

SINMAG

Sinmag Equipment Corporation

2020 Annual Report

May 15, 2021

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Company Website: <http://www.sinmag.com.tw/>

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I. Contact Information of Spokesperson and Deputy Spokesperson

Spokesperson	Deputy Spokesperson
Name: Yu-Tung Huang	Name: Li-Mien Weng
Title: Chief Financial Officer	Title: Chief Accounting Officer
Tel: (02) 2298-1148	Tel: (02)2 298-1148
Email: sinmag.tw@sinmag.com.tw	

II. Contact Information of Headquarters, Branches, and Plants

1. Headquarters

Address: No. 23, Wuquan 6th Rd., Wugu Dist. New Taipei City, Taiwan (R.O.C.)

Tel: (02)2298-1148

2. Branch: None.

3. Plant

Address: No. 23, Wuquan 6th Rd., Wugu Dist. New Taipei City, Taiwan (R.O.C.)

Tel: (02)2298-1148

III. Contact Information of Stock Transfer Agency

Name: Stock Affairs Dept. of Taishin International Bank

Website: <http://www.taishinbank.com.tw>

Address: B1F., No. 96, Sec. 1, Jianguo N. Rd., Zhongshan Dist., Taipei City

Tel: (02)2504-8125

IV. Contact Information of the CPAs for the Latest Financial Statements

CPA Name: Chiang-Hsun Chen and Chao-Mei Chen Website:

<https://www2.deloitte.com/tw/tc.html>

CPA Firm: Deloitte & Touche Tel: (02)2725-9988

Address: 20F., No. 100, Songren Rd., Xinyi Dist., Taipei City

V. Overseas Securities Exchange Where Securities are Listed and Method of Inquiry: None.

VI. Company Website:

<http://www.sinmag.com.tw/>

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Chapter 1. Letter to Shareholders

I. 2020 Business Report

(I) Implementation Results of Business Plan

In 2020, due to the influence of COVID-19, many habits and economic activities in the world were forced to change, and economic growth was severely hit. China, where the pandemic first broke out, quickly controlled the pandemic under the government's pandemic prevention and control measures, and gradually restored the vitality of economic activities after the deblocking. However, other countries are in a dilemma between the consideration of pandemic prevention and economic growth.

Sinmag, as a leading brand of baking equipment, inevitably encountered an impact on its operation in the early stage of the pandemic. Fortunately, our major market- China, showed its vigorous vitality again after deblocking. After the baking industry, which is essential to people's livelihood, experienced the difficult period and the tide of closure during the pandemic period, customers re-integrated resources and adjusted their operation direction to adapt to the new consumption pattern in the post-pandemic era, and new entrants purchased equipment and put them into market operation. However, the world has not yet got rid of the threat of the pandemic, many supply chains are still affected, and small-scale food equipment manufacturers have exposed the shortcomings of insufficient product quality and after-sales service, giving Sinmag an opportunity to stand out again by virtue of its own competitive advantages after years of deep cultivation in the baking market and the construction of a complete product line and excellent after-sales service system. In addition to actively seizing business opportunities in China's market in the post pandemic era, the Company has adjusted its sales strategy to adapt to the pandemic situation in different countries and to gradually made up for the performance gap in the early stage of the outbreak of the pandemic.

The consolidated operating income of the Group in 2020 was NT\$3,300,489 thousand, down about 20.75% from NT\$4,164,628 thousand in 2019, but the consolidated net profit after tax was NT\$340,940 thousand, after tax earnings per share was NT\$6.79, down 32.27% from the same period last year.

The comparison of operating results (combined profit and loss) are as follows:

Unit: Thousand NT\$

	2020	2019	Increase (Decrease) Rate (%)
Operating Revenue	3,300,489	4,164,628	-20.75%
Operating Costs	1,960,750	2,459,103	-20.27%
Gross Profit	1,339,739	1,705,525	-21.45%
Operating Expenses	850,898	1,043,445	-18.45%
Operating Profit	488,841	662,080	-26.17%
Non-operating Income and Expenses	3,949	25,471	-84.50%
Profit Before Income Tax	492,790	687,551	-28.33%
Profit After Income Tax	340,940	503,361	-32.27%

(II) Revenue Forecast and Realization

The Company did not have a public financial forecasting for 2020.

(III) Financial income and expenses (structure) and profitability analysis (consolidated financial statements)

Item			2020	2019
Financial Structure Analysis	Debt-to-Asset Ratio		32.34%	32.29%
	Long-Term Funds to Fixed Assets Ratio (%)		231.05%	217.98%
Liquidity Analysis	Current Ratio		191.08%	231.91%
	Quick Ratio		127.24%	156.60%
Profitability Analysis	Return on Assets		10.60%	15.95%
	Return on Shareholders' Equity		15.48%	23.68%
	Ratio of Paid-In Capital	Operating Profit	97.32%	131.80%
		Pre-Tax income	98.10%	136.88%
	Profit Ratio		10.71%	12.37%
	Earnings per Share (NT\$)		6.79	10.02

(IV) Research and Development

In recent years, China's baking market has gradually transformed from the original demand for single baking products, and baking and catering are gradually showing a trend of integrated development; Due to the sudden COVID-19, consumers' consumption habits and demand direction will be adjusted again, the baking industry will adapt to the changes of consumers quickly in the business mode, and food equipment manufacturers will also adjust the appropriate production and marketing strategy to meet the market demand. It is expected that the food equipment industry will still be difficult to get rid of the fierce competition.

The R&D team of Sinmag has been continuously observing market trends, maintaining close interaction with customers, deepening the cooperative relationship with customers, and actively developing products that meet customers' needs, so as to maintain its competitive advantage and leading position in the market; In 2020, the Group invested a total R&D cost of NT\$136,663 thousand to develop various processes and technologies and develop more diversified, more innovative and better quality products, and introduced the concept of safe production and environmental protection, to focus on the business opportunities in the post pandemic era and to lay out the Company's sustainable operation.

II. Summary of the Company's Business Plan for 2021

(I) Operating Strategies

In 2020, due to the ravage of COVID-19, the global baking equipment market has experienced a decline. Meanwhile, due to the change of dietary consumption habits, the baking equipment market has changed in terms of product attributes and sales model. In order to adapt to the changes in the post pandemic era, in 2021, Sinmag sets its operation and development goals as adjusting product mix, improving production and sales management and strengthening after-sales service, so as to continuously enhance the

overall market competitiveness of its products. In addition to continuing to consolidate the existing customer groups, the Company will also enter new markets and develop new customers to seize market share and expand sales.

We will continue to observe the changes in the market, think from the perspective of customers, provide perfect and innovative services, and offer professional and technical personnel to assist customers in factory planning and shop equipment configuration, and professional bakers to help customers improve their bread making technology, to establish a good all-round relationship with customers, become a long-term partner of customers, and continue to enhance the market position in the baking field.

1. Sales in China Market

(1) Market development and resource integration in different regions

Follow up the development of major customers in various regions, cooperate with customers in innovation and transformation, and provide appropriate supporting strategies and equipment, including:

- a. The transformation and development of chain store customers (such as the upgrading of stores, new concept stores, R&D of new baked products, etc.).
 - b. Stores with popular products in the market (such as tea and beverage compound stores, cake stores with new formats, Chinese pastry stores, etc.).
 - c. The domestic retail supermarket market experiencing another transformation with new formats.
 - d. Wholesalers who develop new product lines or increase production automation.
- (2) Strengthen the development of new sales channel market customers (such as store popular on the Internet, personal personalized new store, personal studio, DIY classroom, etc.)
- (3) Continue to deepen the cooperation with baking training institutions in all regions, contact new baking trainees and explore potential customer groups.
- (4) Expand the cooperation with the kitchenware merchants and raw material dealers across the country, provide more attractive and flexible cooperation conditions, stimulate and explore more sales cooperation opportunities.

2. Overseas Market

- (1) Promote the growth of the U.S. market by participating in the bidding of supermarkets in the U.S. market and developing long-term contracts with supermarkets.
- (2) Adjust the regions that are responsible for by Indian market agents, implement

multi-agent system in central India, and adjust the sales price of agents, to increase the sales competitiveness.

- (3) Assist agents in various countries to resume sales activities, adjust agents with slow sales growth, and take appropriate strategies (such as increasing agents, directly connecting with key customers, sending more business personnel to provide assistance, etc.).
- (4) Strengthen the professional training of sales and after-sale service for branches and agents, improve the management and efficiency of work and process, and improve the level of pre-sale and after-sale service for customers.

(II) Expected Sales Volume and Its Basis

The Company's main products are the food machinery equipment. According to the expected growth rate of the food market and the estimated production capacity, it will continue to expand new customers and develop new products in 2021, other than sticking to the original China market share and sales volume, and will continue to expand United States, India, Southeast Asia and other markets. The Company's sales volume is still expected to grow.

(III) Production and Sales Strategies

1. Adjust product structure and product mix according to market changes, gradually eliminate products with poor gross profit and sales volume, integrate equipment specifications and models for lean production, so as to reduce production costs and improve production efficiency and capacity utilization, and actively promote the sales of equipment of high gross profit and mass production.
2. Continue to improve and enhance equipment capacities and quality; assist customers to optimize factory layout, provide references for store layout, and strengthen the promotion and service of equipment update to win more market share.
3. Strengthen the management and training of the after-sales engineering team, introduce the electronic management system to improve the efficiency of engineering management, improve the service efficiency, maintenance ability and service attitude, and improve the satisfaction of the existing customers for the after-sales service.
4. Set up the project after-sale service team subordinated to the headquarter, arrange the sales, installation, use, maintenance inspection and other services of the active customer equipment on a regular basis in the determined areas, regularly arrange engineering maintenance and equipment use training for customers, and check, correct and train the pre-sale and after-sale work of each office, so as to enhance the added value of the equipment of Sinmag.
5. Follow up the change from products with long shelf life to products with short shelf life in the wholesale market, integrate equipment manufacturers with strategic cooperation, adapt to the change of business model of online and offline logistics integration, and promote appropriate automation equipment and production lines.

(IV) Impact of External Competition, Laws and Regulations, and the General Business Environment

In the past year, due to the pandemic situation, the baking industry chain has been affected, the eating and consumption habits have been forced to change, and the baking industry has entered a new era, facing the pressure of adjustment and transformation in the business model and product positioning. However, with the gradual recovery of China's economy in the post pandemic era, the baking market is still showing vigorous vitality, and ushering in many opportunities in the changing environment. We are also adjusting channel strategy in a timely manner, and developing channels and marketing methods consistent with new consumption habits to improve operational efficiency.

Although COVID-19 pandemic has brought impact to China's economic operation, it cannot change the long-term development trend of China's economy. The impact of the pandemic on China's economy is temporary. According to important economic data, China's fundamentals have recovered continuously, and manufacturing investment, PMI and industrial enterprise profits also support the continuous recovery of enterprise profits. The market forecasts that China's GDP growth rate in 2021 will show a comprehensive recovery due to the low base period last year, and that the overall market recovery is sustainable.

In recent years, China has paid much attention to environmental and safety issues to prevent unenvironmentally friendly production practices from undermining its competitiveness in the global market. It also wants to use environmental measures to weed out companies that do not meet standards. In recent years, according to the regulations of the Chinese government, Sinmag has been transforming the painting workshop, improving the manufacturing process, improving the pollution prevention technology, and implementing the environmental monitoring system to reduce the pollution to the environment. In the past, the oil-based paints used by Sinmag in its products require the addition of volatile diluents. In addition to being harmful to the atmosphere, diluents are flammable and explosive, which often cause industrial safety problems. In 2020, Sinmag confirmed to replace the original paint with officially approved water-based paint, and simultaneously transformed the workshop of automatic painting line and waste gas and wastewater treatment equipment, which began to play its production capacity in 2021.

After Wuxi No. 2 plant of Sinmag was opened in September 2019, we have been continuously deepening the concept of workshop management, committed to improving the cost structure and internal process, optimizing the layout of production line, increasing the input and production of decoiler machines, greatly reducing the use loss of plates, and increasing the flow speed of production line, so as to achieve the goal of improving production efficiency.

With 38 years of deep cultivation of baking equipment, Sinmag Group has rich experience in many markets around the world. With flexible production and marketing strategy, good product quality, perfect sales network and fast and perfect after-sales service system, in the face of the gradual recovery of global economic situation in the post pandemic era, the Company will continue to focus on the development of the Chinese market, continue to enter

the U.S. market, and moderately adjust its sales strategy in Southeast Asia and other markets, to maintain its market competitiveness, and meanwhile will consider the financial management policy carefully to maintain the abundant cash flow and stable financial situation.

Over the years, no matter how the international situation changes and evolves, Sinmag has always adhered to the consistent long-term strategic direction and firmly moved forward, and will continue to lead all colleagues of the Company to work together towards the strategic goal, further expand the global business, create shareholder value, and steadily move towards a new milestone.

Chairman: Hsieh, Shun-Ho

General Manager: Hsieh, Shun-Ho

Accounting Manager: Huang, Yu-Tung

Chapter 2. Company Profile

I. Date of Incorporation:

Sep. 27, 1983

II. Company History:

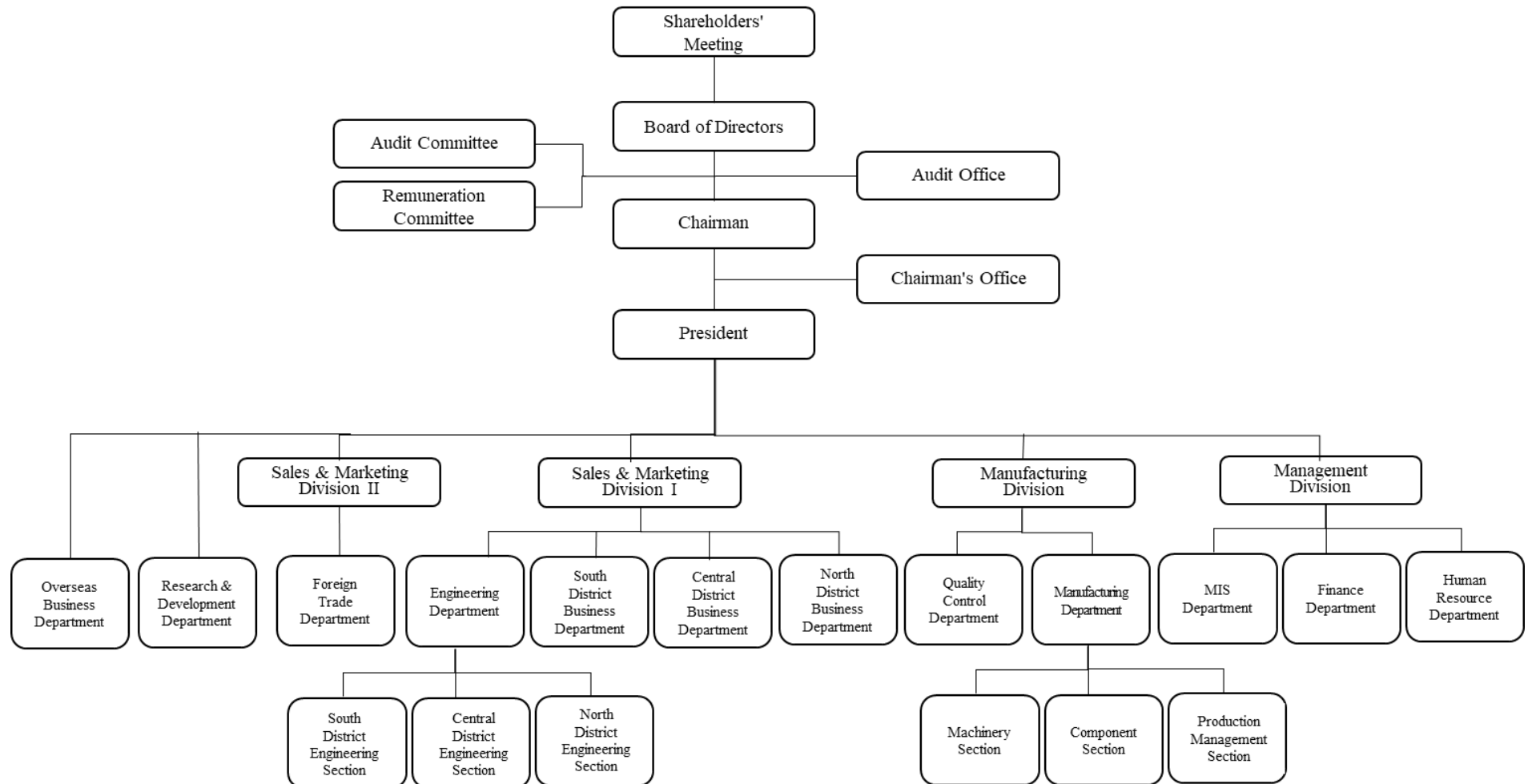
Year	Important chronicle
September 1983	The Company was incorporated with international trade and importing baking equipment and raw materials as principal activities. The paid-in capital was NT\$4 million.
December 2003	Reinvested in Sinmag Equipment (Wuxi) Co., Ltd. and Wuxi Themag Bakery Equipment Co., Ltd. in mainland China, and Sinmag Bakery Equipment SDN.BHD. in Malaysia.
February 2004	Purchased the Wugu plant.
September 2004	Supplemental public issuance approved by the Securities and Futures Bureau, Financial Supervisory Commission of Executive Yuan.
October 2005	Reinvested in Macadams Baking Equipment (Wuxi) Co., Ltd. and Wuxi New Order Control Co., Ltd. in mainland China.
September 2006	The Group was reorganized. The third-tier subsidiaries including Sinmag Equipment (Wuxi) Co., Ltd., Wuxi Themag Bakery Equipment Co., Ltd., and Wuxi Schumacher Baking Equipment Co., Ltd. in mainland China merged and Sinmag Equipment (Wuxi) Co., Ltd. was the surviving company.
July 2007	Applied to the Taipei Exchange (TPEX) for stock listing and was approved by the Securities and Futures Bureau, Financial Supervisory Commission of the Ministry of Finance for listing in November 2007.
August 2007	Reinvested in Wuxi Nichmag Seiki Co., Ltd. and Lipang Mixing Equipm ent (Wuxi) Co., Ltd. in mainland China.
December 2007	The Company's stock was officially listed at the Taipei Exchange (TPEX) in December 10.
February 2008	Reinvested in Sinmag Holding Limited in Hong Kong.
July 2008	Reinvested in LBC Bakery Equipment Inc. in the US.
December 2008	Reinvested in Wuxi Sinco Refrigeration Equipment Co., Ltd. in mainland China.
March 2009	Reinvested in Sinmag Bakery Machine India Private Limited in India.
May 2009	

November 2009	The Group was reorganized. The third-tier subsidiaries including Sinmag Equipment (Wuxi) Co., Ltd., Wuxi Sinco Refrigeration Equipment Co., Ltd., and Wuxi Nichmag Seiki Co., Ltd. in mainland China merged and Sinmag Equipment (Wuxi) Co., Ltd. was the surviving company.
September 2013	Reinvested in Sinmag Equipment (Thailand) Co., Ltd. in Thailand
March 2014	Withdrew the registration of Sinmag Holding Limited in Hong Kong. Reinvested in Societe Agro-Industrielle De Kinshasa, a bread factory in Congo.
October 2014	Won the second OTC "Golden Laurel Award" of Taipei Exchange (TPEx).
April 2016	Purchased 50% of the equity of Wuxi Lipang Mixing Equipment Co., Ltd. from Lipang Company Limited, which became a wholly-owned subsidiary of the Company.
December 2017	Withdrew the registration of third-tier subsidiary, Wuxi Lipang Mixing Equipment Co., Ltd. in mainland China. Disposed of all equity holding in Societe Agro-Industrielle De Kinshasa, a bread factory in Congo.
January 2018	The third-tier subsidiary in mainland China, Sinmag Equipment (Wuxi) Co., Ltd., was renamed Sinmag Equipment (China) Co., Ltd.
December 2018	Purchased 2.82% of the shares from the employees of LBC Bakery Equipment Inc. in the US, increasing the shareholding ratio to 82.82%.
June 2020	After the adjustment of the Group's investment structure, the Company directly invested in Sinmag Equipment (Thailand) Co., Ltd. in Thailand.
June 2020	Reinvested in Benchmark Service Co., Ltd. in Thailand.

Chapter 3. Corporate Governance Report

I. Organization

(I) Organization Chart



(II) Department Functions:

Department	Functions
Chairman's Office	<ol style="list-style-type: none"> 1. The convening of the Board of Directors and the preparation of related deliberations. 2. Coordinating work related to corporate social responsibility and corporate governance.
Audit Office	<ol style="list-style-type: none"> 1. Establishing and managing the Company's internal audit system. 2. Inspecting the deficiencies of the internal control system and measuring operational effectiveness. 3. Providing timely improvement suggestions to ensure the continuous and effective implementation of the internal control system. 4. Assisting the Board of Directors and the management to fulfill their responsibilities.
Finance Department	<ol style="list-style-type: none"> 1. Fund transfer, share affairs processing, and cashier business. 2. Various accounting affairs, tax treatment, financial statements preparation and analysis, budget preparation and control and difference analysis, etc. 3. The shaping of the Company's corporate image and the execution of public relations-related work. 4. Investor relations
Human Resource Department	<ol style="list-style-type: none"> 1. Planning and implementation of related tasks regarding human resources and training development. 2. General administration and general affairs management. 3. Environmental management and industrial safety and environmental protection. 4. Coordinating the control of internal and external documents and information of the Company.
MIS Department	<ol style="list-style-type: none"> 1. Management and maintenance of information systems and software and hardware equipment. 2. Computer data management and information security maintenance.
Overseas Business Department	Coordinating the Company's overseas investment and plant establishment, planning, management, R&D, sales accounting, and other businesses.
Research & Development Department	<ol style="list-style-type: none"> 1. Establishing self-owned technologies and continuing to develop quality planning for new products. 2. Drafting new product R&D, trial production, testing, packaging, and other plans and procedures. 3. Providing technical consultation for various units.

Department	Functions
	4. Research and improvement plans for existing products.
Foreign Trade Department	<ol style="list-style-type: none"> 1. The formulation and implementation of foreign market development and sales plans. 2. Collection and analysis of business information.
Business Department	<ol style="list-style-type: none"> 1. Maintaining customer relations to strengthen business control. 2. Collecting market intelligence for business planning. 3. Mastering account receivables data and truly control the customers' credit limits. 4. Development of new markets and new customers.
Engineering Department	<ol style="list-style-type: none"> 1. The installation, commissioning, and customer acceptance of the equipment sold domestically. 2. After-sales service, repair, and maintenance of equipment sold domestically. 3. Organizing professional knowledge regarding equipment operation, maintenance, and repair, and be responsible for the education training of customers and engineering personnel. 4. Giving feedback on the repeated maintenance of machinery and equipment and the problems occurring in the new delivery machine as a reference for quality improvement. 5. Provide market information to assist the business department in creating performance.
Manufacturing Department	<ol style="list-style-type: none"> 1. Procurement planning and management. 2. Production control and production planning. 3. Supervision and management of raw material warehouse operations. 4. Control and planning of various production processes. 5. Evaluating third-party manufacturers to meet the Company's quality objectives and requirements. 6. Repair and maintenance of production equipment to increase equipment utilization.
Quality Control Department	<ol style="list-style-type: none"> 1. Establishment and implementation of inspection standards for parts and finished products. 2. Verification of various safety standards. 3. The acceptance of raw materials, process inspection, and quality inspection of the Company's products. 4. The establishment and maintenance of the quality system.

