$ 534,282	808,029

The transaction between the Company and XAC Suzhou is buy back of finished goods manufactured on behalf by XAC Suzhou based on order received. Since we do not purchase the same goods from other suppliers, there is no basis for comparison for the purchase price of the finished products. In addition to purchasing finished products, we also entrusted XAC Suzhou to procure raw materials for us in 2022 and 2023. There was no profit or loss from the procurement of raw materials. For the years ended December 31, 2023 and 2022, the payment terms for purchasing from XAC Suzhou were 30 to 90 days, while for regular suppliers, it was between 30 to 90 days for monthly payment.

2. Purchasing raw materials on behalf of others

The Company acts as the purchasing agent on behalf of XAC Suzhou to purchase raw materials, which then will be processed by XAC Suzhou to finished goods, and subsequently sold back to the Company. For the years ended December 31, 2023 and 2022, we sold the relevant purchased raw materials to XAC Suzhou for $2,218 and $5,330, respectively. However, we did not recognize the sales revenue and cost of goods sold in the financial statements. The net profit generated from the above transactions amounted to $5 and $747, respectively, which were recognized under cost of goods sold.

3. Accounts payables to related parties

The details of accounts payable to related parties were as follows:

Transaction type	Type of related party	2023.12.31	2022.12.31
Accounts payables to relate parties	XAC Suzhou	$ 151,448	83,675

4. Service provision and other expenses

The following is a breakdown of expenses paid to related parties by our company for business dealings, including product warranty services, production fees, research expenses, market surveys, and various service fees. The details and outstanding balances were as follows:

	For the years ended December 31,	
	2023	2022
Subsidiaries-XAC Suzhou	$ 10,568	8,441
Subsidiary-Zakus	67,719	68,527
	$ 78,287	76,968

Transaction type	Type of related party	2023.12.31	2022.12.31
Accounts payables to relate parties	Zakus	$ 29,059	21,164
Accounts payables to relate parties	XAC Suzhou	3,018	967
		$ 32,077	22,131

(III) Transactions with key management personnel:

Key management personnel compensation comprised:

	For the years ended December 31,	
	2023	2023
Short-term employee benefits	$ 25,004	25,669
Post-employment benefits	1,209	1,369
Share-based payment	171	519
	$ 26,384	27,557

VIII. Pledged assets

The carrying amounts of the Company’s pledged assets were as follows:

Asset name	Object	2023.12.31	2022.12.31
Time deposits (recorded in financial assets at amortized cost – non-current)	Guarantee for land lease agreements with the Hsinchu Science Park Bureau	$ 2,000	2,000

IX. Significant contingent liabilities and unrecognized commitments

As of December 31, 2023 and 2022, the total amounts of promissory notes deposited by the Company at the bank for acquiring financing were $526,116 and $526,074, respectively.

X. Losses due to major disasters: None.

XI. Subsequent events: None.

XII. Others

Total personnel, depreciation and amortization expense categorized by function were as follows:

By function / By item	For the year ended December 31, 2023			For the year ended December 31, 2022		
	Classified as operating cost	**Classified as operating expenses**	**Total**	**Classified as operating cost**	**Classified as operating expenses**	**Total**
Employee benefits						
Salary	21,442	155,224	176,666	55,600	127,282	182,882
Labor health insurance	2,045	13,378	15,423	1,607	13,219	14,826
Pension	929	7,847	8,776	759	7,983	8,742
Others	1,279	5,519	6,798	943	4,914	5,857
Depreciation	1,094	10,040	11,134,	1,337	9,749	11,086
Amortization	-	1,298	1,298	-	199	199

The amount of employees and employee benefits for the years ended December 31, 2023 and 2022, were as follows:

	For the Years ended December 31,	
	2023	**2022**
The number of employees	**168**	**159**
The number of directors who were not holding as a position of employee	**6**	**6**
The Average of employee benefits	**$ 1,282**	**1,388**
The Average of Salaries	**$ 1,091**	**1,195**
The Average of salary adjust rate	**(8.70)%**	

Note: The Chairman dismissed from the post of general manager on December 18, 2023.