II. Information on the Company's Directors, President, Vice Presidents, Associate Managers, and the Supervisors of all the Company's Divisions and Branch Units

(I) Names, Experience (Education), Shareholding, and Type of Stock Held by Directors:

(1) Information on Directors

Apr. 20, 2021

Title	Nationality or place of registration	Name	Gender	Date elected (appointed)	Term (years)	Date first elected	Shareholding when elected		Current shareholding		Spouse & minor shareholding		Shareholding by nominees		Experience (education)	Other position concurrently held at the Company or other companies	Executives, directors, or supervisors who are spouses or within the second degree of kinship			Remarks
							Shares	Shareholding ratio	Shares	Shareholding ratio	Shares	Shareholding ratio	Shares	Shareholding ratio			Title	Name	Relation	
Chairman	R.O.C.	Shun-Ho Hsieh	Male	2019.6.14	3 years	1989.1.23	2,211,267	4.40%	2,211,267	4.40%	1,000,564	1.99%	0	0%	High School President, Sheng Chia Industrial Co., Ltd. CEO, Sinmag Equipment Corporation	Chairman and President, Sinmag Equipment Corporation Chairman and President, Sinmag Equipment (China) Co., Ltd. Chairman, Sinmag Fitting Corporation Chairman, Sinmag Bakery Machine India Private Limited Chairman, Sinmag Bakery Equipment Sdn. Bhd. Director, San Neng Group Holdings Co., Ltd. Director, San Neng Bakeware Corporation Director, PT. San Neng Bakeware Indonesia Chairman, Greater Win Holdings Limited	Director and Vice President of the Management Division	Ming-Ching Hsieh	Father and son	(Note)
Director	R.O.C.	Yao-Tsung Wu	Male	2019.6.14	3 years	1989.1.23	1,788,616	3.56%	1,788,616	3.56%	1,459,555	2.91%	0	0%	National Yilan Senior High School Vice Chairman, Tehmag Foods Corporation Director, Tehmag Foods (Thailand) Co., Ltd.	Supervisor, Sinmag Fitting Corporation Supervisor, Sinmag Equipment (China) Co., Ltd. Director, Tehmag Foods Corporation Director, Wuxi New Order Control Co., Ltd. Director, Zeelandia Bakery Ingredients (Wuxi) Co., Ltd. Director, Yangyu Foods Corporation Supervisor, Kingcraft Industrial Corp., Ltd. Chairman, Taiwan Lunchun Association Director, Bliss & Wisdom Senior High School Chairman, Purity New Materials	None	None	None	None

Title	Nationality or place of registration	Name	Gender	Date elected (appointed)	Term (years)	Date first elected	Shareholding when elected		Current shareholding		Spouse & minor shareholding		Shareholding by nominees		Experience (education)	Other position concurrently held at the Company or other companies	Executives, directors, or supervisors who are spouses or within the second degree of kinship			Remarks
							Shares	Shareholding ratio	Shares	Shareholding ratio	Shares	Shareholding ratio	Shares	Shareholding ratio			Title	Name	Relation	
																Co., Ltd. Director, Taipei City Bliss & Wisdom Buddhism Foundation Chairman, AMRITA Translation Foundation Director, Zoom Foods (HK) Co., Ltd. Director, Tehmag Foods USA Corporation Director, PT. Tehmag Foods Corporation Indonesia				
Director	R.O.C.	Jui-Jung Chang	Male	2019.6.14	3 years	2016.6.6	380,981	0.76%	380,981	0.76%	3,105	0.01%	0	0%	Master of Business Administration, Asia University President, San Neng Bakeware Corporation President, San Neng Bake Ware (Wuxi) Co., Ltd. Supervisor, Sinmag Equipment Corporation	Chairman, San Neng Bake Ware (Wuxi) Co., Ltd. Chairman, San Neng Bakeware Corporation Chairman and President, San Neng Group Holdings Co., Ltd. Chairman, PT. San Neng Bakeware Indonesia Chairman, East Gain Investment Limited Chairman, San Neng Limited Chairman, Jui Jung International Limited	None	None	None	None
Director	R.O.C.	Ming-Ching Hsieh	Male	2019.6.14	3 years	2016.6.6	1,398,980	2.79%	2,012,980	4.01%	104,508	0.21%	0	0%	Bachelor of Economics, Fu Jen Catholic University Azusa Pacific University Master of Financial Management Master of Senior Management, Peking University Chairman's Special Assistant, Sinmag Equipment Corporation Chairman, Wuxi New Order Control Co., Ltd.	Director, Kingcraft Industrial Corp., Ltd. Chairman and Vice President, LBC Bakery Equipment Inc. Director, Sheng Chia Investment Co., Ltd. Director, Sinmag Equipment (Thailand) Co., Ltd. Director and Vice President of the Management Division, Sinmag Equipment Corporation Director and Vice President of Management Department, Sinmag Equipment (China) Co., Ltd. Supervisor, Squires Kitchen Sugarcraft (Wuxi) Co., Ltd. Director, Wuxi New Order Control Co., Ltd. Director, Xin Neng Bakeware (Wuxi) Co., Ltd. Director, Benchmark Service Co., Ltd.	Chairman and President	Shun-Ho Hsieh	Father and son	None

Title	Nationality or place of registration	Name	Gender	Date elected (appointed)	Term (years)	Date first elected	Shareholding when elected		Current shareholding		Spouse & minor shareholding		Shareholding by nominees		Experience (education)	Other position concurrently held at the Company or other companies	Executives, directors, or supervisors who are spouses or within the second degree of kinship			Remarks
							Shares	Shareholding ratio	Shares	Shareholding ratio	Shares	Shareholding ratio	Shares	Shareholding ratio			Title	Name	Relation	
																Director, Sheng Chia Investment Co., Ltd.				
Director	R.O.C.	Yung-Chen Chen	Male	2019.6.14	3 years	2019.6.14	0	0%	0	0%	0	0%	0	0%	Ph.D. in Mechanical Engineering, Chung Yuan Christian University Vice President of Business and R&D Department, Amulair Thermal Technology, Inc. Vice President, Kaori Heat Treatment Co., Ltd. President, Resource Technology Corporation Associate Manager of Manufacturing Division, Loyalty Founder Enterprise Co., Ltd.	Vice President of Business Department, Sinmag Equipment (China) Co., Ltd. Director, Sinmag Bakery Equipment Sdn. Bhd. Director, Sinmag Bakery Machine India Private Limited	None	None	None	None
Director	R.O.C.	Yu-Chuan Chang	Male	2019.6.14	3 years	2019.6.14	6,517	0.01%	11,517	0.02%	0	0%	0	0%	Mechanical Engineering of China Junior College of Technology Plant Manager, Chongjia Enterprise Co., Ltd. Plant Manager, Tech Control Enterprise Co., Ltd.	President, Sinmag Fitting Corporation Chairman, Kingcraft Industrial Corp., Ltd.	None	None	None	None
Independent Director	R.O.C.	Shih-Hung Chan	Male	2019.6.14	3 years	2005.6.25	0	0%	0	0%	0	0%	0	0%	University of California, Berkeley Ph.D. in Mechanical Engineering Dean, University of Wisconsin Milwaukee Argonne National Laboratory Research Engineer Chairman, New Energy Association of Taiwan President, Yuan Ze University Chair Professor of Far East Energy, Yuan Ze University University Professor, Yuan Ze University	Emeritus Professor, Yuan Ze University Honorary President, New Energy Association of Taiwan Member of the Advisory Committee, College of Chemistry, University of California, Berkeley, USA Supervisor, Pu Lou Culture and Arts Foundation	None	None	None	None

Title	Nationality or place of registration	Name	Gender	Date elected (appointed)	Term (years)	Date first elected	Shareholding when elected		Current shareholding		Spouse & minor shareholding		Shareholding by nominees		Experience (education)	Other position concurrently held at the Company or other companies	Executives, directors, or supervisors who are spouses or within the second degree of kinship			Remarks
							Shares	Shareholding ratio	Shares	Shareholding ratio	Shares	Shareholding ratio	Shares	Shareholding ratio			Title	Name	Relation	
															Science and Technology Advisory Committee, Office of the President Republic of China (Taiwan)					
Independent Director	R.O.C.	Huei-Wang Huang	Male	2019.6.14	3 years	2019.6.14	0	0%	0	0%	0	0%	0	0%	Bachelor of Business Administration at College of Law and Commerce, National Chung Hsing University Fintech Seminar, University of California, Berkeley, USA Principal Consultant/Corporate Appraiser, Professional Actuary Management Consulting Co., Ltd. Chief Representative, Shanghai Representative Office of Grand Cathay Securities Co., Ltd. Deputy Manager, Securities & Finance Department of China Development Industrial Bank Deputy Manager, Underwriting Department of Grand Cathay Securities Co., Ltd. Assistant Manager, Financial Transaction Department of CTBC Bank	Representative, Broad Think Tank Co., Ltd. Representative/Corporate Appraiser/FRM®, Broad Think Tank Corporate Appraiser Co., Ltd. Member of Remuneration Committee, Rotam Global Agrosiences Limited	None	None	None	None
Independent Director	R.O.C.	San-Chien Tu	Male	2019.6.14	3 years	2016.6.6	0	0%	0	0%	0	0%	0	0%	Master of Accounting, Louisiana State University, USA Bachelor of Accounting, National Chengchi University Chairman, Deloitte & Touche Partner, Deloitte & Touche Lecture. College of Commerce, National Chengchi University	Director, Pang Kuei & Co., CPA Independent Director, Dah Chung Bills Finance Corp. Supervisor, Jorjin Technologies Inc. Independent Director, Lin Bioscience, Inc. Independent Director, Tehmag Foods Corporation	None	None	None	None

Note: Where the chairperson of the Board of Directors and the president or person of an equivalent post (the highest-level manager) of a company are the same person, spouses, or relatives within the first degree of kinship, an explanation shall be given of the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto:

1. As one of the founders of Sinmag Group, Mr. Shun-Ho Hsieh has been deeply involved in the baking equipment field, leading Sinmag Group's marketing in more than 60 countries in the world for many years, and has repeatedly established new achievements. He has made Sinmag the largest baking equipment manufacturer in Asia. His professional ability, operating talents, and international vision are among the best in the industry.
2. The competition in the baking industry has always been fierce, but Sinmag continues to take the leading position in the Asian market led by mainland China, mainly relying on the accumulated years of professional R&D and manufacturing capabilities, maintenance and service resources, and market acumen. Facing the bottleneck of business development encountered by major markets in recent years, Mr. Shun-Ho Hsieh is well aware of the problems in the Group's operation and has insight into the future development prospects and niches of the industry. Therefore, at this stage, he serves as the Chairman and concurrently as the President. By his rich experience and professionalism, he not only has a stable effect on the operation of the Group at this stage but also remains the best choice for the helmsman for the future operation layout.
3. Although Sinmag Group has actively promoted the succession plan, the current operation planning still must rely on the leadership of Mr. Shun-Ho Hsieh. However, to establish a good corporate governance structure, more than half of the directors have not concurrently served as employees or managers, and the Company has planned to increase the number of independent directors in the next election of directors to strengthen the effectiveness of the Board of Directors and play the role of the highest decision-making body and substantive supervision function. To sum up, it should be reasonable and necessary for Chairman Shun-Ho Hsieh to concurrently serve as the President at this stage.

(2) Name of the major shareholders of the corporate director (their shareholding ratio accounts for the top ten) and the shareholding ratio: None.

(3) Information on directors

May 15, 2021

Qualification Name	Meets one of the following professional qualification requirements, together with at least five years of work experience			Independence criteria (Note)												Number of other public companies where the individual concurrently serves as an independent director
	An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the Company in a public or private junior college, college, or university	A judge, public prosecutor, attorney, Certified Public Accountant, or other professional or technical specialists who have passed a national examination and have been awarded a certificate in a profession necessary for the business of the Company	Has work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company	1	2	3	4	5	6	7	8	9	10	11	12	
Shun-Ho Hsieh			✓									✓		✓	✓	0
Yao-Tsung Wu			✓	✓			✓			✓		✓	✓	✓	✓	0
Jui-Jung Chang			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Ming-Ching Hsieh			✓									✓		✓	✓	0
Yung-Chen Chen			✓			✓	✓	✓				✓	✓	✓	✓	0
Yu-Chuan Chang			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Shih-Hung Chan	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Huei-Wang Huang		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
San-Chien Tu	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3

Note: Please tick "✓" the corresponding boxes if the directors meet the following conditions during the two years prior to the nomination and during the term of office.✓

- (1) Not an employee of the Company or any of its affiliates.
- (2) Not a director or supervisor of the Company or any of its affiliates (not applicable where independent directors appointed in accordance with the Act or the laws and regulations of the local country and concurrently serving at a company and its parent or subsidiary or a subsidiary of the same parent).
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or is ranked in the top ten in shareholdings.
- (4) Not a manager listed in (1) or a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship listed in (2) and (3).
- (5) Not a director, supervisor, or employee of an institutional shareholder that directly holds 5% or more of the total number of issued shares of the Company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the Company under Article 27, paragraph 1 or 2 of the Company Act (not applicable where independent directors appointed in accordance with the Act or the laws and regulations of the local country and concurrently serving at a company and its parent or subsidiary or a subsidiary of the same parent).

- (6) Not a director, supervisor, or employee of a company controlled by the same person with a majority of the Company's director seats or voting shares (not applicable where independent directors appointed in accordance with the Act or the laws and regulations of the local country and concurrently serving at a company and its parent or subsidiary or a subsidiary of the same parent).
- (7) Not a director, supervisor, or employee of that other company or institution where the chairman, president, or person holding an equivalent position of the Company are the same person or are spouses (not applicable where independent directors appointed in accordance with the Act or the laws and regulations of the local country and concurrently serving at a company and its parent or subsidiary or a subsidiary of the same parent).
- (8) Not a director, supervisor, manager, or shareholder holding 5% or more of the shares of a specified company or institution which has a financial or business relationship with the Company (not applicable where specified companies or institutions holding more than 20% but less than 50% of the total issued shares of the Company, and independent directors appointed in accordance with the Act or the laws and regulations of the local country and concurrently serving at a company and its parent or subsidiary or a subsidiary of the same parent).
- (9) Not a professional individual who, or an owner, partner, director, supervisor, or manager of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past two years has received cumulative compensation less than NT\$500,000, or a spouse thereof. However, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers under the Securities and Exchange Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
- (10) Does not have a marital relationship with, or a relative within the second degree of kinship with, any other director of the Company.
- (11) None of the circumstances in the subparagraphs of Article 30 of the Company Act apply.
- (12) Not a governmental, judicial person or representative as defined in Article 27 of the Company Act.

(II) Information on the Company's President, Vice Presidents, Associate Managers, and the Supervisors of all the Company's Divisions and Branch Units

Apr. 20, 2021

Title	Nationality	Name	Gender	Date elected	Shareholding		Spouse & minor shareholding		Shareholding by nominees		Experience (education)	Other position concurrently held at the Company or other companies	Managers who are spouses or within the second degree of kinship			Remarks
					Shares	Shareholding ratio	Shares	Shareholding ratio	Shares	Shareholding ratio			Title	Name	Relation	
President	R.O.C.	Shun-Ho Hsieh	Male	2019.6	2,211,267	4.40%	1,000,564	1.99%	0	0%	High School President, Sheng Chia Industrial Co., Ltd. CEO, Sinmag Equipment Corporation	Chairman and President, Sinmag Equipment Corporation Chairman and President, Sinmag Equipment (China) Co., Ltd. Chairman, Sinmag Fitting Corporation Chairman, Sinmag Bakery Machine India Private Limited Chairman, Sinmag Bakery Equipment Sdn. Bhd. Director, San Neng Group Holdings Co., Ltd. Director, San Neng Bakeware Corporation Director, PT. San Neng Bakeware Indonesia Chairman, Greater Win Holdings Limited	Director and Vice President of the Management Division	Ming-Ching Hsieh	Father and son	(Note 3)
Sales & Marketing Division I Director	R.O.C.	Chi-Hsien Chen (Note 1)	Male	2015.11	0	0%	Not applicable	0%	Not applicable	0%	Bachelor of Business, National Taiwan University Sales & Marketing Division of Sinmag Equipment Corporation Vice President	None	None	None	None	None
Management Division Vice President	R.O.C.	Ming-Ching Hsieh	Male	2016.06	2,012,980	4.01%	104,508	0.21%	0	0%	Bachelor of Economics, Fu Jen Catholic University Azusa Pacific University Master of Financial Management Master of Senior Management, Peking University Chairman's Special Assistant, Sinmag Equipment Corporation Chairman, Wuxi New Order Control Co., Ltd.	Director, Kingcraft Industrial Corp., Ltd. Chairman and Vice President, LBC Bakery Equipment Inc. Director, Sheng Chia Investment Co., Ltd. Director, Sinmag Equipment (Thailand) Co., Ltd. Director and Vice President of the Management Division, Sinmag Equipment Corporation Director and Vice President of Management Department, Sinmag Equipment (China) Co., Ltd. Supervisor, Squires Kitchen Sugarcraft (Wuxi) Co., Ltd. Director, Wuxi New Order Control Co., Ltd. Director, Xin Neng Bakeware (Wuxi) Co., Ltd. Director, Benchmark Service Co., Ltd. Director, Sheng Chia Investment Co., Ltd.	Chairman and President	Shun-Ho Hsieh	Father and son	None

Title	Nationality	Name	Gender	Date elected	Shareholding		Spouse & minor shareholding		Shareholding by nominees		Experience (education)	Other position concurrently held at the Company or other companies	Managers who are spouses or within the second degree of kinship			Remarks
					Shares	Shareholding ratio	Shares	Shareholding ratio	Shares	Shareholding ratio			Title	Name	Relation	
Overseas Business Department Vice President	R.O.C.	Yung-Chen Chen	Male	2015.11	0	0%	0	0%	0	0%	Ph.D. in Mechanical Engineering, Chung Yuan Christian University Vice President of Business and R&D Department, Amulaire Thermal Technology, Inc. Vice President, Kaori Heat Treatment Co., Ltd. President, Resource Technology Corporation Associate Manager of Manufacturing Division, Loyalty Founder Enterprise Co., Ltd.	Vice President of Business Department, Sinmag Equipment (China) Co., Ltd. Director, Sinmag Bakery Equipment Sdn. Bhd. Director, Sinmag Bakery Machine India Private Limited	None	None	None	None
CFO	R.O.C.	Yu-Tung Huang	Female	2005.05	11,361	0.02%	0	0%	0	0%	Bachelor of Accounting, Fu Jen Catholic University Master of Finance, National Taiwan University	Independent Director/Member of Remuneration Committee, Jiin Ming Industry Co., Ltd	None	None	None	None
Research & Development Department Director	R.O.C.	Shiu-Tu Chen	Male	2009.05	0	0%	0	0%	0	0%	Long Yan Elementary School Plant Manager, Sheng Chia Industry Co., Ltd.	None	None	None	None	None
Manufacturing Department Manager	R.O.C.	Tsai-Wang Huang	Male	209.05	0	0%	0	0%	0	0%	National Tung-Shih Senior High School	None	None	None	None	None
Engineering Department Manager	R.O.C.	Tai-Sheng Wang	Male	2009.05	0	0%	0	0%	0	0%	National Tung-Shih Senior High School	None	None	None	None	None
Audit Manager	R.O.C.	Shu-Yuan Li	Female	2019.06	0	0 %	0	0%	0	0%	Bachelor of Accounting, Hsing Wu University Audit Specialist, Everspring Industry Co., Ltd. Audit Specialist, Quanxun Technology Co., Ltd.	None	None	None	None	None
Human Resource Department Manager	R.O.C.	Zhi-Wei Hong (Note 2)	Male	2020.05	2,000	0.00%	0	0%	0	0%	Bachelor of Technology Application and Human Resource Development, National Taiwan Normal University Ying Guan Da Co., Ltd. Director, Management Division Inventec Corporation Manager, Talent Management Department	Manager, Human Resources Department of Sinmag Equipment (China) Co., Ltd.	None	None	None	None
Manager, Overseas Business Department	R.O.C.	Tzu-Chien Chang	Male	2009.11	59,569	0.12%	0	0%	0	0%	Bachelor of Accounting, National Taiwan University Manager, KPMG Director, Sinmag Equipment Corporation	Director, Sinmag Equipment (China) Co., Ltd. Director, LBC Bakery Equipment Inc. Director, Sinmag Equipment (Thailand) Co., Ltd.	None	None	None	None

Note 1: Chih-Hsien Chen, the vice president of the Sales & Marketing Division, retired on Mar. 31, 2021, and was re-appointed as the director of the Sales & Marketing Division I on Apr. 1, 2021.

Note 2: Zhi-Wei Hong, manager of the Human Resources Department, took office on May 5, 2020.

Note 3: Where the chairperson of the Board of Directors and the president or person of an equivalent post (the highest-level manager) of a company are the same person, spouses, or relatives within the first degree of kinship, an explanation shall be given of the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto:

1. As one of the founders of Sinmag Group, Mr. Shun-Ho Hsieh has been deeply involved in the baking equipment field, leading Sinmag Group's marketing in more than 60 countries in the

world for many years, and has repeatedly established new achievements. He has made Sinmag the largest baking equipment manufacturer in Asia. His professional ability, operating talents, and international vision are among the best in the industry.

2. The competition in the baking industry has always been fierce, but Sinmag continues to take the leading position in the Asian market led by mainland China, mainly relying on the accumulated years of professional R&D and manufacturing capabilities, maintenance and service resources, and market acumen. Facing the bottleneck of business development encountered by major markets in recent years, Mr. Shun-Ho Hsieh is well aware of the problems in the Group's operation and has insight into the future development prospects and niches of the industry. Therefore, at this stage, he serves as the Chairman and concurrently as the President. By virtue of his rich experience and professionalism, he not only has a stable effect on the operation of the Group at this stage but also remains the best choice for the helmsman for the future operation layout.
3. Although Sinmag Group has actively promoted the succession plan, the current operation planning still must rely on the leadership of Mr. Shun-Ho Hsieh. However, to establish a good corporate governance structure, more than half of the directors have not concurrently served as employees or managers, and the Company has planned to increase the number of independent directors in the next election of directors to strengthen the effectiveness of the Board of Directors and play the role of the highest decision-making body and substantive supervision function. To sum up, it should be reasonable and necessary for Chairman Shun-Ho Hsieh to concurrently serve as the President at this stage.

(III) Remuneration Paid during the Most Recent Fiscal Year (2020) to Directors, Independent Directors, President, and Vice Presidents

1. Remuneration to Directors and Independent Directors

Unit: NT\$ thousands

Title	Name	Remuneration to directors								The ratio of total remuneration (A+B+C+D) to net income (%)		Relevant remuneration received by directors who are also employees								The ratio of total compensation (A+B+C+D+E+F+G) to net income (%)		Compensation paid to directors from an invested company other than the Company's subsidiaries or parent company
		Base compensation (A)		Severance pay and pension (B)		Directors' compensation (C)		Business execution expenses (D)				Salary, bonuses, and allowances (E)		Severance pay and pension (F)		Employee compensation (G)						
		The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	The Company		All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements		
																Cash	Stock				Cash	
Chairman	Shun-Ho Hsieh	360	360	0	0	3,092	3,092	175	175	1.06%	1.06%	8,366	12,283	92	92	3,323	0	3,323	0	4.52%	5.67%	None
Director	Yao-Tsung Wu																					
Director	Ming-Ching Hsieh																					
Director	Yung-Chen Chen																					
Director	Yu-Chuan Chang																					
Director	Jui-Jung Chang																					
Independent Director	Shih-Hung Chan	180	180	0	0	1,856	1,856	100	100	0.63%	0.63%	0	0	0	0	0	0	0	0	0.63%	0.63%	None
Independent Director	Huei-Wang Huang																					
Independent Director	San-Chien Tu																					

(1) Please state the policies, systems, standards, and structure of independent directors' remuneration payment, and describe the relevance to the amount of remuneration according to their responsibilities, risks, time of investment, and other factors:
The remuneration of the Company's Directors shall be distributed by the Board of Directors according to the degree of directors' participation in the Company's operation and their contribution following the authorization of the Articles of Incorporation, and shall be handled by reference to the "Remuneration Measures for Directors and Functional Committee Members." If the Company has a surplus, the Board of Directors shall determine the amount of directors' remuneration under the Articles of Incorporation. Independent directors are ex officio members of the Audit Committee.
Besides the remuneration paid to general directors, various reasonable remunerations may be determined in consideration of the responsibilities, risks, and investment time by the individual. .

(2) Except as disclosed in the above table, remuneration received by the directors of the Company for providing services (such as acting as a non-employee consultant) to all companies in consolidated financial statements in the most recent year: None.

Range of Remuneration for Directors

Range of remuneration paid to directors	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The Company	All companies in the consolidated financial statements H	The Company	All companies in the consolidated financial statements I
Under \$1,000,000	Yao-Tsung Wu Ming-Ching Hsieh Yung-Chen Chen Yu-Chuan Chang Jui-Jung Chang Shih-Hung Chan Huei-Wang Huang San-Chien Tu	Yao-Tsung Wu Ming-Ching Hsieh Yung-Chen Chen Yu-Chuan Chang Jui-Jung Chang Shih-Hung Chan Huei-Wang Huang San-Chien Tu	Yao-Tsung Wu Yu-Chuan Chang Jui-Jung Chang Shih-Hung Chan Huei-Wang Huang San-Chien Tu	Yao-Tsung Wu Yu-Chuan Chang Jui-Jung Chang Shih-Hung Chan Huei-Wang Huang San-Chien Tu
\$1,000,000 (inclusive) - \$2,000,000 (exclusive)	Shun-Ho Hsieh	Shun-Ho Hsieh	0	0
\$2,000,000 (inclusive) - \$3,500,000 (exclusive)	0	0	Ming-Ching Hsieh	Ming-Ching Hsieh
\$3,500,000 (inclusive) - \$5,000,000 (exclusive)	0	0	Yung-Chen Chen	0
\$5,000,000 (inclusive) - \$10,000,000 (exclusive)	0	0	Shun-Ho Hsieh	Shun-Ho Hsieh Yung-Chen Chen
\$10,000,000 (inclusive) - \$15,000,000 (exclusive)	0	0	0	0
\$15,000,000 (inclusive) - \$30,000,000 (exclusive)	0	0	0	0
\$30,000,000 (inclusive) - \$50,000,000 (exclusive)	0	0	0	0
\$50,000,000 (inclusive) - \$100,000,000 (exclusive)	0	0	0	0
Over \$100,000,000	0	0	0	0
Total	9	9	9	9

2. Remuneration to the President and Vice Presidents

Unit: NT\$ thousands

Title	Name	Salary (A)		Severance pay and pension (B)		Bonuses and allowances (C)		Employee compensation (D) (Note)				The ratio of total compensation (A+B+C+D) to net income (%)		Compensation paid to directors from an invested company other than the Company's subsidiaries or parent company
		The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	The Company		All companies in the consolidated financial statements		The Company	All companies in the consolidated financial statements	
								Cash	Stock	Cash	Stock			
President	Shun-Ho Hsieh	8,450	12,367	210	210	1,754	1,754	3,743	0	3,743	0	4.15%	5.30%	None
Director, Sales & Marketing Division I	Chih-Hsien Chen (Note 1)													
Vice President, Management Division	Ming-Ching Hsieh													
Vice President, Overseas Business Department	Yung-Chen Chen													

Note 1: Chih-Hsien Chen, the vice president of the Sales & Marketing Division, retired on Mar. 31, 2021, and was re-appointed as the director of the Sales & Marketing Division I on Apr. 1, 2021.