The information of the Company's salaries and remunerations policy (including director, executive officers and employees) was as follows:

(1) Article 28 of the Articles of Incorporation of the Company stipulates that "if there is any profit of the Company in the year, 3% to 12% shall be allocated for employee compensation and not more than 3% for director compensation. However, if the Company still has accumulated losses, the amount should be reserved in advance to offset the losses. The compensation of the employees set forth in the preceding paragraph shall be paid to the objects of stock or cash, including employees of the subsidiary company who meet certain conditions."

(2) The procedure for determining the remuneration of the directors, general manager and deputy general manager of the Company shall be in accordance with the provisions of the Company Law, the Articles of Incorporation of the Company and the Measures according to the "Regulations for the Management of Managerial Performance Assessment and

Remuneration Policy", the remuneration shall be determined in accordance with the positions and responsibilities of the directors, general manager and deputy general manager, and shall be in line with the Company's operational performance, and shall be reviewed by the remuneration committee and approved by the Board of Directors.

(3)The compensation of employees of the Company shall be determined in accordance with the R.O.C. Company Act, the Company's Articles of Incorporation, the Employee Immediate Reward Measures, the Employee Bonus Distribution Measures, the Operating Bonus Management Measures and the Remuneration Management Procedures. The remuneration and rewards shall be determined in accordance with the positions and responsibilities assumed by the employees and shall be in accordance with the Company's operating performance, and shall be reviewed by the Remuneration Committee and approved by the Board of Directors.

XIII. Supplementary Disclosures

(I) Information on significant transactions

From January 1 to December 31, 2023, in accordance with the provisions of the compilation standards, the information related to major transactions that the Company should disclose further is as follow:

1. Money lending to others:

No.	Companies that Lend Funds	Borrower	Financial Statement Account	Related Party	Maximum Amount for the Period	Ending Balance	Actual Amount Drawn	Interest Rate	Nature of financing	Amount of Transactions	Reasons for Short-term Financing	Allowance for doubtful accounts	Collateral		Individual funding limits	Maximum limit of fund financing
													Item	Value		
0	The Company	XAC Suzhou	Other receivables - related parties	Yes	64,830 (USD2,000 in thousands)	61,450	-	6.607%	Short-term capital turnover	-	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.

2. Guarantee and endorsement for other parties: None.
3. Marketable securities held (excluding investment in subsidiaries, associates and joint ventures): None.
4. Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20% of the paid-in capital: None.
5. Acquisition of individual real estate with amounts exceeding NT$300 million or 20% of the paid-in capital: None.
6. Disposal of individual real estate with amounts exceeding NT$300 million or 20% of the paid-in capital: None.
7. Purchases from or sales to related parties with amounts exceeding NT$100 million or 20% of the paid-in capital:

Company Name	Counterparty	Relationship	Transaction Details				Transaction with Terms Different from Others		Notes/Accounts Receivable (Payable)		Note
			Purchases /Sales	Amount	Percentage of Total Purchases /Sales	Credit Terms	Unit Price	Credit Terms	Ending Balance	Percentage of Total Notes/ Accounts Receivable (Payable)	
The Company	XAC Suzhou	Subsidiaries	Purchase	534,282	95%	30~90 days	-	-	(151,448)	(81)%	

Note: All inter-company transactions have been eliminated in the consolidated financial statements.

8. Receivables from related parties with amounts exceeding NT$100 million or 20% of the paid-in capital: None.

Company Name	Counterparty	Relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period (Note 1)	Loss allowance
					Amount	Action taken		
XAC Suzhou	The Company	Parent	151,448	4.61%	-		73,241	-

Note 1: The collection situation as of February 7, 2024.

9. Derivatives transaction: Please refer to Note 6 (2).

(II) Investment on investees:

For the year ended December 31, 2023, the investment information was as follows (excluding the investee in mainland China):

Name of Investor	Name of Investee	Location	Main Business Activities	Initial Investment Amount		End-of-period holding			Net income (losses) of investee	Share of profit/loss of investee	Note
				Ending Balance	Beginning balance	Shares	Percentage of Ownership	Carrying Amount			
The Company	Value	Samoa	Holding company	168,889	168,889	(Note 1)	100%	416,603	(3,790)	(3,864) (Note 2)	Subsidiaries of the Company
The Company	Zakus	United States	R&D Center and Market Research Related Services	37,145	37,145	200	100%	64,931	3,337	3,337	Subsidiaries of the Company

Note 1. Is a limited company.
Note 2. Unrealized gains or losses on upstream transactions have been eliminated in the consolidated financial statements.

(III) Information on investment in Mainland China:

1. The name of investee in Mainland China, the main business and other related information:

Investee Company	Main Business Activities	Total Amounts of Paid-in Capital	Method of Investments	Accumulated Outflow of Investment from Taiwan as of January 1, 2023	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2023	Net Income (Loss) of Investee	Ownership through Direct / Indirect Investment	Investment Income (Loss) Recognized by the Company	Carrying Amount of Investments as of December 31, 2023	Accumulated Inward Remittance of Earnings in as of December 31, 2023
					Outflow	Inflow						
XAC Suzhou	Production and marketing of electronic financial transaction terminals, transaction data security protection equipment multi-function smart cards, card readers and writers, and their components	224,042	(Note 1)	165,841	-	-	165,841 (Note 3)	(3,098)	100%	(3,098) (Note 2)	437,899	396,532

Note 1. Indirect investment in Mainland China through Value.
Note 2. The financial statements of the investee company were audited by the international accounting firms which cooperated with R.O.C. accounting firms.
Note 3. The accumulated outflow of investment remitted from Taiwan at the end of the current period did not include the earnings transferred to capital stock of $58,201 in 2008.

2. Quota for investment in Mainland China:

Accumulated investment in Mainland China as of December 31, 2023 (Note 1 and 2)	**Investment amounts authorized by the Investment Commission of Economic Affairs (MOEA)**	**Upper Limit on Investment imposed by Investment Commission of Economic Affairs (MOEA)**
197,901 (USD 5,995 in thousands)	252,441 (USD 7,795 in thousands)	705,057

Note 1. Beijing Tongjinhua Technology Co., Ltd., an indirectly invested subsidiary by the Company has completed its liquidation of various rights and obligations and cancelled its registration in 2011. The investment amounted to $25,715 (USD 800 in thousands) still needs to be included in the cumulative amount of investments from Taiwan to Mainland China according to the regulations of the Investment Commission of Economic Affairs (MOEA).
Note 2. Tongjinhua Suzhou Co., Ltd., an indirectly invested subsidiary by the Company has completed its liquidation of various rights and obligations and cancelled its registration in 2011. The investment amounted to $6,345 (USD 195 in thousands) still needs to be included in the cumulative amount of investments from Taiwan to Mainland China according to the regulations of the Investment Commission of Economic Affairs (MOEA).

3. Significant transactions:

Significant direct or indirect transactions with the investees in Mainland China for the year ended December 31, 2023, for which intercompany transactions were eliminated upon consolidation, are disclosed in "Information on significant transactions."

(IV) Major shareholder information:

Unit: Thousands of shares

Shareholding **Major Shareholders**	**Total Shares Owned**	**Ownership Percentage**
Zhang Ruimin	5,060	5.26%

Note: (1) The main shareholder information in this table is calculated by the Taiwan Depository & Clearing Corporation on the last business day at the end of each quarter based on those who held more than 5% of the Company's ordinary shares and preference shares and have completed unregistered non-physical securities delivered (including treasury shares). As for the share capital recorded in the Company's financial statements and the actual number of shares delivered without physical registration, there may be differences due to different basis of calculation.
(2) In the case of the above information, if a shareholder delivers the shares to the trust, it is disclosed in the individual accounts of the trustee who opened the trust account by the trustee. As for the shareholders' declaration of insider equity holding more than 10% of the shares in accordance with the Securities and Exchange Act, his shareholding includes his shareholding plus the shares delivered to the trust and the right to use the trust property, etc.. Please refer to the Market Observation Post System (MOPS) for the insider's equity declaration information.