Range of Remuneration for President and Vice Presidents

Range of remuneration paid to the president and vice presidents	Name of president and vice president	
	The Company	All companies in the consolidated financial statements (E)
Under \$1,000,000	0	0
\$1,000,000 (inclusive) - \$2,000,000 (exclusive)	0	0
\$2,000,000 (inclusive) - \$3,500,000 (exclusive)	Ming-Ching Hsieh Chih-Hsien Chen	Ming-Ching Hsieh Chih-Hsien Chen
\$3,500,000 (inclusive) - \$5,000,000 (exclusive)	Yung-Chen Chen	Yung-Chen Chen
\$5,000,000 (inclusive) - \$10,000,000 (exclusive)	Shun-Ho Hsieh	Shun-Ho Hsieh
\$10,000,000 (inclusive) - \$15,000,000 (exclusive)	0	0
\$15,000,000 (inclusive) - \$30,000,000 (exclusive)	0	0
\$30,000,000 (inclusive) - \$50,000,000 (exclusive)	0	0
\$50,000,000 (inclusive) - \$100,000,000 (exclusive)	0	0
Over \$100,000,000	0	0
Total	4	4

3. Remuneration to Managerial Officers

May 15, 2021

	Title	Name	Stock	Cash	Total	The ratio of total amount to net income (%)
Managerial officers	President	Shun-Ho Hsieh	0	6,317	6,317	1.85%
	Vice President, Management Division	Ming-Ching Hsieh				
	Director, Sales & Marketing Division I	Chih-Hsien Chen (Note 1)				
	CFO	Yu-Tung Huang				
	Director, R&D Department	Shiu-Tu Chen				
	Manager, Manufacturing Department	Tsai-Wang Huang				
	Manager, Engineering Department	Tai-Sheng Wang				
	Vice President, Overseas Business Department	Yung-Chen Chen				
	Manager, Overseas Business Department	Tzu-Chien Chang				
	Manager, Audit Office	Shu-Yuan Li				
	Manager, Human Resources Department	Zhi-Wei Hong (Note 2)				

Note 1: Chih-Hsien Chen, the vice president of the Sales & Marketing Division, retired on Mar. 31, 2021, and was re-appointed as the director of the Sales & Marketing Division I on Apr. 1, 2021.

Note 2: Zhi-Wei Hong, manager of the Human Resources Department, took office on May 5, 2020.

(IV) Separate Comparisons and Descriptions of Total Remuneration, as a Percentage of Net Income Stated in the Parent Company-only Financial Reports or Individual Financial Reports, as Paid by the Company and All Other Companies Included in the Consolidated Financial Statements during the Last Two Fiscal Years to Directors, Supervisors, President, and Vice Presidents, with Analysis and Description of Remuneration Policies, Standards, and Packages, Procedure for Determining Remuneration, and Linkage thereof to Operating Performance and Future Risk Exposure

Title	2020		2019	
	The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements
Director	5.15%	6.29%	4.78%	5.70%
President and Vice President	4.15%	5.30%	3.74%	4.60%

1. Remuneration to directors

The remuneration to directors of the Company mainly comprises base compensation, directors' compensation, and business execution expenses:

- (1) Directors' base compensation: According to the Company's Articles of Incorporation, directors' base compensation is subject to the directors' level of involvement and the value of their contribution to the Company's operations. Industry standards are also used as references.
- (2) Directors' compensation: According to the Company's Articles of Incorporation, the director's compensation is distributed according to a certain percentage of the profit in the current year.

The 2020 directors' compensation was proposed by the Remuneration Committee held on Mar. 18, 2021, and resolved by the Board of Directors. Directors' compensation is mainly associated with the Company's profit and operating performance combined with considerations for the future prosperity of the industry and the long-term operating strategy to mitigate future operating risks.

- (3) Business execution expenses: Mainly travel expenses and attendance fees, which are paid under the "Remuneration Payment Measures for Directors and Functional Committee Members" stipulated by the Company.

2. Remuneration to the president and vice presidents

The remuneration to the president and vice presidents mainly comprises salary, bonus, and employee compensation:

- (1) Salary: The monthly salary approved by the Company based on the rank and performance of the president and vice presidents is not directly related to the current year's earnings level.
- (2) Bonus: It is calculated according to the Company's bonus measures, and the bonus is mainly based on the Company's earnings and the key performance indicators assigned.
- (3) Employee compensation: According to the Company's Articles of Incorporation, the employee compensation is distributed according to a certain percentage of the profit in the current year. The standard of payment is reviewed according to the position held and the responsibilities and risks assumed, as well as the Company's operating performance and the future prosperity of the industry. Then, the Remuneration Committee shall draft a proposal, which is submitted to the Board of Directors for resolution. In 2020, the ratio of remuneration paid to directors, president, and vice presidents of the Company to the net income of the financial report increased, mainly due to the decrease of net income in 2020 and the smaller decrease of directors' base compensation, salary, and bonus.

3. Correlation between remuneration and future risk

The procedures for determining remuneration are based on the common standards of the industry, considering the Company's operating performance and contribution to the Company, giving reasonable remuneration, and approved by the Remuneration Committee and the Board of Directors. Directors, the president, and vice presidents are not guided to engage in behaviors beyond the Company's risk appetite in pursuit of remuneration.

III. Implementation of Corporate Governance

(I) Implementation of the Board of Directors

The Company held two Board meetings from Jan. 1 to May 15, 2020.

The Board of Directors of the Company held 6 meetings in 2020, with at least two independent directors attending each meeting.

The attendance of directors is as follows:

Title	Name	Attendance in person	By proxy	Attendance rate (%)	Remarks
Chairman	Shun-Ho Hsieh	6	0	100%	Reelected on Jun. 14, 2019
Director	Yao-Tsung Wu	6	0	100%	Reelected on Jun. 14, 2019
Director	Jui-Jung Chang	6	0	100%	Reelected on Jun. 14, 2019
Director	Ming-Ching Hsieh	5	1	83%	Reelected on Jun. 14, 2019
Director	Yung-Chen Chen	6	0	100%	Newly elected on Jun. 14, 2019
Director	Yu-Chuan Chang	6	0	100%	Newly elected on Jun. 14, 2019
Independent Director	Shih-Hung Chan	5	1	83%	Reelected on Jun. 14, 2019
Independent Director	Huei-Wang Huang	6	0	100%	Newly elected on Jun. 14, 2019
Independent Director	San-Chien Tu	6	0	100%	Reelected on Jun. 14, 2019

Other matters:

I. With regard to the implementation of the Board of Directors, if any of the following circumstances occur, the dates, terms of the meetings, contents of motions, all independent directors' opinions, and the Company's handling of such opinions shall be specified:

(I) Matters referred to in Article 14-3 of the Securities and Exchange Act.

(II) Any recorded or written Board resolutions to which independent directors have objections or reservations to be noted in addition to the above:

Board of Directors	Contents of motions and follow-up actions	Matters referred to in Article 14-3 of the Securities and Exchange Act	Independent directors have objections or reservations
2020.03.12	1. The distribution proposal of the Company's 2019 employee	V	None

7th meeting of the 13th Board (1st meeting of 2020)	compensation and director compensation.		
	2. The Company's 2019 business report, financial statements, and consolidated financial statements.	V	None
	3. The assessment of independence and competence of CPAs and the appointment and compensation of the CPAs for 2020.	V	None
	4. The effectiveness assessment of the Company's internal control system design and implementation for 2019.	V	None
	5. 2019 Statement of Internal Control System.	V	None
	6. In response to the development of the Company's operations, it is proposed to adjust the investment structure of Sinmag Equipment (Thailand) Co., Ltd., the third-tier subsidiary, and conduct a capital increase.	V	None
	7. To improve the Group's operation and development in Thailand, it is proposed to establish a maintenance service company in Thailand.	V	None
	Independent directors' opinions: None.		
	The Company's response to the independent directors' opinions: None.		
	Resolution: All directors present voted in favor of the proposal.		
2020.05.05 8th meeting of the 13th Board (2nd meeting of 2020)	1. The Company's consolidated financial statements for the first quarter of 2020.	V	None
	2. The Company's earnings distribution proposal for 2019.	V	None
	3. The amendment to the Company's "Remuneration Payment Measures for Directors and Functional Committee Members."	V	None
	4. The distribution proposal of the Company's individual director's compensation and managerial officers' employee compensation for 2019.	V	None
	5. The amendment to the Company's "Rules of Procedures for the Board of Directors' Meetings."	V	None
	6. The amendment to the "Rules of Procedure for Shareholders' Meetings."	V	None
	7. The amendment to the Company's "Ethical Corporate Management	V	None

	Principles."		
	8. The amendment to the Company's "Audit Committee Organization Rules."	V	None
	9. The amendment to the Company's "Remuneration Committee Organization Rules."	V	None
	10. The amendment to the Company's "Corporate Social Responsibility Practice Principles."	V	None
	11. The amendment to the Company's "Corporate Governance Practice Principles."	V	None
	12. The amendment to the Company's "Performance Evaluation Method of the Board of Directors."	V	None
	13. The amendment to the Company's "Procedures for Acquisition or Disposal of Assets."	V	None
	Independent directors' opinions: None.		
	The Company's response to the independent directors' opinions: None.		
	Resolution: All directors present voted in favor of the proposal.		
2020.06.20 9th meeting of the 13th Board (3rd meeting of 2020)	It's proposed to formulate the Company's distribution of cash dividends and related matters.	V	None
	Independent directors' opinions: None.		
	The Company's response to the independent directors' opinions: None.		
	Resolution: All directors present voted in favor of the proposal.		
2020.08.11 10th meeting of the 13th Board (4th meeting of 2020)	1. The Company's consolidated financial statements for the second quarter of 2020.	V	None
	2. The amendment to the Company's "Internal Control System" and "Internal Audit Implementation Rules."	V	None
	Independent directors' opinions: None.		
	The Company's response to the independent directors' opinions: None.		
	Resolution: All directors present voted in favor of the proposal.		
2020.11.06 11th meeting of the 13th Board (5th meeting of 2020)	1. The Company's consolidated financial statements for the third quarter of 2020.	V	None
	2. Conducting the capital reduction for the Company's third-place reinvestment companies, Samoa	V	None

	Lucky Union Limited and Sinmag Limited.		
	3. The proposal of a capital increase of THB 3 million in response to the needs of the Thai subsidiary Sinmag Equipment (Thailand) Co., Ltd. to apply for a service license.	V	None
	4. The amendment to the Company's "Accounting System."	V	None
	Independent directors' opinions: None.		
	The Company's response to the independent directors' opinions: None.		
	Resolution: All directors present voted in favor of the proposal.		
2020.12.08 12th meeting of the 13th Board (6th meeting of 2020)	1. The Company's 2021 operating plan and budget.	V	None
	2. The Company's 2021 audit plan.	V	None
	Independent directors' opinions: None.		
	The Company's response to the independent directors' opinions: None.		
	Resolution: All directors present voted in favor of the proposal.		

II. Regarding recusals of directors from voting due to conflicts of interests, the names of the directors, contents of motions, reasons for recusal, and results of the voting shall be specified.

1. On Mar. 12, 2020, the Board of Directors raised the proposal of the adjustment of the investment structure of Sinmag Equipment (Thailand) Co., Ltd., the third-tier subsidiary, and a capital increase. According to the local laws and regulations in Thailand, where a wholly foreign-owned trading company must have three (inclusive) and above shareholders. Therefore, it is proposed to entrust director Mr. Shun-Ho Hsieh and director Mr. Ming-Ching Hsieh to hold one share each on their behalf to comply with the provisions of the local laws and regulations in Thailand. As two directors, Shun-Ho Hsieh and Ming-Ching Hsieh were entrusted to hold shares on their behalf in this case, they had abstained from discussing and voting under the law due to conflicts of interests.
2. On Mar. 12, 2020, the Board of Directors raised the proposal to establish a maintenance service company in Thailand to improve the operation and development of the Group in Thailand. It is proposed to designate Ming-Ching Hsieh, Tzu-Chien Chang, and Ming-Hsiung Kuo as directors of the company. As Ming-Ching Hsieh was the party of the case, he was abstained from discussing and voting under the law due to conflicts of interests.
3. On May 5, 2020, the Board of Directors raised the 2019 distribution proposal of individual director's compensation and managerial officers' employee compensation. When discussing this case on the individual compensation of managerial officers, president Shun-Ho Hsieh, vice president Ming-Ching Hsieh, vice president Yung-Chen Chen, chief financial officer Yu-Tung Huang, and the audit manager Shu-Yuan Li, had abstained from discussing and voting in accordance with the law due to conflicts of interests.

4. On May 5, 2020, the Board of Directors raised the proposal to adjust the salary of the Company's managerial officers. When discussing this case on the managerial officers' salary, president Shun-Ho Hsieh, vice president Ming-Ching Hsieh, vice president Yung-Chen Chen, chief financial officer Yu-Tung Huang, and the audit manager Shu-Yuan Li, had abstained from discussing and voting in accordance with the law due to conflicts of interests.
5. On June 20, 2020, the Board of Directors raised the proposal to adjust the salary of the Company's managerial officers. When discussing this case on the managerial officers' salary, president Shun-Ho Hsieh, vice president Ming-Ching Hsieh, vice president Yung-Chen Chen, chief financial officer Yu-Tung Huang, and the audit manager Shu-Yuan Li, had abstained from discussing and voting in accordance with the law due to conflicts of interests.
6. On Dec. 8, 2020, the Board of Directors raised the proposal of the Company's 2020 year-end bonus distribution plan for managerial officers, where director Shun-Ho Hsieh, director Ming-Ching Hsieh, director Yung-Chen Chen, financial manager Yu-Tung Huang, and the audit manager Shu-Yuan Li were parties to the case and had abstained from discussing and voting due to conflicts of interests according to Article 206 of the Company Act apply mutatis mutandis to Article 178 and the Company's "Rules of Procedures for the Board of Directors' Meetings" Article 15 on recusal of interest.

III. TWSE/TPEX listed companies shall disclose the information on the evaluation cycle and period, evaluation scope, methods, and evaluation contents of Board of Directors' self (or peer) evaluation, and fill in the following table "Implementation of Board of Directors Evaluation."

Implementation of Board of Directors Evaluation

Evaluation cycle	Evaluation period	Evaluation scope	Evaluation method	Evaluation content
The Company's board of directors The internal performance evaluation of the Board of Directors shall be conducted once a year, and the evaluation should be performed by an external professional independent institution or an external team of experts and scholars at least once every three years.	Evaluate the performance of the Board of Directors from Jan. 1, 2020 to Dec. 31, 2020.	The scope of evaluation includes 1. The overall Board of Directors 2. Individual Board members 3. Functional Committee Including Audit Committee and Remuneration Committee	Including internal self-evaluation of the Board of Directors, self-evaluation of the Board members, peer evaluation, or other appropriate methods for performance evaluation.	Board performance evaluation content 1. Involvement in the Company's operations 2. Enhancement to the Board's decision quality 3. Composition and structure of the Board 4. Elections and continuous training of the directors 5. Internal control Performance evaluation content of individual directors 1. Control over the Company's goals and tasks 2. Recognition of director duties 3. Involvement in the Company's operations 4. Internal relationship management and communication 5. Directors' professional and continuing education and

				training 6. Internal control Performance evaluation content of Audit Committee 1. Involvement in the Company's operations 2. Recognition of the Audit Committee's duties 3. Enhancement to the Audit Committee's decision quality 4. Composition of the Audit Committee and appointment of Committee members 5. Internal control Performance evaluation content of Remuneration Committee 1. Involvement in the Company's operations 2. Recognition of the Remuneration Committee's duties 3. Enhancement to the Remuneration Committee's decision quality 4. Composition of the Remuneration Committee and appointment of Committee members 5. Other items
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IV. Measures taken to strengthen the functionality of the Board (such as establishing the Audit Committee and increasing information transparency) and results thereof:

(1) Enhance corporate governance and strengthen related functions of the Board

A. The Company established a Remuneration Committee on Dec. 26, 2021 to assist the Board in implementing the remuneration management functions. In 2012, the Company formulated the "Performance Evaluation Method of the Board of Directors" and implemented the Board performance evaluation to further strengthen the Board's performance. Please refer to "Corporate Governance Implementation Status and Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof" for its implementation.

B. Moreover, the Audit Committee was set up on Jun. 6, 2016 to reinforce the corporate governance mechanism.

C. In 2020, it was proposed to amend the Performance Evaluation Method of the Board of Directors, Remuneration Payment Measures for Directors and Functional Committee Members, Corporate Governance Practice Principles, and Corporate Social Responsibility Practice Principles to enhance the functions of directors.

D. For the relevant proposals passed by the Audit Committee and the Remuneration

Committee of the Company in 2020, please refer to (II) Implementation of the Audit Committee and (IV) Implementation of the Remuneration Committee.

(2) Strengthen the operation of Board and the transparency of public information

A. The Company's Board of directors meets at least once a quarter to discuss important business strategy issues and review operational performance. In 2020, the Company held six Board meetings, with 96.3% of the directors attending. Immediately after the Board meeting, the directors' attendance at the Board will be disclosed to the Market Observation Post System (MOPS), and the important Board resolutions are posted on the Company website.

B. We continue to pursue corporate governance and transparency of financial information and are listed in the "Top 21% - 35% of TPEX Listed Companies" of the seventh "Corporate Governance Evaluation" held by the Securities and Futures Institute.

(3) To implement corporate governance, enhance the functions of the Board, and establish performance objectives to intensify the operational efficiency of the Board, the "Performance Evaluation Method of the Board of Directors" was formulated on Mar. 9, 2012, where the performance evaluation of the Board of Directors and its members shall be carried out at least once a year. The results of the Board of Directors' performance evaluation in 2020 were submitted to the Board of Directors on Mar. 18, 2021, and disclosed on the Company website for investors' reference.

(II) Implementation of the Audit Committee

The Company held two Audit Committees meetings from Jan. 1 to May 15, 2021.

A total of four Audit Committee meetings were held in 2020. The attendance of independent directors is as follows:

Title	Name	Attendance in Person	By proxy	Attendance rate (%)	Remarks
Independent Director	Shih-Hung Chan	3	1	75%	Reelected on Jun. 14, 2019
Independent Director	Huei-Wang Huang	4	0	100%	Newly elected on Jun. 14, 2019
Independent Director	San-Chien Tu	4	0	100%	Reelected on Jun. 14, 2019

Other matters:

The focus and implementation of the Audit Committee in 2020

Audit Committee

The Company's Audit Committee is composed of three independent directors and it aims to assist the Board of Directors in supervising the quality and integrity of the Company's implementation of relevant accounting, auditing, financial reporting procedures, and financial control. The Audit

Committee held four meetings in 2020, and the major matters reviewed include:

1. The establishment or amendment of an internal control system under Article 14-1 of the Securities and Exchange Act.
2. Assessment of the effectiveness of the internal control system.
3. The establishment or amendment of handling procedures for financial or operational actions of material significance, such as acquisition or disposal of assets, derivatives trading, loans to others, and endorsements or guarantees for others following Article 36-1 of the Securities and Exchange Act.
4. Matters involving the director's own interests.
5. Material asset or derivatives transaction.
6. Material monetary loans, endorsements, or provision of guarantees.
7. The appointment, dismissal, or remuneration of the CPAs.
8. Annual financial reports and quarterly financial reports.
9. Any other material matter stipulated by the Company or the competent authority.
10. Evaluation of the qualifications, independence, and performance of the CPAs.
11. Performance of Audit Committee's Duties.
12. Self-evaluation questionnaire for the Audit Committee performance evaluation.
13. Legal compliance.

Review of Annual Financial Report

The Board of Directors has prepared the Company's 2020 business report, financial statements, and earnings distribution proposal. Of which, the financial statements have been audited by Deloitte & Touche, by whom an audit report has been issued accordingly. The aforesaid business report, financial statements, and earnings distribution proposals have been reviewed and approved by the Audit Committee and found that there is no discrepancy.

Assess the Effectiveness of Internal Control

The Audit Committee evaluates the effectiveness of the Company's internal control system policies and procedures (including control measures such as finance, operation, risk management, information security, legal compliance, etc.) and reviews the regular reports of the Company's audit department, CPAs, and management. The Audit Committee believes that the Company's internal control systems are effective and that the Company has adopted the necessary control mechanisms to supervise and correct violations.

Appointment of CPA

In order to ensure the independence of the attesting CPA firm, the Audit Committee evaluates the independence, professionalism, and competency of the CPA by referring to Article 47 of the Certified Public Accountant Act and the content system independence evaluation form of "Integrity, Objectivity, and Independence" in the Bulletin No. 10 of the Code of Professional Ethics for Certified Public Accountant.

I. With regard to the implementation of the Audit Committee, if any of the following circumstances occur, the dates, terms of the meetings, contents of motions, all Audit Committee resolutions, and the Company's handling of such resolutions shall be specified.

(I) Matters referred to in Article 14-5 of the Securities and Exchange Act.

(II) Other matters were not approved by the Audit Committee but were approved by two-thirds or more of all directors.

Audit Committee	Contents of motions and follow-up actions	Matters referred to in Article 14-5 of the Securities and Exchange Act	Other matters were not approved by the Audit Committee but were approved by two-thirds or more of all directors.
2020.03.12 6th meeting of the 2nd Board (1st meeting of 2020)	1. The Company's 2019 business report, financial statements, and consolidated financial statements.	V	None
	2. The assessment of independence and competence of CPAs and the appointment and compensation of the CPAs for 2020.	V	None
	3. The effectiveness assessment of the Company's internal control system design and implementation for 2019.	V	None
	4. In response to the development of the Company's operations, it is proposed to adjust the investment structure of Sinmag Equipment (Thailand) Co., Ltd., the third-tier subsidiary, and conduct a capital increase.	V	None
	5. The proposal of establishing a maintenance service company in Thailand to improve the Group's operation and development in Thailand.	V	None
	Audit Committee resolution: All the members of the Audit Committee voted in favor of the proposal.		
	The Company's response to the Audit Committee's opinion: All directors present voted in favor of the proposal.		

2020.05.05 7th meeting of the 2nd Board (2nd meeting of 2020)	1.The Company's consolidated financial statements for the first quarter of 2020.	V	None
	2.The Company's earnings distribution proposal for 2019.	V	None
	3.The amendment to the Company's "Audit Committee Organization Rules."	V	None
	4.The amendment to the Company's "Ethical Corporate Management Principles."	V	None
	5.The amendment to the Company's "Procedures for Acquisition or Disposal of Assets."	V	None
	Audit Committee resolution: All the members of the Audit Committee voted in favor of the proposal.		
	The Company's response to the Audit Committee's opinion: All directors present voted in favor of the proposal.		
2020.08.11 8th meeting of the 2nd Board (3rd meeting of 2020)	1.The Company's consolidated financial statements for the second quarter of 2020.	V	None
	2.The amendment to the Company's "Internal Control System" and "Internal Audit Implementation Rules."	V	None
	Audit Committee resolution: All the members of the Audit Committee voted in favor of the proposal.		
	The Company's response to the Audit Committee's opinion: All directors present voted in favor of the proposal.		
2020.11.06 9th meeting of the 2nd Board (4th meeting of 2020)	1.The Company's consolidated financial statements for the third quarter of 2020.	V	None
	2.Conducting the capital reduction for the Company's third-place reinvestment companies, Samoa Lucky Union Limited and Sinmag Limited.	V	None
	3.The proposal of a capital increase of THB 3 million in response to the needs of the Thai subsidiary Sinmag Equipment (Thailand) Co., Ltd. to apply for a service license.	V	None
	Audit Committee resolution: All the members of the Audit Committee voted in favor of the proposal.		
	The Company's response to the Audit Committee's opinion: All directors present voted in favor of the proposal.		
II. Regarding recusals of independent directors from voting due to conflicts of interests, the names of the independent directors, contents of motions, reasons for recusal, and results of the voting shall be specified.			
There is no proposal of independent directors to interested parties in the 2020 Audit Committee meeting of the Company, so there are no recusals due to conflicts of interests.			

III. Communications between the independent directors, the chief internal auditor, and CPAs (shall include the material items, methods, and results of audits of corporate finance or operations, etc.)

(I) Communication methods between the independent directors, the chief internal auditor, and CPAs

1. The chief internal auditor regularly conducts audit reports and discussions with the Audit Committee members quarterly and immediately discusses and communicates on issues raised by the Committee members after the monthly audit report is issued.
The chief internal auditor of the Company reports the audit plan of the next year to the Audit Committee composed of all independent directors every year and attends each Board meeting and Audit Committee meeting to report on the implementation of the auditing internal control system. In case of special circumstances, the chief internal auditor will report to the Audit Committee immediately; the Audit Committee may also make inquiries directly to the chief internal auditor or CPA.
2. In the quarterly Audit Committee meetings, the CPA communicates with the Committee members regarding the results of the audit or review of the quarterly financial statements and other matters required by relevant laws and regulations. In addition, the findings and suggestions of the quarterly or annual audit are well communicated and interacted with.