XIV. Segment Information

Please refer to consolidated financial statements for the year ended December 31, 2023.

XAC AUTOMATION CORP

Statement of Cash and Cash Equivalents

December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

(Foreign Currencies Dollars)

Item	Description	Amount
Cash	Petty cash and cash on hand	$ 60
Cash in banks	Checking deposits	4,113
	Demand deposits	
	TWD	142,981
	USD: 1,087,387.15	33,410
	RMB 1,801.99	8
	EUR: 147.11	5
	GBP: 43.37	2
	Time deposits	
	TWD	294,755
	USD: 5,000,000	153,625
Total		**$ 628,959**

The exchange rates of foreign currencies are converted into New Taiwan Dollars at the balance sheet date is as follows:

USD： 30.725

EUR： 34.03

CNY： 4.3380

GBP： 39.16

XAC AUTOMATION CORP

Statement of Financial Assets at Fair Value through Profit or Loss - Current

December 31, 2023

For related information, please refer to Note 6 (2) "Statement of Financial Assets at Fair Value through Profit or Loss - Current" of the parent-company-only financial statements.

Statement of Financial Assets at Amortized Cost - Current and Non- current

For related information, please refer to Notes 6 (3) and 8 "Statement of Financial Assets at Amortized Cost - Current and Non- current" of the parent-company-only financial statements.

Statement of Current Contract Assets

(Expressed in thousands of New Taiwan Dollars)

Client name		Amount
Contract assets:		
Client A	$	6,406
Client C		2,711
Client H		1,199
Others (Note)		516
Less: allowance for doubtful accounts		-
Total	$	10,832

Note: Individual customer whose balances are less than 5% of the amount of account balance will not be listed separately.

XAC AUTOMATION CORP

Statement of Accounts receivable

December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

Client name	Amount
Accounts receivable:	
Client C	$ 82,298
Client I	49,596
Client E	43,817
Client B	20,390
Client J	13,713
Others (Note)	43,877
	253,691
Less: allowance for doubtful accounts	(2,082)
Total	$ 251,609

Note: Individual customer whose balances are less than 5% of the amount of account balance will not be listed separately.

XAC AUTOMATION CORP

Statement of Inventories

December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

Item	Amount	
	Cost	Net Realizable Value
Finished goods	$ 49,290	50,632
Less: provision for inventory valuation	(5,983)	
Subtotal	43,307	
Semi-finished products	44,587	67,366
Less: provision for inventory valuation	(618)	
Subtotal	43,969	
Work in progress	4,058	4,058
Raw materials	49,176	47,934
Less: provision for inventory valuation	(4,024)	
Subtotal	45,152	
Total	$ 136,486	169,990

Statement of Other current assets

Item	Amount
Prepaid expenses	$ 2,475
Temporary payments	1,650
Refundable tax	757
Prepaid income tax	694
Total	$ 5,576

Note: Individual customer whose balances are less than 5% of the amount of account balance will not be listed separately.

XAC AUTOMATION CORP

Statement of Movement in Investments Accounted for Using the Equity Method

For the year ended December 31, 2023

(Expressed in thousands of New Taiwan Dollars, in thousands shares)

	Beginning Balance		Addition				Ending Balance			Market Value or Net Assets Value		
Name of investee	Shares	Amount	Shares	Amount	Investment Profit or Loss	Conversion Adjustment	Shares	Percentage of Ownership	Amount	Unit Price	Total Amount	Collateral
Value Investment Ltd.		$ 426,936	-	198	(3,864)	(6,667)		100%	416,603	-	416,603	None
Zakus, Inc.	200	61,562	-	-	3,337	32	200	100%	64,931	-	64,931	None
		$ 488,498		198 (Note)	(527)	(6,635)			481,534		481,534	

Note: Part of the restricted stock awards by the employees of the subsidiary were recognized in subsidiary's compensation cost amounting to $198, which were recorded in the investments accounted for using the equity method.

XAC AUTOMATION CORP

Statement of Movement in Property, Plant and Equipment

For the year ended December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

For related information, please refer to Note 6 (7) “Property, Plant and Equipment” of the parent-company-only financial statements.