(II) Summary of previous communications between independent directors and chief internal auditor

1. The Company's chief internal auditor regularly presents audit reports to independent directors at the Audit Committee meeting at least four times a year and communicates with the Committee members the results of the audit report and the implementation of the follow-up report.
2. The Company's independent directors have good communications regarding the implementation and effectiveness of the audits. The summary of the major communications in 2020 is as follows:

Date	Communication	Implementation
2020.03.12	1. Evaluation report on the design and effectiveness of the internal control system for 2019.	The chief internal auditor reported to the Audit Committee members, as well as discussing and communicating on issues raised by the Committee members.
	2. 2019 "Statement of Internal Control System" report.	The chief internal auditor reported to the Audit Committee members, as well as discussing and communicating on issues raised by the Committee members.

		3. Implementation report of internal audit from Nov. 8, 2019 to Feb. 28, 2020.	The chief internal auditor reported to the Audit Committee members, as well as discussing and communicating on issues raised by the Committee members.
	2020.05.05	4. Implementation report of internal audit from Mar. 12, 2020 to Apr. 30, 2020.	The chief internal auditor reported to the Audit Committee members, as well as discussing and communicating on issues raised by the Committee members.
	2020.08.11	5. Implementation report of internal audit from May 5, 2020 to Jul. 31, 2020.	The chief internal auditor reported to the Audit Committee members, as well as discussing and communicating on issues raised by the Committee members.
	2020.11.06	6. Implementation report of internal audit from Aug. 11, 2020 to Oct. 15, 2020.	The chief internal auditor reported to the Audit Committee members, as well as discussing and communicating on issues raised by the Committee members.

(III) Summary of previous communications between independent directors and the CPAs

1. The Company's CPAs presents review or audit results of the financial statements of the Company and its subsidiaries at home and abroad to independent directors during the quarterly Audit Committee meetings, as well as communicating whether financial adjustment entries or legal amendments affect the accounting method.
2. The Company's independent directors have good communications with the CPAs. The summary of the major communications in 2020 is as follows:

Date	Communication	Implementation
2020.03.12	Report on the audit results of consolidated and individual financial reports for 2019.	The CPAs attended the Audit Committee meeting to discuss and communicate on issues raised by the Committee members
2020.05.05	The report on the review process and situation of the consolidated financial report for the first quarter of 2020.	The CPAs attended the Audit Committee meeting to discuss and communicate on issues raised by the Committee members

	2020.08.11	The report on the review process and situation of the consolidated financial report for the second quarter of 2020.	The CPAs attended the Audit Committee meeting to discuss and communicate on issues raised by the Committee members
	2020.11.06	(III) The report on the review process and situation of the consolidated financial report for the third quarter of 2020.	The CPAs attended the Audit Committee meeting to discuss and communicate on issues raised by the Committee members
		(IV) The CPA communicates with the corporate governance unit for the planning matters of the 2020 audit operations and the key audit matters in the new audit report.	

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

Evaluation item	Implementation status			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
I. Does the Company establish and disclose its Corporate Governance Practice Principles based on the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies?	✓		The Company has established and disclosed its Corporate Governance Practice Principles in accordance with the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" in the Market Observation Post System (MOPS) and the investor area of the Company website (http://www.sinmag.com.tw/).	In compliance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
II. Shareholding structure & shareholders' rights				
(I) Does the Company establish internal operating procedures to deal with shareholders' suggestions, doubts, disputes, and litigations, and does the Company implement them in accordance with the procedures?	✓		(I) The Company has appointed designated personnel and set up an email box to deal with shareholders' suggestions, doubts, disputes, and litigations according to the procedures.	In compliance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
(II) Does the Company possess a list of its major shareholders with controlling power as well as the ultimate owners of those major shareholders?	✓		(II) In accordance with Article 25 of the Securities and Exchange Act, the Company has reported monthly to the website "Market Observation Post System" designated by the Securities and Futures Bureau for changes in the equity held by insiders (directors, managerial officers, and shareholders holding more than 10% of the total shares).	In compliance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
(III) Does the Company establish and execute a risk management and firewall system within its affiliated companies?	✓		(III) The Company and its affiliated companies' operations and finance are conducted independently and have formulated "Measures for the Supervision and Management of Subsidiaries," "Operational Procedures for Transactions with Related Parties, Specific Companies, and Group Companies," and "Financial-related Operation Standards among Affiliated Companies" to regulate financial operations among the Company and the affiliated companies and matters that should be supervised so that there is a good risk management and control mechanism between the affiliates.	In compliance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
(IV) Does the Company establish internal rules against insiders using undisclosed information to trade with?	✓		(IV) The Company has established the "Operational Procedures for Handling Material Internal Information" and "Code of Ethical Conduct for Employees," which regulates prohibiting Company insiders from using undisclosed information on the market to trade securities and regularly conduct insider education and publicity to all staff members.	In compliance with the Corporate Governance Best Practice Principles

Evaluation item	Implementation status			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof																																																																																
	Yes	No	Description																																																																																	
				for TWSE/TPEX Listed Companies.																																																																																
III. Composition and responsibilities of the Board of Directors																																																																																				
(I) Does the Board develop and implement a diversity policy for the composition of its members?	✓		<div>(I) The Company has stipulated in Article 20 of the "Corporate Governance Practice Principles" that the composition of the Board of Directors shall be subject to diversification. In addition to the fact that the number of directors concurrently serving as the manager of the Company shall not exceed one-third of the number of directors, an appropriate diversification policy has been formulated for its operation, operation style, and development needs, which shall include but not limited to the following two major criteria: 1. Basic conditions and values: Gender, age, nationality, and culture, etc. 2. Professional knowledge and skills: Professional backgrounds (such as law, accounting, industry, finance, marketing, or technology), professional skills and industry experience, and so on. The members of the Board shall generally possess the knowledge, skills, and attainment necessary to perform their duties. To achieve the ideal goal of corporate governance, the Board of Directors as a whole should have the following capabilities: (1) operational judgment; (2) accounting and financial analysis; (3) business management; (4) crisis management; (5) industrial knowledge; (6) international market insight; (7) leadership; (8) decision-making.</div> <table><tr><th>Diversified core capabilities Name</th><th>Gender</th><th>Operational judgment</th><th>Business management</th><th>Accounting and financial analysis</th><th>Crisis management</th><th>Industry knowledge</th><th>International market insight</th><th>Leadership</th><th>Decision-making</th></tr><tr><td>Director Shun-Ho Hsieh</td><td>Male</td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td></tr><tr><td>Director Yao-Tsung Wu</td><td>Male</td><td>V</td><td>V</td><td></td><td>V</td><td>V</td><td></td><td>V</td><td></td></tr><tr><td>Director Ming-Ching Hsieh</td><td>Male</td><td>V</td><td>V</td><td>V</td><td></td><td>V</td><td>V</td><td>V</td><td>V</td></tr><tr><td>Director Yu-Chuan Chang</td><td>Male</td><td>V</td><td>V</td><td></td><td>V</td><td></td><td></td><td>V</td><td>V</td></tr><tr><td>Director Yung-Chen Chen</td><td>Male</td><td>V</td><td>V</td><td></td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td></tr><tr><td>Director Jui-Jung Chang</td><td>Male</td><td>V</td><td>V</td><td></td><td>V</td><td>V</td><td></td><td>V</td><td>V</td></tr><tr><td>Independent Director Huei-Wang Huang</td><td>Male</td><td>V</td><td>V</td><td>V</td><td>V</td><td></td><td>V</td><td></td><td>V</td></tr></table>	Diversified core capabilities Name	Gender	Operational judgment	Business management	Accounting and financial analysis	Crisis management	Industry knowledge	International market insight	Leadership	Decision-making	Director Shun-Ho Hsieh	Male	V	V	V	V	V	V	V	V	Director Yao-Tsung Wu	Male	V	V		V	V		V		Director Ming-Ching Hsieh	Male	V	V	V		V	V	V	V	Director Yu-Chuan Chang	Male	V	V		V			V	V	Director Yung-Chen Chen	Male	V	V		V	V	V	V	V	Director Jui-Jung Chang	Male	V	V		V	V		V	V	Independent Director Huei-Wang Huang	Male	V	V	V	V		V		V	In compliance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
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Evaluation item	Implementation status											Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof																					
	Yes	No	Description																														
(II) In addition to the legally required Remuneration Committee and Audit Committee, does the Company voluntarily establish other functional committees?	✓		<table><tr><td>Independent Director Shih-Hung Chan</td><td>Male</td><td>V</td><td>V</td><td></td><td></td><td>V</td><td>V</td><td></td><td>V</td></tr><tr><td>Independent Director San-Chien Tu</td><td>Male</td><td>V</td><td>V</td><td>V</td><td>V</td><td></td><td>V</td><td>V</td><td></td></tr></table>										Independent Director Shih-Hung Chan	Male	V	V			V	V		V	Independent Director San-Chien Tu	Male	V	V	V	V		V	V		In compliance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies. In compliance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
			Independent Director Shih-Hung Chan	Male	V	V			V	V		V																					
			Independent Director San-Chien Tu	Male	V	V	V	V		V	V																						
1. The Company currently has nine board members, of which three independent directors are Mr. Shih-Hung Chan, Mr. San-Chien Tu, and Mr. Huei-Wang Huang. The aforesaid independent directors are professionals who have an important influence on the Company's operations, financial accounting, international market insight, etc. They can provide specialized advice and supervise the operation of the management team. The proportion of independent directors of the Company is 33%, and the proportion of directors with employee status is 33%. The age of the Board members is between 44 and 78 years old. Members of general directors: Ph.D. in Mechanical Engineering at Chung Yuan Christian University, Master of Financial Management at Azusa Pacific University, Master of Business Administration at Asia University, Chairman of Taiwan Lunchun Association, and other professional backgrounds, skills, and industrial experience. Members of independent directors: Ph.D. in Mechanical Engineering at the University of California Berkeley, Master of Accounting at Louisiana State University, USA, Bachelor of Business Administration at College of Law and Commerce of National Chung Hsing University, Fintech Seminar at the University of California, Berkeley, USA, etc. There are currently no female directors, and we will strive to increase the number of female directors in the future.																																	
2. Regarding the diversified policy on the Board members has been disclosed on the Company website and Market Observation Post System (MOPS).																																	
(III) Does the Company establish standards to measure the performance of the Board and implement such annually, and report the results of the performance evaluations to the Board of Directors, and use them as a reference for individual directors' remuneration and nomination and renewal?	✓		(III) The Company has formulated the "Performance Evaluation Method of the Board of Directors" on Mar. 9, 2012, which was implemented after discussion and approval by the Board of Directors. It is stipulated that the Board of Directors shall perform performance evaluations of the Board of Directors and the Board members at least once a year. The scope of the Company's Board evaluation includes the performance evaluation of the overall Board of Directors, individual Board members, Audit Committee, and Remuneration Committee. According to the method, the performance evaluation of the Board of Directors will be conducted at the end of each year, and the performance self-evaluation questionnaire will be issued to all board members at the end of December of that year. Through regular Board performance evaluation every year, after each director completes the evaluation on the operation, culture, internal and external relationship management, self-evaluation, and other aspects of																														

Evaluation item	Implementation status			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
			<p>the Board of Directors for the current year, the deliberating units of the Board of Directors will compile the statistics and make a report at the first Board meeting of the following year.</p> <p>1. The performance evaluation of the Company's "Board of Directors" covers five aspects:</p> <p>(1) Involvement in the Company's operations</p> <p>(2) Enhancement to the Board's decision quality</p> <p>(3) Composition and structure of the Board</p> <p>(4) Elections and continuous training of the directors</p> <p>(5) Internal control</p> <p>There are a total of 25 measurement indicators</p> <p>2. The performance evaluation of the "Board members" covers six aspects:</p> <p>(1) Control over the Company's goals and tasks</p> <p>(2) Recognition of director duties</p> <p>(3) Involvement in the Company's operations</p> <p>(4) Internal relationship management and communication</p> <p>(5) Professional and continuing education of Board members</p> <p>(6) Internal control</p> <p>There are also 25 measurement indicators</p> <p>3. The performance evaluation of the functional committee includes the "Audit Committee" and "Remuneration Committee." It also includes five aspects:</p> <p>(1) Involvement in the Company's operations</p> <p>(2) Recognition of the functional committee's duties</p> <p>(3) Enhancement to the functional committee's decision quality</p> <p>(4) Composition of the functional committee and appointment of committee members</p> <p>(5) Internal control</p> <p>Each has 25 measurement indicators</p> <p>4. The Company's 2020 Board performance self-evaluation began at the end of December 2020. The deliberative unit of the Chairman's Office provided the questionnaires according to the method. The questionnaire was distributed at the end of December 2020 and analyzed by the above methods. The 2020 Board performance evaluation results are as follows:</p> <p>(1) The average self-evaluation score of the Board of Directors' performance evaluation is 95 points</p> <p>(2) The average self-evaluation score of the Board members' performance evaluation is 93 points</p> <p>(3) The average self-evaluation score of the Audit Committee's performance evaluation is 96 points</p> <p>(4) The average self-evaluation score of the Remuneration Committee's performance evaluation is</p>	

Evaluation item	Implementation status			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
(IV) Does the Company regularly evaluate the independence of the CPAs?	✓		<p>97 points</p> <p>5. There are no significant improvement items in the performance evaluation of the Company's "Board of Directors," "Audit Committee" and "Remuneration Committee" in 2020.</p> <p>Future optimization direction:</p> <p>(1) Consider increasing the number of female directors in the future.</p> <p>(2) Plan professional refresher courses for directors in accordance with the overall needs of the Company to assist in the performance of their functions.</p> <p>6. The results of the performance evaluation have been reported to the Board of Directors and various functional committees on Mar. 18, 2021. After the report of the Board of Directors, the Company has disclosed the methods and evaluation results on the investor area of the Company website (http://www.sinmag.com.tw/).</p> <p>The results of the performance evaluation of the Company's Board of Directors will be used as a reference for the remuneration and nomination for renewal of individual directors.</p> <p>(IV) The Financial Department of the Company regularly assesses the independence and competence of the CPA hired annually in accordance with the "Measures for the Examination of the Appointment of Certified Public Accountants" and the "Corporate Governance Practice Principles." It is evaluated that the personal qualifications of the two CPAs of Deloitte & Touche, Chiang-Hsun Chen and Chao-Mei Chen, are in line with the practice of CPAs, and there is no direct or indirect financial interest relationship with the Company or the directors. In terms of audit, tax service quality, and timeliness of the CPAs, all the evaluation items meet the standards and they are qualified to serve as the Company's CPAs.</p>	In compliance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
IV. Does the TWSE/TPEX listed company establish a qualified and appropriate number of corporate governance personnel, and appoint a corporate governance director responsible for matters related to corporate governance (including but not limited to providing directors and supervisors with the information required for business execution, assisting directors and supervisors to comply with laws	✓		The Company's corporate governance-related affairs include handling company registration and change of registration, handling matters related to the Board of Directors' meetings and Shareholders' Meetings by the law, assisting the Company in following relevant laws and regulations regarding the Board of Directors and the Shareholders' Meeting, producing minutes of Board meetings and the Shareholders' Meetings, providing directors and supervisors with the information required for business execution and the latest legal development regarding corporate management, assisting directors to comply with laws and regulations, matters related to investor relations, and other matters stipulated in the Company's Articles of Incorporation or contracts, etc., which are concurrently responsible by the personnel of each department according to their duties and are supervised by senior executives with a CPA qualification or with more than three years of management experience in finance or stock affairs in a public company.	In compliance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.

Evaluation item	Implementation status			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof									
	Yes	No	Description										
and regulations, handling matters related to Board meetings and the Shareholders' Meetings following the regulations, producing minutes of Board meetings and the Shareholders' Meetings, etc.)?)													
V. Does the Company establish communication channels and build a dedicated section on its website for stakeholders (including but not limited to shareholders, employees, customers, and suppliers) to respond to material corporate social responsibility issues in a proper manner?	✓		<table><tr><td colspan="3">The Company values the balance of rights and obligations between stakeholders (including investors, employees, customers, suppliers, banks, creditors, etc.). Aside from maintaining good communications with all stakeholders, contact windows are set up for all stakeholders on the Company website to understand the important issues of their concerns and respond accordingly.</td></tr><tr><td>Stakeholders</td><td>Important issues of concern</td><td>Communication channels and response methods</td></tr><tr><td>Shareholders</td><td>Corporate image/business performance /industry overview/product and services/investment</td><td>Contact person: Spokesperson Yu-Tung Huang TEL: (02)2298-1148 1. Annual Shareholders' Meeting. 2. Conduct regular investor conferences. 3. Simultaneously publish real-time material information on the Market Observation Post System and the corporate website. 4. Disclose important events on the Market Observation Post System and the corporate website. 5. Set up an e-mail box and contact number on the corporate website to establish smooth communication channels between investors and the Company. 6. Set up a dedicated window for institutional investors. 7. Hold regular face-to-face communication meetings and teleconferences with domestic and foreign institutional investors.</td></tr></table>	The Company values the balance of rights and obligations between stakeholders (including investors, employees, customers, suppliers, banks, creditors, etc.). Aside from maintaining good communications with all stakeholders, contact windows are set up for all stakeholders on the Company website to understand the important issues of their concerns and respond accordingly.			Stakeholders	Important issues of concern	Communication channels and response methods	Shareholders	Corporate image/business performance /industry overview/product and services/investment	Contact person: Spokesperson Yu-Tung Huang TEL: (02)2298-1148 1. Annual Shareholders' Meeting. 2. Conduct regular investor conferences. 3. Simultaneously publish real-time material information on the Market Observation Post System and the corporate website. 4. Disclose important events on the Market Observation Post System and the corporate website. 5. Set up an e-mail box and contact number on the corporate website to establish smooth communication channels between investors and the Company. 6. Set up a dedicated window for institutional investors. 7. Hold regular face-to-face communication meetings and teleconferences with domestic and foreign institutional investors.	In compliance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
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Evaluation item	Implementation status			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
			<p>Employees</p> <p>Labor relations/occupational health and safety/non-discrimination/equality</p> <p>Contact person: Ms. Wang, Management Department TEL: (02)2298-1147</p> <ol style="list-style-type: none"> 1. Hold regular labor-management meetings and Employee Welfare Committee meetings. 2. Formulate gender work equality regulations to safeguard female employees' rights and interests. 3. Set up a hotline and e-mail box for complaints of sexual harassment in the workplace. 4. The Company website has a contact number and e-mail box for employees' inquiries and assistance. 5. Regularly assign employees to attend the safety and health seminars, conduct staff pre-employment education and training, and regularly arrange health checkups for all staff in order to provide employees with a comfortable and safe working environment. 6. Company information is communicated and published through bulletin boards, emails, and the Company's internal website. 	
			<p>Customers</p> <p>Corporate image/product and services</p> <p>Contact person: Ms. Yeh, Business Department TEL: (02)2298-1147</p> <ol style="list-style-type: none"> 1. R&D innovation and improve product quality. 2. In response to customer complaints, communicate with customers immediately, understand customer needs to facilitate the interaction between the Company and customers, and review and improve in production and sales meetings from time to time. 3. The sales personnel frequently conduct customer interviews to understand customer product line requirements and provide customers with comprehensive business services. 4. Regularly participate in food exhibitions and baking and equipment exhibitions at home and abroad every year to let customers know more about the Company's 	

Evaluation item	Implementation status			Description	Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No			
				<p>products.</p> <p>5. Conduct customer satisfaction surveys every year.</p> <p>6. Strengthen employees' awareness of confidentiality in regard to customer information to keep trade secrets.</p> <p>7. There is a customer service contact person, phone number, and e-mail box on the Company webpage as the contact channel for customer communication, complaints, and suggestions.</p>	
			Suppliers	<p>Corporate image/business performance/product needs</p> <p>Contact person: Ms. Hsieh, Production Management Section TEL: (02)2298-1147</p> <p>1. From time to time, evaluate the manufacturer's service quality, delivery, and price, give praise to good manufacturers, and grant priority to quoting and contracting; manufacturers with poor quality and delivery time will give advice and assistance to enhance the quality of their products.</p> <p>2. Strengthen employees' awareness of confidentiality in regard to manufacturer information to keep trade secrets.</p> <p>3. There is a supplier service contact person, phone number, and e-mail box on the Company webpage as the contact channel for supplier communication, complaints, and suggestions.</p>	
VI. Does the Company appoint a professional stock affairs agency to deal with the affairs of the Shareholders Meeting?	✓			The Company has appointed the Stock Affairs Department of Taishin International Bank as the Company's stock affairs agency to assist the Company in carrying out tasks relevant to Shareholders' Meetings.	In compliance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
VII. Information disclosure (I) Does the Company have a corporate website to disclose both	✓			(I) The Company discloses relevant financial, business, and stock affairs information in the investor area of the Company website and has a corporate governance area to explain the relevant regulations and	In compliance with the Corporate

Evaluation item	Implementation status			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
the Company's financial standing and corporate governance status?			implementation. Website: http://www.sinmag.com.tw/	Governance Best Practice Principles for TWSE/TPEX Listed Companies.
(II) Does the Company have other information disclosure channels (e.g., setting up an English website, appointing designated people to handle information collection and disclosure, creating a spokesperson system, and webcasting investor conferences)?	✓		(II) In addition to appointing a dedicated person to collect and disclose the Company's information, the Company also assigns a spokesperson and a deputy spokesperson who comprehensively understand the Company's finance and business as well as being able to coordinate various departments to provide relevant information and speak on behalf of the Company in a unified manner to ensure that information that may affect the decision-making of shareholders and stakeholders can be disclosed in a timely and appropriate manner. When an investor conference is held, the relevant information is also uploaded to the investor area of the Company website and Market Observation Post System (MOPS) for investors' inquiries.	In compliance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
(III) Does the Company announce and report the annual financial report within two months after the end of the fiscal year, and announce and file the financial reports for the first, second, and third quarter and the operating conditions of each month before the specified period?		✓	(III) The Company has announced the first, second, and third quarter and annual financial reports and the operating conditions of each month within the specified period.	After evaluating the cooperation between the internal operation time and the CPAs, it is not possible to make an announcement and file the annual financial report within two months after the end of the fiscal year and to make an announcement and file the financial report of the first, second and third quarter and the operation of each month prior to the specified period.
VIII. Is there any other important information to facilitate a better	✓		(I) Employee rights and employee wellness 1. Adhering to the business philosophy of integrity, harmony, innovation and excellence, continuous	In compliance with the Corporate

Evaluation item	Implementation status			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
understanding of the Company's corporate governance practices (including but not limited to employee rights, employee wellness, investor relations, supplier relations, stakeholder rights, directors' and supervisors' training records, implementation of risk management policies and risk evaluation measures, implementation of customer policies, and participation in liability insurance for directors and supervisors)?			<p>growth, and sustainable development, the Company attaches great importance to employee welfare by setting up the Employee Welfare Committee and allocate monthly welfare funds for the Committee to organize activities, such as various tourism activities, club activities, and other welfare matters.</p> <ol style="list-style-type: none"> 2. Provide various welfare subsidies for weddings and funerals, grants and emergency relief, annual health checks, group life insurance, and accident insurance. 3. The labor retirement method is formulated according to the provisions of the Labor Standards Act, where a certain percentage of the total monthly salary is appropriated into the labor pension reserve fund and deposited at the special account of the Central Trust of China to be used as the future payment of the labor pension reserve fund. 4. According to the Labor Pension Act, there is a definite contribution retirement method, and for employees who choose the applicable Labor Pension Act, no less than 6% of the salary is appropriated to the employees' individual account every month at the Bureau of Labor Insurance. The employee's pension is paid based on the employee's individual pension account and the accumulated amount, and it can be claimed in the form of a monthly pension or lump-sum pension. 5. The Labor Committee has been set up in accordance with regulations on labor relations. Labor meetings are held regularly with good results. Any new or revised measures related to labor relations will be finalized after full agreement and communication between labor and management. 6. Regularly assign employees to attend the safety and health seminars, conduct staff pre-employment education and training, and regularly arrange health checkups for all staff in order to provide employees with a comfortable and safe working environment. <p>(II) Investor relations The Company upholds the principle of fairness and openness to all shareholders. In terms of Shareholders' Meetings, which is convened annually in accordance with the Company Act and relevant laws and regulations. All shareholders are notified to attend the Shareholders' Meeting under relevant regulations and encouraged to actively participate in the election of directors or the amendment to the Company's Articles of Incorporation and other proposals. Material financial business activities such as the disposal of assets, endorsements, and guarantees are also submitted to the Shareholders' Meeting. Moreover, the Company provides shareholders with sufficient opportunities to raise questions or make proposals to achieve the effect of checks and balances. Rules of procedure for Shareholders' Meetings are formulated by the law, and minutes of the Shareholders' Meetings are properly maintained and fully disclosed with relevant information on the</p>	Governance Best Practice Principles for TWSE/TPEX Listed Companies.

Evaluation item	Implementation status			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof												
	Yes	No	Description													
			<p>MOPS. In addition, in order to ensure that shareholders have full knowledge, participation, and decision-making rights on material matters of the Company, other than announcing the annual report of the Shareholders' Meeting and the handbook of Shareholders Meeting to shareholders on the MOPS before the annual Shareholders' Meeting, the Company also has a spokesperson and a deputy spokesperson to properly handle shareholder suggestions, doubts, and disputes.</p> <p>Based on the principle of information disclosure, the Company handles information disclosure matters in accordance with the list of matters to be announced or declared by the public offering company and the Taipei Exchange Rules Governing Review of Emerging Stocks for Trading on the TPEX and establishes online reporting of public information. A designated person from the financial department is responsible for the collection and disclosure of company information. After review and confirmation by the responsibility supervisor, the relevant information announcement and declaration matters shall be processed, and various information that may affect investors' decision-making will be provided in a timely manner.</p> <p>(III) Supplier relations</p> <p>The procurement personnel of the Company will evaluate the service quality, delivery, and price of the supplier with the requisitioning unit. A database of qualified manufacturers is established based on the evaluation results. Preferential quoting and contracting are given to excellent suppliers to ensure quality and reduce procurement costs.</p> <p>(IV) Respect stakeholders' rights and interests</p> <p>The Company attaches great importance to stakeholders (including shareholders, employees, customers, upstream and downstream manufacturers, banks, national society, and the natural environment), taking into account and balancing the interests of stakeholders has always been the Company's goal. When discussing major issues of the internal proposal, the impact on the stakeholders must be considered to ensuring the balance of stakeholders' rights and interests. The Company has established a suggestion mailbox on the Company's website to provide stakeholders with channels for feedback to safeguard their rights and interests.</p> <p>(V) Directors' continuing education</p> <table><tr><th>Title/Name</th><th>Training date</th><th>Organizer</th><th>Course</th><th>Training hours</th><th>Whether the course meets the requirements (Note)</th></tr><tr><td>Director Shun-Ho Hsieh</td><td>Dec. 8, 2020</td><td>Taiwan Corporate</td><td>Discussion on matters needing attention and common</td><td>3</td><td>Yes</td></tr></table>	Title/Name	Training date	Organizer	Course	Training hours	Whether the course meets the requirements (Note)	Director Shun-Ho Hsieh	Dec. 8, 2020	Taiwan Corporate	Discussion on matters needing attention and common	3	Yes	
Title/Name	Training date	Organizer	Course	Training hours	Whether the course meets the requirements (Note)											
Director Shun-Ho Hsieh	Dec. 8, 2020	Taiwan Corporate	Discussion on matters needing attention and common	3	Yes											

Evaluation item	Implementation status						Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof			
	Yes	No	Description							
					Governance Association	problems of the Board of Directors and Shareholders' Meeting				
				Dec. 8, 2020	Taiwan Corporate Governance Association	Enhance the ability of self compiling the financial report and strengthen corporate governance	3	Yes		
			Director Yao-Tsung Wu	Dec. 8, 2020	Taiwan Corporate Governance Association	Discussion on matters needing attention and common problems of the Board of Directors and Shareholders' Meeting	3	Yes		
				Dec. 8, 2020	Taiwan Corporate Governance Association	Enhance the ability of self compiling the financial report and strengthen corporate governance	3	Yes		
			Director Ming-Ching Hsieh	Dec. 8, 2020	Taiwan Corporate Governance Association	Discussion on matters needing attention and common problems of the Board of Directors and Shareholders' Meeting	3	Yes		
				Dec. 8, 2020	Taiwan Corporate Governance Association	Enhance the ability of self compiling the financial report and strengthen corporate governance	3	Yes		
			Director Yu-Chuan Chang	Dec. 8, 2020	Taiwan Corporate Governance Association	Discussion on matters needing attention and common problems of the Board of Directors and Shareholders' Meeting	3	Yes		
				Dec. 8, 2020	Taiwan Corporate Governance Association	Enhance the ability of self compiling the financial report and strengthen corporate	3	Yes		

Evaluation item	Implementation status						Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof		
	Yes	No	Description						
					Association	governance			
			Director Yung-Chen Chen	Dec. 8, 2020	Taiwan Corporate Governance Association	Discussion on matters needing attention and common problems of the Board of Directors and Shareholders' Meeting	3	Yes	
				Dec. 8, 2020	Taiwan Corporate Governance Association	Enhance the ability of self compiling the financial report and strengthen corporate governance	3	Yes	
			Director Jui-Jung Chang	Dec. 8, 2020	Taiwan Corporate Governance Association	Discussion on matters needing attention and common problems of the Board of Directors and Shareholders' Meeting	3	Yes	
				Dec. 8, 2020	Taiwan Corporate Governance Association	Enhance the ability of self compiling the financial report and strengthen corporate governance	3	Yes	
			Independent Director Huei-Wang Huang	Dec. 8, 2020	Taiwan Corporate Governance Association	Discussion on matters needing attention and common problems of the Board of Directors and Shareholders' Meeting	3	Yes	
				Dec. 8, 2020	Taiwan Corporate Governance Association	Enhance the ability of self compiling the financial report and strengthen corporate governance	3	Yes	
			Independent Director Shih-Hung Chan	Dec. 8, 2020	Taiwan Corporate Governance Association	Discussion on matters needing attention and common problems of the Board of Directors and Shareholders' Meeting	3	Yes	
				Dec. 8, 2020	Taiwan	Enhance the ability of self	3	Yes	

Evaluation item	Implementation status						Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof	
	Yes	No	Description					
					Corporate Governance Association	compiling the financial report and strengthen corporate governance		
			Independent Director San-Chien Tu	Dec. 8, 2020	Taiwan Corporate Governance Association	Discussion on matters needing attention and common problems of the Board of Directors and Shareholders' Meeting	3	Yes
				Dec. 8, 2020	Taiwan Corporate Governance Association	Enhance the ability of self compiling the financial report and strengthen corporate governance	3	Yes
			<p>Note: Refers to whether it complies with the hours, scope, system, arrangement, and information disclosure of continuing education specified in the "Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies."</p> <p>(VI) Status of risk management policies and risk evaluation The Company has established various internal regulations in accordance with the law and conducted various risk management and assessments. In addition, the directors of the Company adhere to a high level of self-discipline. If the Board of Directors' proposals involves the director's own interests that may damage the Company's interests, the director is recused from the discussion and voting.</p> <p>(VII) Formulation of internal material information processing procedures To establish sound internal material information processing and disclosure mechanism of the Company, to prevent improper information leakage, and to ensure the consistency and accuracy of information released by the Company to the public, the Company has formulated "Internal Material Information Processing Procedures" following the template issued by the competent authority. The procedures are promoted to directors, employees, and managers promptly to avoid violations of regulations or inside trading.</p> <p>(VIII) Implementation of consumer and customer protection policies To provide customers with comprehensive services and assurance, the Company communicates with customers in a timely manner in response to customer complaints, understands customer needs to facilitate the interaction between the Company and its customers, and reviews and improves in production and sales meetings from time to time.</p> <p>(IX) Purchase of liability insurance for directors and supervisors</p>					

Evaluation item	Implementation status			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
			The Company has taken out liability insurance for all directors with an insured amount of US\$7 million. The insurance coverage period is from Feb. 1, 2021 to Feb. 1, 2022, and it has been submitted to the Board meeting on Mar. 18, 2021 for an explanation.	
IX. Please explain the improvements made in accordance with the Corporate Governance Evaluation results released by the Taiwan Stock Exchange's Corporate Governance Center and provide the priorities and plans for improvement with items yet to be improved. (Leave blank if the Company is not included in the evaluation)				
Topic	Improvement	Explanation if not yet improved		
Does the Company hold the Shareholders' Meeting before the end of May?	No	The current internal operation schedule is not yet able to cope with.		
Does the Company upload the English versions of the meeting handbook and supplemental meeting materials thirty days before the Shareholders' Meeting?	Yes	The Company will upload the English version of the meeting handbook thirty days before the 2021 Shareholders' Meeting.		
Does the Company establish and disclose on the Company website internal rules and implementation that prohibit directors or employees and other insiders from using information that is not available in the market to make a profit?	Yes	This project has been set up on the Company website, and education and publicity courses will be arranged in 2021.		
Do the Company's Board members include at least one female director? (If each gender of the Company directors reaches more than one-third of the Board seats, an additional point will be added to the total score.)	No	Currently, there are no female members of the Board of Directors. Candidates will be evaluated for future re-elections.		
Does the Company develop succession plans for Board members and key management levels and disclose the operation status on the Company website or its annual report?	No	It is currently under evaluation.		
Does the Company set up any functional committees other than statutorily required with no less than three members, more than half of the members are independent directors, and one or more members possess the professional capabilities required by the committee and does the Company disclose its composition, functions, and operation of such committees?	No	Considering the Company's organizational structure and functional committee characteristics, this is currently under evaluation.		
Does the Company have a corporate governance director to be responsible for corporate governance-related matters, and explain the scope of authority, the focus of business execution, and continuing education in the current year on the Company website and the annual report? (If the corporate governance supervisor is not concurrently held by other staff in the Company, an additional point will be added to the total score.)	No	Currently, there is no proper manpower and resources to perform this task.		
Has the Company's Performance Evaluation Method of the Board of Directors been approved by the Board of Directors, clearly stipulating that external evaluations should be carried out at least every three years and has it carried out the evaluation	No	External performance evaluation of the Board is currently under evaluation.		

Evaluation item	Implementation status			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
within the prescribed period under its method, and disclosed the implementation status and evaluation results on the Company website or the annual report?				
Does the Company simultaneously declare material information in English?	Yes		The Company will simultaneously declare material information in English in 2021.	
Does the Company publish its annual financial report within two months after the end of the fiscal year?	No		After evaluating the cooperation between the internal operation time and the CPAs, it is not possible to cope with the requirement of this indicator.	
Does the Company disclose the interim financial report in English within two months after the reporting period of the Chinese version of the interim financial report?	No		Currently, there is no proper manpower and resources for timely execution.	
Does the Company voluntarily publish its quarterly financial forecast, and the relevant operations have not been corrected by the competent authority or imposed any demerits by the TWSE or TPEX?	No		The Company has not announced its financial forecast report.	
Does the Company establish an English corporate website that contains information related to finance, business, and corporate governance?	No		Currently, there is no proper manpower and resources for timely execution.	
Has the Company been invited (on its own) to hold at least two investor conferences and the interval between the two investor conferences at the beginning and the end of the evaluation year is more than three months? (If an investor conference is held at least once a quarter or is held to address each quarter's operating conditions, an additional point will be added to the total score.)	Yes		The Company will hold at least two investor conferences in 2021.	
Does the Company's annual report voluntarily disclose the individual remuneration to the president and vice president?	No		The Company has not disclosed the individual remuneration to the president and vice president.	
Does the Company establish an exclusively (or concurrently) dedicated unit to promote ethical corporate management, responsible for the formulation, supervision, and implementation of the ethical corporate management policy and prevention plan, and explain the operation and implementation of the unit on the Company website and annual report, and report to the Board of Directors at least once a year?	No		The Company has promoted corporate social responsibility (CSR) and ethical corporate management through multiple channels. The implementation is handled in a cross-departmental manner. In the future, after integration and coordination, the composition and operation status will be gradually announced in the annual report and website.	
Does the Company obtain third-party verification for reports disclosing the Company's non-financial information such as the CSR report?	No		The Company has not yet prepared the CSR report.	
Does the Company refer to international human rights conventions, formulate policies to protect human rights and specific management plans, and expose them on the Company website or annual report?	No		It is currently under coordination and evaluation.	
Does the Company sign a collective agreement with the labor union in accordance with the Collective Agreement Act?	No		It is currently under coordination and evaluation.	

Evaluation item	Implementation status			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
Does the Company disclose its annual greenhouse gas emissions, water consumption, and total waste weight in the past two years? (If the annual greenhouse gas emissions, water consumption, or total waste weight in the past two years have obtained external verification, an additional point will be added to the total score.)		No	Due to the industry characteristics and the internal manpower status, the Company has not disclosed relevant information. In the future, it will be handled according to the business and manpower expansion.	
Does the Company set management policies for energy saving and carbon reduction, greenhouse gas reduction, water use reduction, or other wastes? (If evaluate the current and future potential risks and opportunities of climate change to the Company, and take countermeasures to respond to climate-related issues, an additional point will be added to the total score.)		No	The Company will gradually review and formulate relevant policies and promulgate and implement them based on the industry characteristics and the Company's status.	
Does the Company formulate and disclose in detail the whistle-blowing system for illegal (including corruption) and unethical behaviors by internal and external personnel on the Company website?		No	The Company will gradually review and formulate relevant policies in the future and promulgate and implement them.	
Does the Company website or CSR report disclose the supplier management policies formulated that require suppliers to follow relevant regulations on issues such as environmental protection, occupational safety and health, or labor rights, and explain the implementation status?		No	The Company has not yet prepared the CSR report but plans to do so in compliance with regulations of the competent authority in the future.	
Does the Company have more than half of the directors (including at least one independent director) and the convener of the Audit Committee (or at least one supervisor) attend the Shareholders' Meeting in person, and disclose the attendance list in the meeting minutes?		Yes	The Company will disclose the attendance list in the minutes of the 2021 Shareholders' Meeting.	
Are the chairman of the Board of Directors and the president or person of an equivalent post (the highest-level manager) of a company not the same person, spouses, or relatives within the first degree of kinship?		No	At present, the chairman and president of the Company are served by the same person. To establish a good corporate governance structure, more than half of the directors have not concurrently served as employees or managers, and the Company has planned to increase the number of independent directors in the next election of directors to strengthen the effectiveness of the Board of Directors.	
Do the members of the Company's Remuneration Committee attend at least twice a year and disclose and regularly review information such as policies, systems, standards, and structures of performance evaluation and remuneration for directors, supervisors, and managers?		Yes	The Company will disclose it on the website and annual report in 2021.	
Does the Company formulate risk management policies and procedures approved by the Board, disclose the scope, the organizational structure, and the operations of risk management?		No	It is currently under evaluation.	

Evaluation item	Implementation status			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
Does the Company establish the appointment, dismissal, appraisal, and remuneration policy of the Company's internal auditors to be either submitted to the Board of Directors or signed by the audit supervisor and submitted to the chairman for approval and disclosure on the Company website?	Yes		The audit unit is subordinate to the Board of Directors, and the auditors are employees of the Company. Therefore, their appointment, evaluation, and salary are handled following the relevant provisions of the Company's internal control system are signed by the supervisor according to the approval authority. The appointment and dismissal of the chief internal auditor shall be signed by the chairman and submitted to the Board of Directors following the internal audit implementation rules and approval authority. The evaluation and remuneration shall be signed by the chairman under the provisions of the personnel assessment measures and the approval authority. The description of the appointment, evaluation, and salary of the auditors has been disclosed on the Company website.	
Does the Company's annual report voluntarily disclose the individual remuneration to directors and supervisors?	No		The Company currently does not disclose the remuneration to individual directors.	
Does the Company establish an information security risk management framework, formulate information security policies and specific management plans, and disclose them on the Company website or annual report?	No		Currently, there is no proper manpower and resources to perform this task.	
Does the Company formulate an intellectual property management plan linked to its operational goals, and disclose its implementation on the Company website or annual report, and report to the Board of Directors at least once a year? (If the Taiwan Intellectual Property Management System (TIPS) or similar intellectual property management system certification is attained, an additional point will be added to the total score.)	No		Currently, there is no proper manpower and resources to perform this task.	
Has the Company's financial report been approved by or submitted to the Board of Directors seven days before the announcement deadline and published within one day after the date of approval or submission?	No		Currently, there is no proper manpower to perform this task.	
Does the Company's annual report voluntarily disclose the amount and nature of non-audit fees paid to CPAs and the affiliates of their CPA firm?	Yes		The Company has voluntarily disclosed the amount and nature of non-audit fees paid to CPAs and the affiliates of their CPA firm.	
Does the Company establish an exclusively (or concurrently) dedicated unit to promote CSR, conduct a risk assessment of environmental, social, or corporate governance issues associated with its operations based on the principle of materiality, formulate relevant risk management policies or strategies, and disclose them on the Company website and annual report?	No		Currently, there is no proper manpower and resources to perform this task.	
Does the Company compile and upload the CSR report to the Market Observation Post System (MOPS) and the Company website before the end of September under	No		The Company has not yet prepared the CSR report but plans to do so in compliance with regulations of the competent authority in the future.	

Evaluation item	Implementation status			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
the internationally accepted guidelines for the preparation of reports? (For those who voluntarily prepare a CSR report, an additional point will be added to the total score.)				

Note: Evaluation criteria of CPAs' independence and competence

	Item no.	Evaluation content	Result	Compliance with independence
Independence requirements	1	The CPA, or the spouse or a minor child thereof, has not invested in the Company, or shares in financial gains therewith.	Yes	Yes
	2	The CPA, or the spouse or a minor child thereof, has not lent or borrowed funds to or from the Company. However, the principal is a financial institution and a normal business entity shall not apply.	Yes	Yes
	3	The CPA has not submitted an assurance service report that is designed or assisted in the execution of the financial information system.	Yes	Yes
	4	The CPA or member of the audit service team has not served as a director, manager, or another position that has a significant impact on the audit case of the Company in the most recent two years.	Yes	Yes
	5	Non-audit services provided to the Company did not have a direct impact on the audit cases.	Yes	Yes
	6	The CPA or member of the audit service team does not promote or act as an intermediary for shares or other securities issued by the Company.	Yes	Yes
	7	The CPA or member of the audit service team has not represented the Company in third-party legal cases or other disputes except permitted by law.	Yes	Yes
	8	The CPA or member of the audit service team is not a spouse, lineal relative, direct relative by marriage, or a collateral relative within the second degree of kinship of any responsible person or managerial officer of the Company.	Yes	Yes
	9	The co-practicing CPA who has been rescinded within one year does not hold any position as a director or manager of the Company or has a significant influence on the audit case.	Yes	Yes
	10	The CPA or member of the audit service team has not received gifts or special offers of value from the Company, directors, managers, or major shareholders.	Yes	Yes
	11	The CPA has not been engaged in regular work for the client or audited entity with a fixed salary or holds the position of director or supervisor	Yes	Yes
	12	After the Company's public offering:	Yes	Yes
		No CPA has provided audit service to the Company for seven consecutive years.		
		Before the Company's public offering:		

	Item no.	Evaluation content	Result	Compliance with independence
		No CPA has provided audit service to the Company for ten consecutive years.		
Independent operation	1	Has the CPA recused and refused to undertake matters if he/she has a direct or significant indirect interest that could impair his/her impartiality and independence?	Yes	Yes
	2	When the CPA provides audit, review, cross-review, or project review of a financial statement and submits an opinion, does he/she maintain independence in appearance in addition to independence in fact?	Yes	Yes
	3	Do members of the audit service team, other co-practicing CPAs or shareholders of legal-person accounting firms, accounting firms, firm-affiliated companies, and alliance firms also maintain their independence vis-a-vis the Company?	Yes	Yes
	4	Does CPA offer professional services with integrity in a rigorous manner?	Yes	Yes
	5	Does the CPA maintain a fair and objective position in the course of performing professional services to avoid prejudice, conflict of interest, or interest in affecting professional judgment?	Yes	Yes
	6	The CPA's integrity, fairness, and objectivity have not been impaired by the lack or loss of independence.	Yes	Yes
Competence	1	The CPA does not have disciplinary records from the disciplinary committee for the past two years.	Yes	Yes
	2	Does the CPA firm in charge of the Company's audit services have sufficient scale, resources, and regional coverage?	Yes	Yes
	3	Does the CPA firm have clear quality control procedures? Does the coverage include the level and key points of the audit procedure, how audit issues and judgments are handled, independent quality control review, and risk management?	Yes	Yes
	4	Does the CPA firm timely notify the Board of Directors (Audit Committee) of any significant problems and developments in risk management, corporate governance, financial accounting, and relevant risk control?	Yes	Yes

(IV) Composition, Responsibilities, and Operations of the Remuneration Committee:

To strengthen the Company's corporate governance and remuneration management of the Board of Directors, assist in the implementation and evaluation of the Company's overall remuneration and benefits policy as well as the base compensation of directors and senior managers, the Company's Board passed a resolution to set up the Remuneration Committee on Dec. 26, 2011, and formulated the "Organizational Regulations of the Remuneration Committee" with the following tasks as its main duties: 1. Establish and regularly review the policies, systems, standards, and structures of directors and managers' performance evaluation and remuneration. 2. Regularly evaluate and determine the remuneration of directors and managers. 3. Other matters that are assigned by the Board of Directors for discussion. The Remuneration Committee reappointed independent director Shih-Hung Chan, independent director Huei-Wang Huang and independent director San-Chien Tu as members after the re-election of the Board of Directors on Jun. 14, 2019. A total of five Remuneration Committee meetings were held in 2020, and the operation was in good condition.

(1) Information on Members of the Remuneration Committee

Title	Qualification	Meets one of the following professional qualification requirements, together with at least five years of work experience			Independence criteria (Note 1)										Number of other public companies where the individual concurrently serves as a remuneration committee member	Remarks
		An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the Company in a public or private junior college, college, or university	A judge, public prosecutor, attorney, Certified Public Accountant, or other professional or technical specialists who have passed a national examination and have been awarded a certificate in a profession necessary for the business of the Company	Has work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company	1	2	3	4	5	6	7	8	9	10		
Independent Director	Shih-Hung Chan	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Independent Director	Huei-Wang Huang		✓	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓	1	
Independent Director	San-Chien Tu	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3	

Note 1: Please tick "" the corresponding boxes if the Remuneration Committee members meet the following conditions during the two years prior to the nomination and during the term of office. ✓

- (1) Not an employee of the Company or any of its affiliates.
- (2) Not a director or supervisor of the Company or any of its affiliates (not applicable where independent directors appointed in accordance with the Act or the laws and regulations of the local country and concurrently serving at a company and its parent or subsidiary or a subsidiary of the same parent).
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or is ranked in the top ten in shareholdings.
- (4) Not a manager listed in (1) or a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship listed in (2) and (3).
- (5) Not a director, supervisor, or employee of an institutional shareholder that directly holds 5% or more of the total number of issued shares of the Company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the Company under Article 27, paragraph 1 or 2 of the Company Act (not applicable where independent directors appointed in accordance with the Act or the laws and regulations of the local country and concurrently serving at a company and its parent or subsidiary or a subsidiary of the same parent).
- (6) Not a director, supervisor, or employee of a company controlled by the same person with a majority of the Company's director seats or voting shares (not applicable where independent directors appointed in accordance with the Act or the laws and regulations of the local country and concurrently serving at a company and its parent or subsidiary or a subsidiary of the same parent).
- (7) Not a director, supervisor, or employee of that other company or institution where the chairman, president, or person holding an equivalent position of the Company are the same person or are spouses (not applicable where independent directors appointed in accordance with the Act or the laws and regulations of the local country and concurrently serving at a company and its parent or subsidiary or a subsidiary of the same parent).
- (8) Not a director, supervisor, manager, or shareholder holding 5% or more of the shares of a specified company or institution which has a financial or business relationship with the Company (not applicable where specified companies or institutions holding more than 20% but less than 50% of the total issued shares of the Company, and independent directors appointed in accordance with the Act or the laws and regulations of the local country and concurrently serving at a company and its parent or subsidiary or a subsidiary of the same parent).
- (9) Not a professional individual who, or an owner, partner, director, supervisor, or manager of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past two years has received cumulative compensation less than NT\$500,000, or a spouse thereof. However, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers under the Securities and Exchange Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
- (10) None of the circumstances in the subparagraphs of Article 30 of the Company Act apply.

(2) Implementation of the Remuneration Committee

A. The Company's Remuneration Committee comprises three members.

B. The term of the current Committee members is from Jun. 14, 2019 to Jun. 13, 2022.

In the most recent year (2020), the Remuneration Committee held five meetings (A). The attendance record of members is as follows:

Title	Name	Attendance in person (B)	By proxy	Attendance rate (%) (B/A)	Remarks
Convener	Shih-Hung Chan	4	1	80%	Reelected on Jun. 14, 2019
Member	Huei-Wang Huang	5	0	100%	Newly elected on Jun. 14, 2019
Member	San-Chien Tu	5	0	100%	Reelected on Jun. 14, 2019
(A): The Remuneration Committee held five meetings in 2020.					
(B): Attendance in person.					

Other matters:

- (a) If the Board of Directors refuses to adopt or amend a recommendation of the Remuneration Committee, the date of the meeting, terms of meetings, the content of the motion, resolution by the Board of Directors, and the Company's response to the Remuneration Committee's opinion (e.g., if the remuneration passed by the Board of Directors exceeds the recommendation of the Remuneration Committee, the circumstances and cause for the difference shall be specified) shall be specified.

None.

- (b) If there were resolutions of the Remuneration Committee to which members objected or expressed reservations, and for which there is a record or declaration in writing, the date of the meeting, terms of meetings, the content of the motion, all members' opinions, and the response to members' opinion shall be specified.

None.