Statement of Movement in Right-of-Use Assets

For related information, please refer to Note 6 (8) “Right-of-Use Assets” of the parent-company-only financial statements.

Statement of Movement in Intangible Assets

For related information, please refer to Note 6 (9) “Intangible Assets” of the parent-company-only financial statements.

XAC AUTOMATION CORP

Statement of Refundable deposits

December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

Item	Amount
Refundable deposits of Taipei office	$ 1,575
Refundable deposits of law firm	516
Others (Note)	38
	$ 2,219

Note: The individual amount does not exceed 5% of the account balance.

Statement of Accounts Payable

Vendor name	Amount
Company KK	$ 535
Company JJ	491
Company BB	246
Company LL	213
Other (Note)	1,041
Total	**$ 2,526**

Note: Individual vendor who has less than 5% of the account balance will not be listed separately.

XAC AUTOMATION CORP

Statement of Other Current Liabilities

December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

Item	Amount
Accrued expenses	$ 24,846
Contract liabilities	17,771
Accrued expenses-others	4,118
Accrued expenses-warranty	3,325
Withholding payable	3,096
Other (Note)	5,528
Total	**$ 58,684**

Note: The individual amount does not exceed 5% of the account balance.

Statement of Lease Liabilities

Item	Description	Term of Contract	Interest Rate	Amount	Note
Land	Land of Hsinchu Science Park	January 1, 2021~ December 31, 2040	1.3%	$ 13,093	
Housing and Construction	Office	December 1, 2023~ November 30, 2025	2.2%	3,690	
Transportation equipment	Business vehicle	May 25, 2021~ May 24, 2024	1.5%	528	
				$ 17,311	
Current				**$ 3,415**	
Non-current				**$ 13,896**	

XAC AUTOMATION CORP

Statement of Operating Revenue

For the year ended December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

Item	Quantity	Amount
Electronic fund transaction terminals	178,569	$ 393,549
Transaction security products	35,936	108,453
Card readers and writers	45,670	68,120
Others	383,725	197,211
Net revenue		**$ 767,333**

XAC AUTOMATION CORP

Statement of Operating Costs

For the year ended December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

Item	Amount
Beginning balance of raw materials	$ 93,264
Add: Purchase	23,053
Less: Ending balance of raw materials	(49,176)
Sale of raw materials	(676)
Raw materials used	66,465
Direct labor	11,375
Manufacturing overhead	17,739
Cost of conversion	11,585
Manufacturing cost	107,164
Add: Beginning balance of work in process and semi-finished products	54,375
Semi-finished products purchased	23,729
Less: Ending balance of work in process and semi-finished products	(48,645)
Sale of semi-finished products	(32,272)
Transferred to expense	(3,300)
Cost of finished goods	101,051
Add: Beginning balance of Finished goods	45,203
Finished goods purchased	513,314
Less: Ending balance of Finished goods	(49,290)
Transferred to expense	(7,092)
Production and sales cost	603,186
Sale of raw materials and semi-finished products	32,948
Warranty cost and others	16,048
Labor cost	3,164
reversal for inventory valuation loss	(1,707)
Cost of sales	**$ 653,639**

XAC AUTOMATION CORP

Statement of Selling, Administrative, Research and Development Expenses

For the year ended December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

Item	Selling	Administrative	Research and Development	Expected credit impairment gain
Salary	$ 6,626	30,754	117,844	-
Professional service fees	10,897	19,701	56,752	-
Insurance expense	2,123	2,541	10,717	-
Testing fees	110	103	26,799	-
Advertisement expense	3,005	55	-	-
Expected credit impairment loss	-	-	-	762
Others (Note)	3,507	21,690	28,262	-
Total	$ 26,268	74,844	240,374	762

Note: The individual amount does not exceed 5% of the account balance.

XAC AUTOMATION CORP

Statement of Interest income

For the year ended December 31, 2023

For related information, please refer to Note 6 (19) “Interest income” of the parent-company-only financial statements.

Statement of Other Gains and Losses

For related information, please refer to Note 6 (19) “Other gains and losses” of the parent-company-only financial statements.