- (c) Implementation of the Remuneration Committee in the latest year:

Remuneration Committee	Contents of motions and follow-up actions	Resolution	The Company's response to the Remuneration Committee's opinion
2020.03.12 4th meeting of the 4th Board (1st meeting of 2020)	The distribution proposal of the Company's 2019 employee compensation and director compensation.	All members of the Committee present voted in favor of the proposal.	Proposed to the Board of Directors and all directors present voted in favor of the proposal.
2020.04.01	It is proposed to adjust the salary of the Company's managerial officers.	All members of the Committee present	Proposed to the Board of Directors

Remuneration Committee	Contents of motions and follow-up actions	Resolution	The Company's response to the Remuneration Committee's opinion
5th meeting of the 4th Board (2nd meeting of 2020)		voted in favor of the proposal.	and all directors present voted in favor of the proposal.
2020.05.05 6th meeting of the 4th Board (3rd meeting of 2020)	<ol style="list-style-type: none"> 1. The amendment to the Company's "Remuneration Payment Measures for Directors and Functional Committee Members." 2. The distribution proposal of the Company's individual director's compensation and managerial officers' employee compensation for 2019. 3. It is proposed to adjust the Company's organization and personnel promotion. 4. The amendment to the Company's "Remuneration Committee Organization Rules." 	All members of the Committee present voted in favor of the proposal.	Proposed to the Board of Directors and all directors present voted in favor of the proposal.
2020.06.20 7th meeting of the 4th Board (4th meeting of 2020)	It is proposed to adjust the salary of Company's managerial officers.	All members of the Committee present voted in favor of the proposal.	Proposed to the Board of Directors and all directors present voted in favor of the proposal.
2020.12.08 8th meeting of the 4th Board (5th meeting of 2020)	The Company's 2020 year-end bonus distribution plan for managerial officers.	All members of the Committee present voted in favor of the proposal.	Proposed to the Board of Directors and all directors present voted in favor of the proposal.
2021.03.18 9th meeting of the 4th Board (1st meeting of 2021)	<ol style="list-style-type: none"> 1. The distribution proposal of the Company's 2020 employee compensation and director compensation. 2. It is proposed to approve the application for retirement and re-employment after the retirement of the vice president of the Sales & Marketing Division. 3. The amendment to the Company's "Personnel Assessment Measures." 	All members of the Committee present voted in favor of the proposal.	Proposed to the Board of Directors and all directors present voted in favor of the proposal.

(V) The Company's Implementation of Corporate Social Responsibilities, any Variance from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies, and Reasons thereof

Evaluation item	Implementation status			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
I. Does the Company conduct a risk assessment of environmental, social, or corporate governance (ESG) issues associated with its operations based on the principle of materiality and formulate relevant risk management policies or strategies?	✓		I. In accordance with the internal "Corporate Social Responsibility Best Practice Principles," the Company pays attention to environmental, social, and corporate governance factors while pursuing sustainable operation and profitability, and incorporates them into the Company's management policies and operational activities.	In compliance with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies.
II. Does the Company establish an exclusively (or concurrently) dedicated unit to implement CSR, and has the Board of Directors appointed senior management with responsibility for CSR, and report the status of the handling to the Board of Directors?	✓		II. Approved by the Company's Board of Directors on May 4, 2012, appointing the Management Department to push forward Corporate Social Responsibility and report to the Board of Directors.	In compliance with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies.
III. Environmental issues				
(I) Does the Company establish	✓		(I) The Company regularly propagates green energy-related	In compliance with the

Evaluation item	Implementation status			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
an appropriate environmental management system based on its industrial characteristics?			knowledge to its employees to reinforce their attention and implementation of green environmental protection in work and life. On Dec. 31, 2014, the Company has obtained the certification of ISO9001 quality management system and ISO14001 environmental management system. The validity period is from Dec. 31, 2020 to Dec. 30, 2023.	Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies.
(II) Does the Company endeavor to utilize all resources more efficiently and use renewable materials that have a low impact on the environment?	✓		(II) The Company promotes green procurement by gradually adopting environmentally-friendly materials, energy-saving & high-efficiency lamps, and inverter air conditioners, and continues to give impetus to water conservation plans and other measures. The Company also actively pursues comprehensive E-ization and green innovation service research and development, which effectively saves paper printing and greatly improves service efficiency.	In compliance with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies.
(III) Does the Company evaluate the current and future potential risks and opportunities of climate change, and take countermeasures to respond to climate-related issues?	✓		(III) When carrying out daily operation activities, the Company always pays attention to the relevant risks that may be caused by climate change and takes corresponding measures when necessary.	In compliance with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies.
(IV) Does the Company conduct	✓		(IV) In accordance with the "Corporate Social Responsibility Best	In compliance with the

Evaluation item	Implementation status			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
statistics on the greenhouse gas emissions, water consumption, and total waste weight for the past two years, and correspondingly formulate management policies for energy saving and carbon reduction, greenhouse gas reduction, water use reduction, or other wastes?			Practice Principle," the Company has implemented management measures for energy saving and carbon reduction, greenhouse gas reduction, water use reduction, or other wastes.	Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies.
IV. Social issues				
(I) Does the Company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	✓		(I) The Company strictly abides by relevant government regulations, implements labor laws, and protects employees' rights and interests. In addition to the labor-management meetings, employees can make suggestions and feedback through the communication platform to achieve the purpose of full communication and effective problem-solving.	In compliance with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies.
(II) Does the Company formulate and implement reasonable employee benefit measures (including remuneration, vacation, and other benefits) and	✓		(II) According to the Articles of Incorporation, if the Company has any surplus in the current year, it shall allocate 2% to 10% for the employees' compensation and no more than 5% for the directors' compensation. Relevant resolutions shall be resolved by the Board of Directors and reported to the Shareholders' Meeting. Other leave-related and welfare	In compliance with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies.

Evaluation item	Implementation status			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
appropriately reflect operating performance or results in employee compensation?			matters shall be handled in accordance with relevant laws and regulations.	
(III) Does the Company provide a healthy and safe work environment, and organize health and safety training for its employees on a regular basis?	✓		(III) The Company has taken out group insurance for employees in addition to the statutory labor and health insurance. In addition, regular free health checkups are provided, and personal and accidental disaster safety seminars are held regularly to build a safe workplace environment.	In compliance with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies.
(IV) Does the Company establish effective career development and training plans for its employees?	✓		(IV) The Company provides employees with effective professional development training programs.	In compliance with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies.
(V) Does the Company comply with relevant regulations and international standards in terms of customer health and safety, customer privacy, marketing and labeling of products and services, and formulate relevant consumer protection policies and	✓		(V) In accordance with the internal "Ethical Corporate Management Principles," the Company follows relevant regulations and international standards in terms of customer health and safety, customer privacy, marketing and labeling of products and services, and formulate relevant consumer protection policies and complaint procedures?	In compliance with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies.

Evaluation item	Implementation status			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
complaint procedures? (VI) Does the Company formulate supplier management policies that require suppliers to comply with relevant regulations on environmental protection, occupational safety and health, or labor rights and its implementation?	✓		(VI) The Company has established supplier management policies that require suppliers to comply with the relevant regulations on environmental protection, occupational safety and health, or labor rights.	In compliance with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies.
V. Does the Company compile the CSR report following the internationally accepted standards or guidelines for the preparation of reports to disclose non-financial information of the Company? Has the aforesaid report received assurance or certification opinion of the third-party accreditation institution?		✓	V. The Company abides by the relevant corporate social responsibility standards and requirements but has not yet prepared the CSR report.	Not eligible for

Evaluation item	Implementation status			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
VI. If the Company has established corporate social responsibility principles based on the "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies," describe the implementation and any deviations from the Principles: In order to implement corporate social responsibility and facilitate the balance and sustainable development of the economy, society, and environmental ecology, the Board of Directors passed a resolution on Mar. 9, 2012 to formulate the “Corporate Social Responsibility Practice Principles” to intensify the implementation of corporate social responsibility as well as incorporating it into the Company's management and operations. The Company has regularly reviewed the implementation status by the principles and made improvements accordingly. There has been no difference in implementation so far.				
VII. Other important information that helps to understand the operation of corporate social responsibility:				
1. Environmental protection In order to fulfill the social responsibility of protecting the global environment, the Company does not use any environmentally polluting substances in the manufacturing process. The waste materials are also entrusted to the resource recycling company for disposal to make sure there is no impact on the environment.				
2. Community participation, social contribution, social services, and social welfare The Company is enthusiastic about social welfare, and can immediately make donations to disadvantaged groups in need through professional institutions. The Company's donations in 2020 are as follows:				
Donated Unit				Donation Amount
St. Coletta Catholic Training Center for Special Needs, Eden Social Welfare Foundation, Chung-Hua Foundation for Persons with Intellectual Disabilities, Children Are Us Foundation, Taipei City Yangming Home for the Disabled, 1919 Food Bank,				NTD 405,000
Wuxi Shi Xishan Ci Shan Hui, Xishan Children's Welfare Institute				CNY 45,000
3. Consumer rights To provide customers with comprehensive services and assurance, the Company communicates with customers in a timely manner in response to customer complaints, understands customer needs to facilitate the interaction between the Company and its customers, and reviews and				

Evaluation item	Implementation status			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
improves in production and sales meetings from time to time.				
4. Human rights and safety and health				
(1) Adhering to the business philosophy of integrity, harmony, innovation and excellence, continuous growth, and sustainable development, the Company attaches great importance to employee welfare by setting up the Employee Welfare Committee and allocate monthly welfare funds for the Committee to organize activities, such as various tourism activities, club activities, and other welfare matters.				
(2) Provide various welfare subsidies for weddings and funerals, grants and emergency relief, annual health checks, group life insurance, and accident insurance.				
(3) The labor retirement method is formulated according to the provisions of the Labor Standards Act, where a certain percentage of the total monthly salary is appropriated into the labor pension reserve fund and deposited at the special account of the Central Trust of China to be used as the future payment of the labor pension reserve fund.				
(4) According to the Labor Pension Act, there is a definite contribution retirement method, and for employees who choose the applicable Labor Pension Act, no less than 6% of the salary is appropriated to the employees' individual account every month at the Bureau of Labor Insurance. The employee's pension is paid based on the employee's individual pension account and the accumulated amount, and it can be claimed in the form of a monthly pension or lump-sum pension.				
(5) The Labor Committee has been set up in accordance with regulations on labor relations. Labor meetings are held regularly with good results. Any new or revised measures related to labor relations will be finalized after full agreement and communication between labor and management.				
(6) Regularly assign employees to attend the safety and health seminars, conduct staff pre-employment education and training, and regularly arrange health checkups for all staff in order to provide employees with a comfortable and safe working environment.				

(VI) The State of the Company's Performance in Ethical Corporate Management, any Variance from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, and the Reason thereof

Evaluation item	Implementation status			Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and reasons thereof
	Yes	No	Description	
I. Establishment of ethical corporate management policies and programs				
(I) Does the Company establish ethical corporate management policies passed by the Board of Directors and declare its ethical corporate management policies and procedures in its guidelines and external documents, and do the Board of Directors and management work proactively to implement their commitment to those management policies?	✓		(I) In order to deepen the corporate culture of ethical management and sound development, the Company has established the "Ethical Corporate Management Principles" as the basis for implementing ethical corporate management, formulated relevant internal operating standards and internal control systems, and regularly reviewed various operations and reported to the Board of Directors. The Board of Directors will make recommendations for the deficiencies and improve tracking.	In compliance with the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies.
(II) Does the Company establish a risk assessment mechanism for unethical conduct, regularly analyze and assess operating activities with high-potential unethical conduct in the business scope, and formulate precautionary measures against unethical conducts, which at least cover the precautionary measures stated in Article 7, paragraph 2 of "Ethical Corporate Management Best Practice Principles for		✓	(II) The Company has not yet established a risk evaluation mechanism for unethical conduct.	The Company has not yet established a risk evaluation mechanism for unethical conduct.

Evaluation item	Implementation status			Deviations from the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies” and reasons thereof								
	Yes	No	Description									
<p>TWSE/TPEX Listed Companies?”</p> <p>(III) Does the company clearly define operating procedures, conduct guidelines, and punishment and appeal systems for violations in precautionary measures against unethical conduct, implement them, and regularly review the measures above?</p>	✓		<p>(III) The Company has established the "Code of Ethical Conduct," which has considerable penalties for the violation of social laws, public security management, corruption, collection of kickbacks, conflicts of interest, and other unethical conducts. The Code of Ethical Conduct is included in the content of employee induction and on-the-job training and will be included in the regular evaluation of the employee performance appraisal system to ensure the implementation of ethical corporate management, and there is also a smooth complaint channel. The one-hour education and training for departments with high operational risks and new employees include the relevant regulations of ethical corporate management and punishment for violations to strengthen and promote the concept of ethical corporate management to employees.</p> <table><tr><th>Course topic</th><th>Year</th><th>Number of participants</th><th>Number of hours/participants</th></tr><tr><td>Ethical corporate management principles</td><td>2020</td><td>159</td><td>1</td></tr></table>	Course topic	Year	Number of participants	Number of hours/participants	Ethical corporate management principles	2020	159	1	In compliance with the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies.
Course topic	Year	Number of participants	Number of hours/participants									
Ethical corporate management principles	2020	159	1									
<p>II. Fulfillment of ethical corporate management</p> <p>(I) Does the Company evaluate business partners’ ethical records and include ethics-related</p>	✓		<p>(I) The Company carefully evaluates the ethical records of its business counterparts. Once they violate the Company's principle of good faith, the Company will</p>	In compliance with the Ethical Corporate Management Best Practice								

Evaluation item	Implementation status			Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and reasons thereof
	Yes	No	Description	
clauses in the business contracts signed with the counterparties?			terminate all activities.	Principles for TWSE/TPEX Listed Companies.
(II) Does the Company established an exclusively dedicated unit under the Board to implement ethical corporate management, and report to the Board on a regular basis (at least once a year) about the ethical corporate management policies, precautionary measures against unethical conducts, as well as supervision of implementation?	✓		(II) The audit unit is responsible for the formulation, supervision, and implementation of the ethical corporate management policy, and reports to the Board of Directors regularly. There was a total of four reports in 2020.	In compliance with the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies.
(III) Does the Company establish policies to prevent conflicts of interest, provide appropriate communication channels, and implement them accordingly?	✓		(III) The Company has formulated the "Ethical Management Principles," "Code of Ethical Conduct," and "Code of Ethical Conduct for Directors and Managers," which clearly stipulate the principles of good faith and avoid conflicts of interest rules, strengthen the promotion of moral concepts, and encourage employees to report any violations of laws and regulations or Code of Ethical Conduct to the independent directors, managerial officers and chief internal auditor in writing.	In compliance with the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies.
(IV) Does the Company establish effective accounting systems and internal control systems to implement ethical corporate	✓		(IV) In order to ensure the implementation of ethical management, the Company has established an effective accounting system and internal control system, and the internal auditors have formulated and	In compliance with the Ethical Corporate Management Best Practice Principles for TWSE/TPEX

Evaluation item	Implementation status			Deviations from the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies” and reasons thereof
	Yes	No	Description	
<p>management and assign the internal audit unit to draw up relevant audit plans based on the assessment results of the unethical conduct risks, and verify compliance with the precautionary measures against unethical conducts, or entrust CPAs to perform the audit?</p> <p>(V) Does the Company regularly hold an internal and external educational training on ethical corporate management?</p>	✓		<p>implemented the annual audit plan according to the risk assessment results.</p> <p>(V) The Company has incorporated ethical management in the corporate culture and regularly conducts educational advocacy at various meetings for implementation.</p>	<p>Listed Companies.</p> <p>In compliance with the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies.</p>
<p>III. Operation of the whistle-blowing system</p> <p>(I) Does the Company establish both a reward and whistle-blowing system and convenient whistle-blowing channels? Are appropriate personnel assigned to the accused party?</p> <p>(II) Does the Company establish standard operating procedures for the reported matters, follow-up measures to be taken after the investigation is completed, and</p>	<p>✓</p> <p>✓</p>		<p>(I) The Company has set up a stakeholder service and contact person's mailbox in the stakeholder section of the Company website. Suppliers and employees can report any inappropriate behavior through this mailbox. In addition, the personnel management regulations and the Code of Ethical Conduct clearly formulate a code of conduct and rewards and punishments for colleagues and publicize punishment cases for colleagues to be vigilant.</p> <p>(II) The Company has a dedicated unit responsible for relevant affairs and keeps the information of the complainant and the whistleblower confidential. After the investigation of the incident is completed, it will be handled in accordance with the personnel</p>	<p>In compliance with the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies.</p> <p>In compliance with the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies.</p>

Evaluation item	Implementation status			Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and reasons thereof
	Yes	No	Description	
the relevant confidential mechanism? (III) Does the Company protect whistleblowers against receiving improper treatment?	✓		management regulations. (III) The Company strictly maintains confidentiality for the complainant or whistleblower of the complaint or whistleblowing matter to protect whistleblowers against receiving improper treatment.	In compliance with the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies.
IV. Enhancing information disclosure (I) Does the Company disclose the content of its Ethical Corporate Management Principles and the results of implementation on its website and MOPS?	✓		(I) The "Ethical Corporate Management Principles" formulated by the Company have been disclosed on the MOPS and the corporate website under the "Corporate Governance Section" (http://www.sinmag.com.tw/msg/message-公司治理-12.html).	In compliance with the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies.
V. If the Company has established its own ethical corporate management principles based on the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies," please describe the implementation and any deviations from the Principles: None.				
VI. Other important information that helps to understand the Company's ethical corporate management: On May 5, 2020, the Board of Directors passed the amendment to the Ethical Corporate Management Principles. (e.g., the Company reviews and amends its ethical corporate management principles)				

(VII) If the Company has established corporate governance principles and related bylaws, the inquiry method shall be disclosed:

The Company's relevant regulations and information have been published on the corporate website under the "Corporate Governance Section" (<http://www.sinmag.com.tw/msg/message-公司治理-12.html>) for inquiries by the public and the shareholders.

(VIII) Other material information that can enhance the understanding of the implementation of corporate governance: None.

(IX) Status of Internal Control System

1. Statement of Internal Control System

Sinmag Equipment Corporation
Statement of Internal Control System

Date: Mar. 18, 2021

The Company hereby states the results of the self-evaluation of the internal control system for 2020 as follows:

- I. The Company acknowledges that the establishment, implementation, and maintenance of the internal control system is the responsibility of the Board of Directors and the managers, and the Company has established such system. The internal control system is designed to provide reasonable assurance for the effectiveness and efficiency of the operations (including profitability, performance, and protection of assets), reliability, timeliness, and transparency of reporting, and compliance with applicable laws and regulations.
- II. The internal control system has innate limitations. No matter how robust and effective the internal control system, it can only provide reasonable assurance of the achievement of the foregoing three goals. In addition, the effectiveness of the internal control system may vary due to changes in the environment and conditions. However, the internal control system of the Company has self-monitoring mechanisms in place, and the Company will take corrective action against any defects identified.
- III. The Company uses the assessment items specified in the "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as the "Regulations") to determine whether the design and implementation of the internal control system are effective. Based on the process of control, the assessment items specified in the Regulations divide the internal control system into five constituent elements: 1. control environment; 2. risk assessment; 3. control activities; 4. information and communications; and 5. monitoring activities. Each constituent element includes a certain number of items. For more information on the aforementioned items, please refer to the Regulations.
- IV. The Company has adopted the aforesaid assessment items for the internal control system to determine whether the design and implementation of the internal control system are effective.
- V. Based on the results of the determination in the preceding paragraph, the Company believes that, as of Dec. 31, 2020, the internal control system (including the supervision and management of subsidiaries), including the design and implementation of the internal control system relating to the effectiveness and efficiency of the operations, reliability, timeliness, and transparency of reporting, and compliance with applicable laws and regulations, is effective and can reasonably assure the achievement of the foregoing goals.
- VI. This statement will constitute the main content of the Company's annual report and the prospectus and will be disclosed to the public. Any falsehood or concealment with regard to the above contents will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
- VII. This statement was approved by the Board of Directors on Mar. 18, 2021, and out of the nine directors in attendance, none objected to it and all consented to the content expressed in this statement.

Sinmag Equipment Corporation

Chairman: Shun-Ho Hsieh

President: Shun-Ho Hsieh

2. If a CPA has been hired to carry out a special audit of the internal control system, the CPA audit report shall be disclosed: None.

(X) During the most recent fiscal year up to the publication date of the annual report, penalties imposed upon the Company and its employees in accordance with the law, penalties imposed by the Company upon its employees for the violation of the internal control system policy, and its punishment results might have a significant influence on shareholders' equity or price of securities, the punishment, main deficiencies, and improvements shall be listed: None.

1. The Company's director Ming-Ching Hsieh and his minor child Ching-Yu Hsieh traded the Company's shares from Mar. 20, 2012 to Apr. 28, 2020, in violation of Article 157 of the Securities and Exchange Act for short-term trading. The Company has requested to exercise the right of claim in accordance with the provisions.

(XI) Major resolutions of the Shareholders' Meeting and the Board of Directors during the most recent fiscal year up to the publication date of the Annual Report:

1. Major resolutions of the Board of Directors

Date	Major resolutions
2020.03.12 7th meeting of the 13th Board (1st meeting of 2020)	<ol style="list-style-type: none"> 1. Approved the distribution proposal of the Company's 2019 employee compensation and director compensation. 2. Approved the Company's 2019 business report, financial statements, and consolidated financial statements. 3. Approved the assessment of independence and competence of CPAs and the appointment and compensation of the CPAs for 2020. 4. Approved the effectiveness assessment of the Company's internal control system design and implementation for 2019. 5. Approved 2019 "Statement of Internal Control System." 6. Approved the adjustment of investment structure of Sinmag Equipment (Thailand) Co., Ltd., the third-tier subsidiary, and the capital increase. 7. Approved the proposal of establishing a maintenance service company in Thailand. 8. Approved the acceptance of shareholders' proposal-related matters at the 2020 Annual Shareholders' Meeting for shareholders with more than 1% of the shareholding. 9. Approved the convening of the 2020 Company's Annual Shareholders' Meeting related matters.
2020.05.05 8th meeting of the 13th Board (2nd meeting of 2020)	<ol style="list-style-type: none"> 1. Approved the Company's consolidated financial statements for the first quarter of 2020. 2. Approved the Company's earnings distribution for 2019. 3. Approved the amendment to the Company's "Remuneration Payment Measures for Directors and Functional Committee Members." 4. Approved the distribution proposal of the Company's individual director's compensation and managerial officers' employee compensation for 2019. 5. Approved the salary adjustment for the Company's managerial

Date	Major resolutions
	<p>officers.</p> <p>6. Approved the adjustment of the Company's organization and personnel promotion.</p> <p>7. Approved the amendment to the Company's "Rules of Procedures for the Board of Directors' Meetings."</p> <p>8. Approved the amendment to the "Rules of Procedure for Shareholders' Meetings."</p> <p>9. Approved the amendment to the Company's "Ethical Corporate Management Principles."</p> <p>10. Approved the amendment to the Company's "Audit Committee Organization Rules."</p> <p>11. Approved the amendment to the Company's "Remuneration Committee Organization Rules."</p> <p>12. Approved the amendment to the Company's "Corporate Social Responsibility Practice Principles."</p> <p>13. Approved the amendment of the Company's "Corporate Governance Practice Principles."</p> <p>14. Approved the amendment to the Company's "Performance Evaluation Method of the Board of Directors."</p> <p>15. Approved the amendment to the Company's "Procedures for Acquisition or Disposal of Assets."</p>
<p>2020.06.20</p> <p>9th meeting of the 13th Board</p> <p>(3rd meeting of 2020)</p>	<p>1. Approved the renewal of the credit line from Changhua Bank.</p> <p>2. Approved the distribution of the Company's cash dividends-related matters.</p> <p>3. Approved the salary adjustment for the Company's managerial officers.</p>
<p>2020.08.11</p> <p>10th meeting of the 13th Board</p> <p>(4th meeting of 2020)</p>	<p>1. Approved the Company's consolidated financial statements for the second quarter of 2020.</p> <p>2. Approved the renewal of the credit line from E.SUN Bank.</p> <p>3. Approved the amendment to the Company's "Internal Control System" and "Internal Audit Implementation Rules."</p>
<p>2020.11.06</p> <p>11th meeting of the 13th Board</p> <p>(5th meeting of 2020)</p>	<p>1. Approved the Company's consolidated financial statements for the third quarter of 2020.</p> <p>2. Approved the capital reduction for the Company's third-place reinvestment companies, Samoa Lucky Union Limited and Sinmag Limited.</p> <p>3. Approved the capital increase of THB 3 million in response to the needs of the Thai subsidiary Sinmag Equipment (Thailand) Co., Ltd. to apply for a service license.</p> <p>4. Approved the formulation of the estimated earnings distribution plan for the Company's subsidiaries in 2020.</p> <p>5. Approved the pledge of time deposits to banks for tariff endorsement and guarantee.</p> <p>6. Approved the amendment to the Company's "Accounting System."</p>
<p>2020.12.08</p> <p>12th meeting of the 13th Board</p> <p>(6th meeting of 2020)</p>	<p>1. Approved the Company's 2021 operating plan and budget.</p> <p>2. Approved the Company's 2021 audit plan.</p> <p>3. Approved the Company's 2020 year-end bonus distribution plan for managerial officers.</p> <p>4. Approved Company's 2021 donation budget.</p>

Date	Major resolutions
<p>2021.03.18</p> <p>13th meeting of the 13th Board (1st meeting of 2021)</p>	<ol style="list-style-type: none"> 1. Approved the effectiveness assessment of the Company's internal control system design and implementation for 2020. 2. Approved 2020 "Statement of Internal Control System." 3. Approved the Company the revocation of the resolution passed by the Board of Directors on Dec. 16, 2019 to reduce the capital of Sinmag Bakery Machine India Private Limited to make up for losses. 4. Approved the distribution proposal of the Company's 2020 employee compensation and director compensation. 5. Approved the Company's 2020 business report, financial statements, and consolidated financial statements. 6. Approved the Company's earnings distribution for 2020. 7. Approved the adjustment of Sinmag Group's investment structure and the investment structure adjustment of the third-tier subsidiary LBC Bakery Equipment Inc. in the US and Sinmag Bakery Equipment SDN.BHD. in Malaysia. 8. Approved the closure of Thai subsidiary Benchmark Service Co., Ltd. 9. Approved the assessment of independence and competence of CPAs and the appointment and compensation of the CPAs for 2021. 10. Approved the retirement and re-employment of the vice president of the Sales & Marketing Division. 11. Approved the Company's "Personnel Assessment Measures." 12. Approved the amendment to the Company's "Rules of Procedures for the Board of Directors' Meetings." 13. Approved the amendment to the "Rules of Procedure for Shareholders' Meetings." 14. Approved the amendment to the "Method for the Election of Directors." 15. Approved the amendment to the Company's "Audit Committee Organization Rules." 16. Approved amendment to the Company's "Performance Evaluation Method of the Board of Directors." 17. Approved the amendments to the Company's "Standards for the Duties Scope of Independent Directors." 18. Approved the amendment to the Company's "Financial-related Operation Standards among Affiliated Companies." 19. Approved the acceptance of shareholders' proposal-related matters at the 2021 Annual Shareholders' Meeting for shareholders with more than 1% of the shareholding. 20. Approved the convening of the 2021 Company's Annual Shareholders' Meeting related matters.
<p>2021.05.07</p> <p>2nd meeting of 2021 (14th meeting of the 13th Board)</p>	<ol style="list-style-type: none"> 1. Approved the Company's consolidated financial statements for the first quarter of 2021. 2. Approved the distribution proposal of the Company's individual director's compensation and managerial officers' employee compensation for 2020. 3. Approved the Company's investment structure adjustment of the third-tier subsidiary Sinmag Bakery Machine India Private Limited. 4. Approved the renewal of the financing line from Changhua Bank and E.SUN Bank.

2. Major resolutions and implementation of the Shareholders' Meeting on Jun. 20, 2020
 - (1) Major resolutions
 - (a) Recognized the earnings distribution for 2019.
 - (b) Recognized the 2019 business report and financial statements.
 - (c) Approved the amendment to the "Rules of Procedure for Shareholders' Meetings."
 - (d) Approved the amendment to the Company's "Procedures for Acquisition or Disposal of Assets."
 - (2) Status of implementation
 - (a) After the Company's earnings distribution proposal for 2019 was recognized by the Shareholders' Meeting, the Board of Directors convened a meeting on Jun. 20, 2020 to set the ex-dividend record date. The shareholder's cash dividend of NT\$251,151,210 was distributed on Aug. 5, 2020.
 - (b) The Company has announced and uploaded the revised "Rules of Procedure for Shareholders' Meetings" and "Procedures for Acquisition or Disposal of Assets" to MOPS.
3. Major resolutions and implementation of the Shareholders' Meeting on Jun. 14, 2019
 - (1) Major resolutions
 - (a) Recognized the earnings distribution for 2019.
 - (b) Recognized the 2018 business report and financial statements.
 - (c) Approved the amendment to the Company's "Articles of Incorporation."
 - (d) Approved comprehensive re-election of directors and independent directors.
 - (e) Approved the amendment to the Company's "Procedures for Acquisition or Disposal of Assets."
 - (f) Approved the amendment to the Company's "Operation Procedures of Loans to Others."
 - (g) Approved the amendment to the Company's "Operating Procedures of Endorsement and Guaranty."
 - (h) Approved the proposal to lift the restrictions on non-competition for newly appointed directors and their representatives.
 - (2) Status of implementation
 - (a) After the Company's earnings distribution proposal for 2018 was recognized by the Shareholders' Meeting, the Board of Directors convened a meeting on Jun. 24, 2019 to set the ex-dividend record date. The shareholder's cash dividend of NT\$326,496,573 was distributed on Aug. 6, 2019.

- (b) The Company's Articles of Incorporation and the registration of changes to the re-election of directors and independent directors were approved by Letter No. Jing-Shou-Shang-Zi 10801089750 on Jul. 8, 2019.
 - (c) The Company has announced and uploaded the revised "Operation Procedures of Loans to Others," "Operating Procedures of Endorsement and Guaranty," and "Procedures for Acquisition or Disposal of Assets" to MOPS.
 - (d) An announcement regarding the lifting of restrictions on non-competition for directors Shun-Ho Hsieh, Yao-Tsung Wu, Jui-Jung Chang, Ming-Ching Hsieh, Yung-Chen Chen, and Yu-Chuan Chang have been uploaded.
- (XII) Any dissenting opinion expressed by a director or supervisor with respect to a major resolution passed by the Board of Directors during the most recent fiscal year and up to the publication date of the Annual Report, where said dissenting opinion has been recorded or prepared as a written declaration and main content: None.
- (XIII) A summary of resignations and dismissals of the Company's chairperson, president, accounting manager, financial manager, chief internal auditor, corporate governance supervisor, or research and development officer during the most recent fiscal year and up to the publication date of the Annual Report: None.

- (XIV) Relevant licenses specified by the competent authority received by the Company's personnel-related to financial information transparency: The Company's audit department has obtained one certified internal auditor (CIA) license and the financial accounting staff of the Thai subsidiary obtained one CPA license.

IV. Information on CPA Professional Fees

(2)

CPA Firm	Name of CPA		Audit period	Remarks
Deloitte & Touche	Chiang-Hsun Chen	Chao-Mei Chen	2020.1.1~2020.12.31	

Unit: NT\$ thousands

Range of fees \ Category of fees		Audit fee	Non-audit fee	Total
1	Under NT\$2,000,000		626	
2	NT\$2,000,000 (inclusive) - NT\$4,000,000			
3	NT\$4,000,000 (inclusive) - NT\$6,000,000	4,250		4,876
4	NT\$6,000,000 (inclusive) - NT\$8,000,000			
5	NT\$8,000,000 (inclusive) - NT\$10,000,000			
6	Over NT\$ 10,000,000			

- (3) When non-audit fees paid to the certified public accountant, to the accounting firm of the certified public accountant, and/or to any affiliated enterprise of such accounting firm are one quarter or more of the audit fees paid thereto, the amounts of both audit and non-audit fees, as well as details of non-audit services, shall be disclosed:
- (4) The Company's non-audit fees in 2020 accounted for 14.73% of the audit fees and the service content is as follows:

Unit: NT\$ thousands

CPA Firm	Name of CPA	Audit fee	Non-audit fee					CPA audit period	Remarks
			System design	Company registration	Human resource	Others	Subtotal		
Deloitte & Touche	Chiang-Hsun Chen	4,250	0	0	0	626	626	2020.01.01 ~ 2020.12.31	Note 2
	Chao-Mei Chen								

Note 1. The Company's audit fees for 2020 were NT\$4,250 thousand, including NT\$270 thousand for the issuance of the English financial statements reports.

Note 2. Other non-audit fees include NT\$300 thousand for transfer pricing reports, NT\$30 thousand for tax consultation, and NT\$296,000 for travel expenses for overseas subsidiaries' auditing, financial typing and printing expenses, etc.

- (5) When the Company changes its accounting firm and the audit fees paid for the fiscal year in which such change took place are lower than those for the previous fiscal year, the amounts of the audit fees before and after the change and the reasons shall be disclosed: None.
- (6) When the audit fees paid for the current fiscal year are lower than those for the previous fiscal year by ten percent or more, the reduction in the amount of the audit fees, reduction percentage, and reason(s) thereof shall be disclosed:

V. Information on Replacement of CPAs in the Last Two Years and thereafter: None.

VI. Where the Company's Chairperson, President, or any Managerial Officer in Charge of Finance or Accounting Matters in the Most Recent Fiscal Year Holding a Position at the Company's CPA Firm or an Affiliated Enterprise of such CPA Firm, the Name, Title, and Period of Employment should be Disclosed: None.

VII. Any Transfer of Equity Interests and/or Pledge of or Change in Equity Interests (during the Most Recent Fiscal Year or the Current Fiscal Year up to the Publication Date of the Annual Report) by a Director, Supervisor, Managerial Officer, or Shareholder with a Stake of More than Ten Percent.

(I) Share changes by directors, supervisors, managers, and major shareholders

Apr. 20, 2021; Unit: Shares

Title	Name	2020		As of the current year Apr. 20, 2021	
		Shareholding increase (decrease)	Pledged shares increase (decrease)	Shareholding increase (decrease)	Pledged shares increase (decrease)
Chairman and President	Shun-Ho Hsieh	0	0	0	0
Director	Yao-Tsung Wu	0	0	0	0
Director	Jui-Jung Chang	0	0	0	0
Director and Vice President of the Management Division	Ming-Ching Hsieh	325,000	0	289,000	0
Director and Vice President of Overseas Business Division	Yung-Chen Chen	0	0	0	0
Director	Yu-Chuan Chang	0	0	5,000	0
Independent Director	Shih-Hung Chan	0	0	0	0

Title	Name	2020		As of the current year Apr. 20, 2021	
		Shareholding increase (decrease)	Pledged shares increase (decrease)	Shareholding increase (decrease)	Pledged shares increase (decrease)
Independent Director	Huei-Wang Huang	0	0	0	0
Independent Director	San-Chien Tu	0	0	0	0
CFO	Yu-Tung Huang	(5,000)	0	0	0
Director, Sales & Marketing Division I	Chih-Hsien Chen (Note 1)	0	0	Not applicable	Not applicable
Director, R&D Department	Shiu-Tu Chen	0	0	0	0
Manager, Manufacturing Department	Tsai-Wang Huang	0	0	0	0
Manager, Engineering Department	Tai-Sheng Wang	0	0	0	0
Manager, Overseas Business Department	Tzu-Chien Chang	12,000	0	0	0
Audit Manager	Shu-Yuan Li	0	0	0	0
Manager, Human Resources Department	Zhi-Wei Hong (Note 2)	0	0	2,000	0

Note 1: Chih-Hsien Chen, the vice president of the Sales & Marketing Division, retired on Mar. 31, 2021, and was re-appointed as the director of the Sales & Marketing Division I on Apr. 1, 2021.

Note 2: Zhi-Wei Hong, manager of the Human Resources Department, took office on May 5, 2020.

- (II) Information on share transfers: Not applicable as the counterparty of its share transfers and the Company's directors, managers, and major shareholders with more than 10% of shareholding are not related parties.
- (III) Information on share pledges: Not applicable as the counterparty of its share pledges and the Company's directors, managers, and major shareholders with more than 10% of shareholding are not related parties.

VIII. Relationship Information, if among the Company's Ten Largest Shareholders anyone is a Related Party or a Relative within the Second Degree of Kinship of another.

Apr. 20, 2021; Unit: Shares

Name	Current shareholding		Spouse & minor shareholding		Shareholding by nominees		Among the ten largest shareholders, name and relationship with anyone who is a related party or a relative within the second degree of kinship		Remarks
	Shares	Shareholding ratio	Shares	Shareholding ratio	Shares	Shareholding ratio	Name	Relation	
Sheng Chia Investment Co., Ltd.	3,015,545	6.00%	0	0%	0	0%	Ming-Ching Hsieh	Director	None
							Ming-Feng Hsieh	Director	
							Li-Min Hsieh Chen	Supervisor	
							Ming-Hsiao Hsieh	Representative	
Representative of Sheng Chia Investment Co., Ltd.: Ming-Hsiao Hsieh	1,070,869	2.13%	107,645	0.21%	0	0%	Shun-Ho Hsieh	Father and son	None
							Ming-Ching Hsieh	Brother	
							Ming-Feng Hsieh	Brother	
							Li-Min Hsieh Chen	Mother and son	
Shun-Ho Hsieh	2,211,267	4.40%	1,000,564	1.99%	0	0%	Sheng Chia Investment Co., Ltd.	Invested companies	None
							Ming-Ching Hsieh	Father and son	
							Ming-Feng Hsieh	Father and son	
							Ming-Hsiao Hsieh	Father and son	
							Li-Min Hsieh Chen	Spouse	
Ming-Ching Hsieh	2,012,980	4.01%	104,508	0.21%	0	0%	Shun-Ho Hsieh	Father and son	None
							Li-Min Hsieh Chen	Mother and son	
							Ming-Feng Hsieh	Brother	
							Ming-Hsiao Hsieh	Brother	
							Sheng Chia Investment Co., Ltd.	Invested companies	
Taiwan Life Insurance Co., Ltd.	1,882,918	3.75%	0	0%	0	0%	None	None	None
Yao-Tsung Wu	1,788,616	3.56%	1,459,555	2.91%	0	0%	Pi-Yu Jen	Spouse	None
Pi-Yu Jen	1,459,555	2.91%	1,788,616	3.56%	0	0%	Yao-Tsung Wu	Spouse	None

Name	Current shareholding		Spouse & minor shareholding		Shareholding by nominees		Among the ten largest shareholders, name and relationship with anyone who is a related party or a relative within the second degree of kinship		Remarks
	Shares	Shareholding ratio	Shares	Shareholding ratio	Shares	Shareholding ratio	Name	Relation	
HSBC is entrusted with the custody of the special account of Morgan Stanley & Co. International Plc	1,139,980	2.27%	0	0%	0	0%	None	None	Note
Ming-Hsiao Hsieh	1,070,869	2.13%	107,645	0.21%	0	0%	Shun-Ho Hsieh	Father and son	None
							Ming-Ching Hsieh	Brother	None
							Ming-Feng Hsieh	Brother	
							Li-Min Hsieh Chen	Mother and son	
							Sheng Chia Investment Co., Ltd.	Invested companies	
Ming-Feng Hsieh	1,063,680	2.12%	40,835	0.08%	0	0%	Shun-Ho Hsieh	Father and son	None
							Ming-Ching Hsieh	Brother	
							Ming-Hsiao Hsieh	Brother	
							Li-Min Hsieh Chen	Mother and son	
							Sheng Chia Investment Co., Ltd.	Invested companies	
Li-Min Hsieh Chen	1,000,564	1.99%	2,211,267	4.40%	0	0%	Shun-Ho Hsieh	Spouse	None
							Ming-Ching Hsieh	Mother and son	
							Ming-Feng Hsieh	Mother and son	
							Ming-Hsiao Hsieh	Mother and son	
							Sheng Chia Investment Co., Ltd.	Invested companies	

Note: It is a foreign institutional investor's account, unable to query its legal representative.

Major shareholders of institutional shareholders :

Name of institutional shareholders	Representative	Major shareholders of institutional shareholders
Sheng Chia Investment Co., Ltd.	Ming-Hsiao Hsieh	Ming-Hsiao Hsieh, Shun-Ho Hsieh, Li-Min Hsieh Chen, Ming-Ching Hsieh, Ming-Feng Hsieh
Taiwan Life Insurance Co., Ltd.	Si-Guo Huang	CTBC Financial Holding Co., Ltd.
HSBC is entrusted with the custody of the special account of Morgan Stanley & Co. International Plc	Note	Note

Note: It is a foreign institutional investor's account, unable to query its legal representatives and major shareholders.

Major shareholders where legal persons are the major shareholders:

Apr. 21, 2020; %

Name of the legal person	Major shareholders of a legal person	Shareholding ratio
CTBC Financial Holding Co., Ltd.	Fubon Life Insurance Co., Ltd.	3.75%
	Yi Gao Investment Corporation	2.40%
	China Life Insurance Co., Ltd.	2.05%
	Citibank (Taiwan) Limited is entrusted with the custody of the Singapore government investment account	1.98%
	CTBC Bank is entrusted with the custody of the trust asset account of Employee Welfare Savings Trust Fund Committee, CTBC Financial Holding Co., Ltd.	1.77%
	New labor retirement fund	1.68%
	JPMorgan Chase Bank N.A., Taipei Branch is entrusted with the custody of the investment account of Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	1.60%
	Citibank (Taiwan) Limited is entrusted with the custody of the investment account of Norges Bank	1.59%
	Bank of Taiwan	1.50%
	Shin Kong Life Insurance Co., Ltd.	1.45%

IX. Total Number of Shares and Total Equity Stake Held in any Single Enterprise by the Company, its Directors and Supervisors, Managers, and any Companies Controlled either Directly or Indirectly by the Company.

May 15, 2021; Unit: Shares; %

Invested company	Investment by the Company		Investment by directors, managers, and by companies directly or indirectly controlled by the Company		Total investment	
	Shares	Shareholding ratio	Shares	Shareholding ratio	Shares	Shareholding ratio
Lucky Union Limited	13,775,780	100%	0	0%	13,775,780	100%
Sinmag Equipment (Thailand) Co., Ltd.	20,600,000	100%	0	0%	20,600,000	100%
Benchmark Service Co., Ltd.	100,000	100%	0	0%	100,000	100%
Sinmag Limited	13,775,780	100%	0	0%	13,775,780	100%
Sinmag Equipment (China) Co., Ltd.	0	100%	0	0%	0	100%
Wuxi New Order Control Co., Ltd.	0	50%	0	0%	0	50%
Sinmag Bakery Equipment Sdn. Bhd.	300,000	100%	0	0%	300,000	100%
LBC Bakery Equipment Inc.	882,000	82.82%	0	0%	882,000	82.82%
Sinmag Bakery Machine India Private Limited	8,926,601	100%	0	0%	8,926,601	100%

Chapter 4. Capital Overview

I. Capital and Shares

(1) Source of capital

May 15, 2021: Unit: NT\$ thousands; thousand shares

Month/Year	Issue price	Authorized capital		Paid-in capital		Remarks		
		Shares	Amount	Shares	Amount	Sources of capital	Capital increase by assets other than cash	Others
September 1983	\$10	900	9,000	400	4,000	Cash investment	None	Note 1
November 1985	\$10	1,000	10,000	1,000	10,000	600,000 shares offset by creditor's rights	Creditor's rights	Note 2
November 1991	\$10	1,800	18,000	1,800	18,000	800,000 shares offset by creditor's rights	Creditor's rights	Note 3
September 1995	\$10	2,300	23,000	2,300	23,000	500,000 shares of capital increase in connection with a merger	None	Note 4
June 1997	\$10	4,000	40,000	4,000	40,000	800,000 shares of capital increase by cash, 350,000 shares of capital increase by capital surplus, 550,000 shares of capital increase by retained earnings	None	Note 5
December 2003	\$10	42,000	420,000	21,000	210,000	17,000,000 shares of capital increase by cash	None	Note 6
January 2006	\$18	42,000	420,000	24,500	245,000	3,500,000 shares of capital increase by cash	None	Note 7
September 2006	\$10	42,000	420,000	27,110	271,100	2,450,000 shares of capital increase by retained earnings and 160,000 shares of employee stock dividends	None	Note 8
October 2007	\$10	42,000	420,000	31,350	313,500	4,066,500 shares of capital increase by retained earnings and 173,500 shares of employee stock dividends	None	Note 9
January 2008	\$10	42,000	420,000	35,170	351,700	3,820,000 shares of capital increase by cash	None	Note 10
August 2009	\$10	42,000	420,000	36,928.5	369,285	1,758,500 shares of capital increase by capital surplus	None	Note 11
September 2010	\$10	60,000	600,000	38,774.9	387,749	1,846,400 shares of capital increase by capital surplus	None	Note 12

August 2011	\$10	60,000	600,000	40,713.7	407,137	1,938,700 shares of capital increase by retained earnings	None	Note 13
September 2012	\$10	60,000	600,000	42,749.4	427,494	2,035,700 shares of capital increase by retained earnings	None	Note 14
August 2013	\$10	60,000	600,000	44,886.8	448,868	2,137,400 shares of capital increase by retained earnings	None	Note 15
September 2014	\$10	60,000	600,000	47,580.0	475,800	2,693,200 shares of capital increase by retained earnings	None	Note 16
September 2015	\$10	60,000	600,000	48,531.6	485,316	951,600 shares of capital increase by retained earnings	None	Note 17
August 2018	\$10	60,000	600,000	50,230.2	502,302	1,698,600 shares of capital increase by retained earnings	None	Note 18

Note 1: Official approval letter No. Jian-YI-Zi103524 dated Sep. 27, 1983.

Note 2: Official approval letter No. Jian-YI-Zi 156037 dated Nov. 5, 1985.

Note 3: Official approval letter No. Jian-YI-Zi 147693 dated Nov 1, 1991.

Note 4: Official approval letter No. Jian-YI-Zi 01008172 dated Sep. 8, 1995.

Note 5: Official approval letter No. Jian-YI-Zi 86305287 dated Jun. 26, 1997.

Note 6: Official approval letter No. Jian-Shang-Zi 09226614900 dated Dec. 9, 2003.

Note 7: Taipei City letter No. Shang-YI-Zi 0950003483 dated Jan. 20, 2006.

Note 8: Taipei City letter No. Shang-YI-Zi 0950043302 dated Sept. 22, 2006.

Note 9: Taipei City letter No. Shang-YI-Zi 0960044477 dated Oct. 24, 2007.

Note 10: Taipei City letter No. Shang-YI-Zi 0970001003 dated Jan. 9, 2008.

Note 11: Government industrial letter No. Shang-Zi 09887820510 dated Aug. 24, 2009.

Note 12: Government industrial letter No. Shang-Zi 09987446000 dated Sep. 3, 2010.

Note 13: Government industrial letter No. Shang-Zi 10086455110 dated Aug. 16, 2011.

Note 14: Government industrial letter No. Shang-Zi 10187409100 dated Sep. 5, 2012.

Note 15: Government industrial letter No. Shang-Zi 10287073100 dated Aug. 20, 2013.

Note 16: Government industrial letter No. Shang-Zi 10387955910 dated Sep. 17, 2014.

Note 17: Government industrial letter No. Shang-Zi 10487987110 dated Sep. 11, 2015.

Note 18: Official approval letter No. Jiang-Shou-Shang-Zi 10701094900 dated Aug. 6, 2018.

May 15, 2021; Unite: Shares

Share type	Authorized capital			Remarks
	Outstanding shares	Unissued shares	Total	
Registered ordinary shares	50,230,242	9,769,758	60,000,000	TPEX listed stock

(2) Shareholder structure Apr. 20, 2021; Unit: Shares; Persons

Shareholder structure	Government agencies	Financial institutions	Other institutional shareholders	Domestic natural persons	Foreign institutions and natural persons	Total
Number						
Number of participants	0	11	41	7,947	61	8,060
Shareholdings	0	3,132,833	4,009,684	36,868,980	6,218,745	50,230,242
Shareholding ratio	0.00%	6.24%	7.98%	73.40%	12.38%	100.00%

(3) Shareholding distribution status

1. Common shares: Par value of \$10 per share

Apr. 20, 2021; Unit: Shares; Persons

Range of shareholding	Number of shareholders	Shareholdings	Shareholding ratio (%)
1 - 999	2,190	278,461	0.55%
1,000 - 5,000	4,850	8,956,070	17.83%
5,001 - 10,000	527	3,943,709	7.85%
10,001 - 15,000	167	2,104,546	4.19%
15,001 - 20,000	96	1,717,965	3.42%
20,001 - 30,000	88	2,260,557	4.50%
30,001 - 50,000	63	2,509,484	5.00%
50,001 - 100,000	36	2,601,405	5.18%
100,001 - 200,000	16	2,119,194	4.22%
200,001 - 400,000	12	3,453,838	6.88%
400,001 - 600,000	1	502,000	1.00%
600,001 - 800,000	2	1,484,776	2.95%
800,001 - 1,000,000	2	1,652,263	3.29%
Over 1,000,001	10	16,645,974	33.14%
Total	8,060	50,230,242	100.00%

2. Preferred shares: The Company has not issued any preferred shares.

- (1) List of major shareholders: Names, number of shareholdings, and percentage of shareholding of the top ten shareholders or shareholders with a shareholding ratio of more than 5%.

Apr. 20, 2021; Unit: Shares; %

Shares Name of major shareholder	Shareholdings (shares)	Shareholding ratio (%)
Sheng Chia Investment Co., Ltd.	3,015,545	6.00%
Shun-Ho Hsieh	2,211,267	4.40%
Ming-Ching Hsieh	2,012,980	4.01%
Taiwan Life Insurance Co., Ltd.	1,882,918	3.75%
Yao-Tsung Wu	1,788,616	3.56%
Pi-Yu Jen	1,459,555	2.91%
HSBC is entrusted with the custody of the special account of Morgan Stanley & Co. International Plc	1,139,980	2.27%
Ming-Hsiao Hsieh	1,070,869	2.13%
Ming-Feng Hsieh	1,063,680	2.12%
Li-Min Hsieh Chen	1,000,564	1.99%

- (2) Institutional shareholders that are top ten shareholders or shareholders with a shareholding ratio of more than 5% and the details of their major shareholders:

Apr. 20, 2021

Name of institutional shareholders	Major shareholders of institutional shareholders
Sheng Chia Investment Co., Ltd.	Ming-Hsiao Hsieh, Shun-Ho Hsieh, Li-Min Hsieh Chen, Ming-Ching Hsieh, Ming-Feng Hsieh
Taiwan Life Insurance Co., Ltd.	CTBC Financial Holding Co., Ltd.
HSBC is entrusted with the custody of the special account of Morgan Stanley & Co. International Plc	Note

Note: It is a foreign institutional investor's account, unable to query its major shareholders.

- (3) Market price, net worth, earnings, dividends per share, and related information for the past two fiscal years:

Unit: NT\$

Item \ Year			2019	2020	As of May 15, 2021 (Note 2)
Market price per share	Highest		129.5	120.50	115.00
	Lowest		98.80	70.50	84.20
	Average		110.33	88.14	100.96
Net worth per share	Before distribution		43.34	45.17	46.31
	After distribution		38.34	38.38 Note1	39.52 Note1
Earnings per share	Weighted average shares	Before retroactive adjustment	50,230,242	50,230,242	50,230,242
		After retroactive adjustment	50,230,242	50,230,242 Note1	50,230,242 Note1
	Earnings per share	Before retroactive adjustment	10.02	6.79	1.47
		After retroactive adjustment	10.02	6.79 Note1	1.47 Note1
Dividends per share	Cash dividends (\$)		5	6.79 Note1	-
	Stock dividends	Dividends from retained earnings (share)	0	0	-
		Dividends from capital surplus	0	0	-
	Accumulated undistributed dividends		0	0	-
Return on Investment	Price/earnings ratio		11.01	12.98	-
	Price/dividend ratio		22.07	12.98	-
	Cash dividend yield rate		4.53%	7.70%	-

Note 1. The Company's earnings distribution for 2020 has been approved by the Board of Directors, pending approval by the Shareholders' Meetings.

Note 2. Net worth per share and earnings per share are the data reviewed by CPAs for the first quarter of 2021, and the remaining fields are the data for the year as of May 15, 2021.

(4) Company's dividend policy and implementation thereof:

1. Dividend policy

According to the dividend policy stipulated in the Articles of Incorporation, if there is net profit after tax in the annual final accounts of the Company for the current period, the Company shall make up the accumulated loss first (including adjustments to the undistributed earnings amount), and then allocate 10% as the legal reserve according to law, except when the legal reserve has reached the paid-in capital of the Company. Then, the Company shall set aside or reverse special reserve according to the regulations or the competent authority; the remaining earnings, together with the opening retained earnings (including adjustments to the undistributed earnings amount), shall be drafted by the Board of Directors with an earnings distribution proposal, and submitted to the Shareholders' Meeting for resolution of distribution of dividends to shareholders.

The Company's dividend policy is to be in line with the current and future development plans, considering the investment environment, capital needs, domestic and foreign competition, and taking into account the shareholders' interests and other factors. Every year, no less than 20% of the distributable earnings shall be allocated for the distribution of dividends to shareholders. The distribution of dividends to shareholders may be done in cash or stocks, in which the cash dividends shall not be less than 20% of the total dividends.

2. Proposed distribution of dividends at the most recent Shareholders' Meeting

The Company's earnings distribution proposal for 2020 was proposed by the Board of Directors on Mar. 18, 2021 to distribute NT\$341,063,343 as cash dividends at NT\$6.79 per share, all distributed in cash. The proposal will be submitted to the Shareholders' Meeting for ratification on Jun. 18, 2021.

3. Expected major changes in dividend policy: None.

(5) The impact of the proposed stock dividends at the most recent Shareholders' Meeting on the Company's operating performance and earnings per share:

There are no stock dividends proposed at the most recent Shareholders' Meeting, so it has no significant impact on the Company's operating performance and earnings per share.

(6) Compensation of employees and directors

1. The percentages or ranges of compensation of employees and directors as stipulated in the Company's Articles of Incorporation:

In accordance with the Articles of Incorporation of the Company, if the Company has any profit in the year, the Company shall allocate 2% to 10% of the pre-tax profit

of the current period before deducting the distribution of employee and director compensation in the current year as the employee compensation. The Board of Directors shall resolve to distribute the profit by shares or cash, and the distributed parties may include the subordinate company's employees meeting certain conditions. The Company may, by resolution of the Board of Directors, allocate not more than 5% of the pre-tax profits of the current period before deducting the distribution of employee and director compensation in the current year as the director compensation. The distribution proposal of employee and director compensation shall be submitted to the Shareholder's Meeting.

However, if the Company still has accumulated losses, it shall reserve the amount to make up for the losses first, then allocate employee and director compensation in proportion to the preceding paragraph.

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

The Company estimates the employee and director compensation on a pro-rata basis based on the net profit before tax before deduction of the employee and director compensation in the current year. When there is a difference between the actual distributed amount and the estimated amount, it shall be accounted as the profit and loss of the following year.

3. Information on any approval by the Board of Directors of distribution of compensation:

- (1) The amount of any compensation distributed to employees and directors in cash or stocks:

On Mar. 18, 2021, the Company's Board of Directors passed a resolution to distribute employee compensation of NT\$11,245,194 and director compensation of NT\$4,947,757, which is no different from the annual estimated amount of recognized expenses.

- (2) The amount of any employee compensation distributed in stocks, and its proportion to net income of the Parent Company-only financial reports and total employee compensation for the current period:

In 2020, the Company did not propose to distribute employee compensation in stocks.

4. The actual distribution of employee and director compensation for the previous fiscal year:

The Company's Board of Directors resolved to distribute cash compensation of NT\$17,051,794 to employees and NT\$7,757,504 to directors for 2019 on Mar. 12, 2020. There is no discrepancy between that actual distribution amount and the recognized amount.

(7) Share repurchases: None.

II. Corporate Bonds: None.

III. Preferred Share: None.

IV. Global Depository Receipts: None.

V. Employee Stock Options: None.

VI. New Restricted Employee Shares: None.

VII. Issuance of New Shares in Connection with Mergers or Acquisitions or with Acquisitions of Shares of Other Companies: None.

VIII. Implementation of the Company's Capital Allocation Plans

As of the quarter before the publication date of the Annual Report, if the issuance or private placement of securities has not been completed or has been completed in the most recent three years and the planned benefits have not yet shown, the explanation and implementation status: None.

Chapter 5. Operational Highlights

I. Business Activities

1. Business scope

(1) Main business content

The Company is mainly engaged in commercial baking equipment and food service equipment. The main products are mixers, ovens, sheeters, divider rounders, proofers, moulders, slicers, combi ovens, rotisseries, etc., and the parts. The products are of high quality with a comprehensive portfolio. They meet the requirements of international health and quality indicators and have attained ISO9000 certification. Many products have obtained the US ETL and European CE certification.

(2) The main content and operating proportion of the Group

Unit: NT\$ thousands

Main product	2020	Percentage of annual sales %
Mixer	618,234	18.73%
Divider Rounder and Moulder	225,672	6.84%
Sheeter	115,615	3.50%
Proofer	419,934	12.72%
Oven	1,150,330	34.85%
Slicer	79,950	2.42%
Fryer	6,221	0.19%
Refrigerator	70,079	2.12%
Show Case	72,103	2.18%
Food Service Equipment	106,740	3.24%
Other Machines	78,849	2.39%
Other Parts (Note)	317,314	9.62%
Bakeware	39,448	1.20%
Total	3,300,489	100.00%

Note: Includes service revenue

(3) The Company's current products and services

The Company's current products are commercial baking equipment, which can produce bread, cakes, mooncakes, and pizza, etc. The customers are the bakeries, wholesale plants, supermarkets, convenience stores, hotels, and cafes that produce bread, cakes, and mooncakes.

Service items of main products:

A. Bakery mixer series:

The mixing in the bread-making process is the process of mixing flour, salt, water, yeast, and other materials to make dough. The purpose of mixing is to

make all the flour absorb enough water in a short time to achieve evenly hydrated. The main processes include:

- a. Mix all ingredients thoroughly to create a completely even mixture.
- b. Allow the dry ingredients including flour to achieve complete hydration and accelerate the formation of gluten.
- c. Expand the gluten to make the dough flexible, stretchable, and viscous.

B. Cake mixer series:

The cake mixer (commonly known as a vertical mixer) has a fixed cylinder. The mixer rotates while revolving around the cylinder and mixes, whisks, or kneads all the ingredients evenly into a dough. Thus, it is also known as a planetary mixer. This machine can have three types of mixers for the following purposes:

- a. Ball: Used for mixing and whisking the cake batter of the cake. Whisking is to use egg white to form a film, beat the air into the film, and be wrapped by the film to form bubbles.
- b. Fan: Used for mixing fillings and cookie dough.
- c. Hook: Used for mixing bread dough.

C. Divider rounder series:

Divide the proofed dough by the weight of the bread to be made. The divided dough is almost always rounded. This procedure can densify the bubbles of different sizes produced during proofing to make the surface of the dough smooth.

- a. Dividing is to divide the dough by volume to make smaller dough of a certain weight.
- b. The divided dough cannot be shaped immediately but should be rounded so that a thin layer of skin is formed on the surface of the dough to retain the newly generated gas and expand the dough.
- c. Divider rounder or chunker divides weight by volume. The effect of rounding is related to the proficiency of operating the machine.

D. Moulder series:

Molding is the final shape of the bread. This procedure determines the shape of the bread. Dessert bread comes in different shapes and the selectivity of filling, so molding is done by hand. In the production of toast bread, the internal structure requirements are relatively uniform. In order to make the dough roll as uniform as possible, it is necessary to use a moulder for molding.

E. Sheeter series:

A sheeter is mainly used for the production of Danish pastry, puff pastry, and puff snacks. Because of the high content of shortening and yeast in

Danish pastries, it is easy to fail without the use of a pastry sheeter. The purpose of the sheeter is to reciprocally calender the shortening-coated dough through the upper and lower pairs of rollers. The roller pitch is reduced a little with every press, and the dough is gradually thinned and lengthened.

F. Proofer Series:

During the bread-making process, the yeast proofs the dough from the time it is added during mixing. Proofing is usually divided into three phases, including the basic proofing after mixing, the intermediate proofing after dividing and rounding, and the final proofing after shaping.

The final proofing makes the dough produce more gas and become fluffy to reach the size of the finished goods and gives the bread better quality.

Proofer is used for the final proofing before the bread is baked. The proofer provides the proper temperature and humidity for the yeast in the dough to proof, multiply and produce CO₂ while providing the right humidity to protect the surface of the dough from drying and crusting.

G. Oven series:

Baking means putting the proofed dough into the oven. As the temperature rises, the volume of the dough gradually expands, and the color slowly deepens with time. When the color becomes golden brown and the center of the dough reaches 100°C, the bread is cooked. The heat of the oven turns the raw and inedible dough into food that is soft, fluffy, easy-to-digest, and smells good. Excellent baked bread is made when the temperature of the oven, baking time, and the color are just right.

Baking makes the bread volume increase so that the bread looks better, fluffier, and becomes easy to digest, which is the key to the success of baking. The capacity of heat-retaining, conduction, and preservation of the oven are the decisive factors in a proper volume increase. The heavier the oven, the better it retains and preserves heat.

The types of oven are as follows:

- a. According to the energy source, ovens are divided into electric, gas, and diesel ones.
- b. According to the form and capacity, the ovens are divided into deck oven, convection oven, rack oven, cradle oven, and tunnel oven.

H. Slicer series:

The slicer is used for slicing toast. There is a type with a fixed thickness that can slice the whole loaf in one go. There is a type with an adjustable

thickness that can cut slice by slice. In addition, there is an automated saw band slicer for mass production.

(4) New products and services in development

1. Flip function mixer: It is used for 1-pack, 2-pack, and 3-pack powder mixers. A set of complete machine flipping devices is developed on the mixer, adding the flip function to the mixer. It takes up little space and reduces labor intensity.
2. Jumbo planetary mixer: 100L-200L planetary mixer, trolley off-cylinder cake mixer. Mainly used in large central factories to increase batch production, reduce feeding frequency, and enhance automation.
3. Second-generation cake bowl lifter: The small and easy-to-move cake bowl lifter is convenient for cleaning the site and has higher on-site flexibility.
4. Compact proofer: Proofer at low height and a capacity of about 28 trays, which is suitable for customers with insufficient back kitchen height.
5. Enhance the quality of the oven: Add adjustable wind speed function to the convection oven, strengthen heat preservation of the deck oven, integrate the model and specification of the deck oven, advance heat conduction of the converter combustion chamber, and enhance indirect heating of the tunnel oven.
6. Mini continuous divider rounder: 30g-100g a dough, the machine can produce two doughs at a time, the production capacity is about 1,000 pieces/hour, and the target customers are small and medium-sized chain customers.
7. New dough divider SMD-2PB and SMD-4P series: Electric adjustment of the dough division weight.
8. Mini divider rounder: In response to market demand, a special model for soft dough with a small weight and high moisture content is designed.

2. Industry overview

(1) Industry status and development

With the rapid development of the economy and the continuous increase of national income, the pursuit of diet has gone from being full and progressing to eating well. Coupled with frequent international contacts and exchanges, the prevalence of the internet has facilitated the circulation of information, making the temptation of exquisite cuisine easier and faster to spread to every consumer. Under such an environmental background, the catering industry has flourished, and the baking industry has naturally benefited a lot. In addition, due to changes in work style and the popularity of fitness and dieting concepts, bread, which was originally a supporting role for orientals, has gradually become the main choice for many urban men and women. With the rise of exquisite cuisine culture, pastries have become immensely popular with the help of the internet. Moreover, the substantial opening of cross-strait interactions has also led to the vigorous

development of the souvenir market, which has brought the baking industry to a significant peak in recent years.

In the development of the baking industry, the baking equipment industry is one of the most closely related industries. Countries in Europe and America take bread as the traditional staple food, and the flour processing and baking industry are relatively developed. Therefore, the bread machinery manufacturing industry has existed for a long time. Its product performance and quality are excellent, but the price is relatively expensive. As far as the bread machine market is concerned, Europe, America, and Japan are mature markets, and the emphasis is on replacing old ones with new ones. While rice-based countries in Asia, the consumption of bread, cakes, and pastry continues to rise with the increase in income and the advancement of production standards. Therefore, the demand for various bread machines is increasing. However, there is a significant gap in the technical level of the Chinese food machinery industry in comparison with major international manufacturers. There are disadvantages such as lower production efficiency, higher energy consumption, and lack of stability. As a result, China will still rely on imported machinery, and competition among brands is keen.

A. Baking Market in Taiwan

Bread baking was first introduced to Japan from Europe. Taiwan was influenced by Japan during the Japanese Occupation and began to have the concept of baking. When the Korean War broke out in 1950, a large number of US troops were stationed in Taiwan. As they were not used to eating Taiwanese rice, a bread baking training course was established. The technology of Taiwan's bread industry entered a mature stage. Because it originated from the west, the early bread was called "West Point."

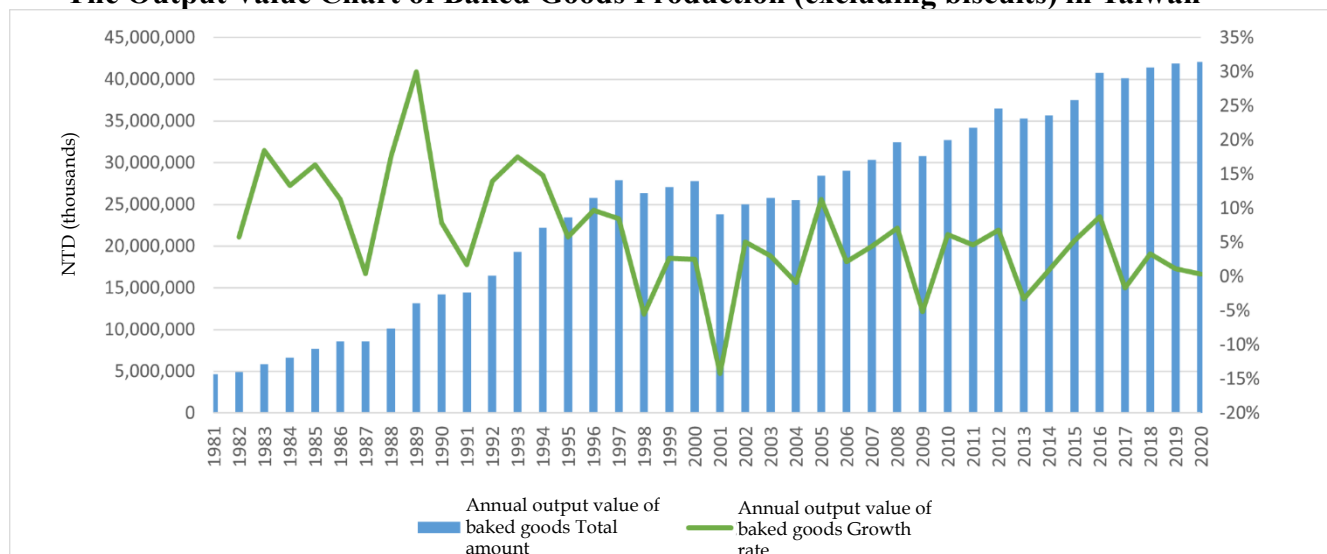
The baking industry in Taiwan is a sporadic type, with a large number of small-scale bakeries. The customer base is usually neighbors and residents because of geographic relations. Among the small bakery stores, the business model of self-produced and self-sold single stores accounts for the highest proportion of about 77%, while the branch bakery accounts for about 11%, and the chain bakery accounts for about 6%. The small bakery emphasizes freshly baked and fresh products.

The development of dietary consumption is inseparable from the overall economy. From 1967 to 1977, Taiwan's economic structure shifted from agriculture to industrial development, laying the foundation of an industrial society. The GDP began growing, and per capita income grew from US\$700 to US\$1,500. The priority of food consumption was having "enough food." The government opened up private businesses for bulk materials, and industries related to bulk materials such as flour, feed, oil, and beverages entered the stage of development. From 1978 to 1985, the Ten Major

Construction Projects drove economic growth. Per capita income increased from US\$1,500 to US\$3,000. The quality of life enriched, and consumer demand was toward "eating exquisite," driving the growth of demand for frozen food and processed food. Since 1993, the per capita income has exceeded US\$8,000. The public pays more and more attention to health, and they tend to "eat healthy" in food consumption, which stimulates the growing demand for healthy food.

At this stage, the Taiwanese food market has entered a mature phase. The future trend will continue to develop towards the added value of product characteristics and begin to emphasize the brand. Since the individual champion award of the First World Bread Contest goes to Taiwan, Taiwan's bakery industry has set off a baking boom. It not only attaches importance to food safety and health but bread has also surpassed taste from food and leveled up to star products and even souvenirs, which has changed the structure and the business model of the baking industry. In recent years, the baking industry has focused on cross-industry operations and innovative business models. The supply structure of the food industry has changed with the market and is gradually adjusting from traditional pastry shops to a diversified and compound business model. Because of the similar product attributes, this has been accepted and recognized by the consumers, which in turn drives the growth momentum of the overall baking market consumption. Benefiting from the changes in traditional eating habits and the development of Taiwan's economy, the annual output value of Taiwan's baked goods, including the baking industries such as bread, souvenirs, desserts and cakes, coffee, and pastries, is estimated to have a business opportunity of about \$80 billion. The top three baking industries for the moment are classified into pineapple cakes, baked bread, and desserts. This demonstrates that Taiwan's baking industry is booming.

The Output Value Chart of Baked Goods Production (excluding biscuits) in Taiwan



Source: Department of Statistics, Ministry of Economic Affairs

B. Baking Market in China

Although baking was developed in Europe, it has over two decades of history in China. At first, baked goods showed the characteristics of family workshops, single products, lack of variation in taste, and low permeability. With the rapid development of China's economy, people's living standards have improved, and food culture has gradually changed. Western food has steadily integrated into daily life. People are increasingly used to western baked goods such as bread and cake. In terms of corporate brands, China's baking industry has developed rapidly under the background of reform and cultural integration. International baking companies from Taiwan, Japan, and South Korea have entered the Chinese market one after another, and China's baking industry has entered a period of rapid development. In terms of business model, from the initial workshop model to today's exquisite specialty stores and chain stores, large-scale brands continue to expand from a few stores to dozens or even hundreds of stores. The business model of the front shop and back factory has also transformed into central factory production, multi-point distribution, and large-scale distribution.

From the perspective of the baking industry's market scale and regional distribution, the leading development and sales of baked goods are concentrated in East and Central China. In this region, the development of the products and business models is fiercely competitive and changing swiftly. Mature products gradually expand to the northwest and the northeast region, as well as progressively penetrate from first and second-tier cities to third and fourth-tier cities.

C. Development Trends of Chinese Baking Industry

- a. The pandemic has accelerated the upgrading and transformation of the baking industry, diversified business models, and segmented sales channels.

During the pandemic, consumers reduce outgoing spending and increase online purchase models. Baked goods have become a daily consumption food, which quickly releases the huge potential of the baking market. For this reason, the business model of the enterprise has also been adjusted accordingly. The most respected industrial business model this year is the central factory with e-commerce service and cold chain logistics. Due to the refinement of e-commerce services and the diversification of product distribution channels, baking enterprises have given more considerations and designs on product shelves. Baked goods with a short shelf life are more in line with the upgrade trend of healthy food consumption. Major bakery consumer brands have launched baked products with a short shelf life. Compared with the sales channels before the pandemic, individual studios and community stores are prominent in the late stage of the pandemic.

Type	Business model	Characteristic
Offline channels	Central factory with finished goods distribution	The central factory produces finished goods and distributes them to stores/supermarkets/convenience stores/e-commerce malls for sale
	Central factory with semi-finished goods distribution	The central factory produces semi-finished goods and delivers them to stores for baking (multi-store sales)
	Central kitchen with full channel sales	Integration of production and sales, centralized production in the central kitchen, online and in-store sales (community or intra-city consumption)
Online channels	Central kitchen/factory with e-commerce sales	Central factory for production, e-commerce platform for sales, and using cold chain logistics for distribution (same city or nationwide sales)

- b. "Bakery and drinks" new compound stores are popular, and consumers of new drinks have a higher preference for baked products

Consumers are now increasingly demanding for consumer experience. Only delicious food is not enough. Environment and service have also become competitive points for food companies. Consumer demand has made the area and space of bakery chain stores in mainland China larger and larger, and they are no longer small stores. More and more bakery shops have begun to reserve seats on a large scale, provide more

comprehensive experience services, and allow consumers to stay for afternoon tea in the bakery.

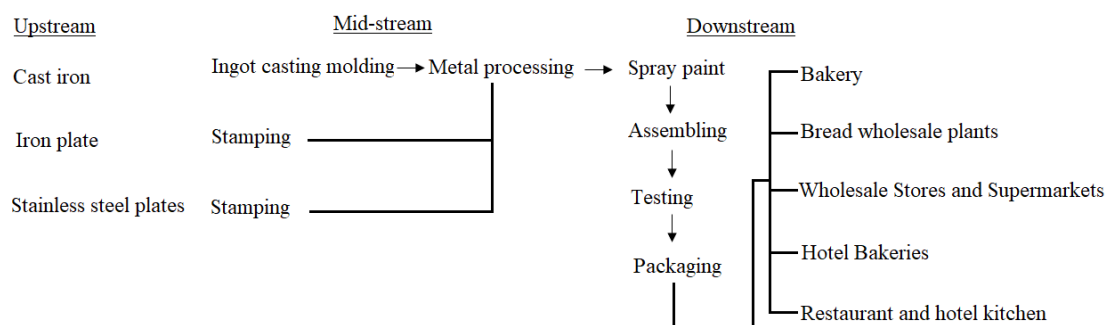
New-style tea shops have driven "bakery and drinks," making "bread and tea/coffee" or "cake and tea/coffee" the mainstream. Almost all new bakery shops integrate these two business models. Afternoon tea consumption of baked products has increasingly led the bread to the meal in mainland China and repositioned the target group as the new white-collar workers. The concept of healthy tea is used to win consumer recognition and the cross-border baking industry. Essentially, their tea and soft European bread can be sold concurrently, that is, consumers who buy tea will also buy baked products. The new style of tea allows consumers to have greater integration of their preferences for the three major categories of tea, coffee, and baked products, and the cross-selling effect is great. It has brought a wave of transformation to the Chinese baking market, which is enough to foresee the vitality of the baking market in the future.

- c. The home baking market has huge potential, and the online marketing results are gratifying

The pandemic has accelerated the rise of the home scene, and home life is valued. Thanks to the convenience of domestic online consumption and national distribution services, the trend of online orders for bakery products is impressive. New youth kitchen reinterprets everything from staple food to seasoning. Food DIY has become an indispensable skill for young consumers' family life. The frequency of family activities represented by baking is exceptional, and the profound potential of the baking market has been tapped. The growth of home baking inspires people's attention and participation in baking.

- (2) Correlation between upstream, midstream, and downstream of the industry

The Company is a midstream manufacturer of the food machinery industry. Through professional design and processing, the stainless steel plates and other materials provided by upstream raw material suppliers are assembled and manufactured into professional baking machinery and equipment that meets the special needs of downstream customers.



(3) Various development trends of products

In recent years, as China's economy continues to grow, and people's wages keep on rising, it has helped people to boost consumer spending and thereby expanded the demand for baking equipment. With the development of China's food machinery technology and the increasingly fierce industrial competition, food machinery has shifted from price competition to quality competition. Whether an enterprise can win in the competition depends not only on the size and output of the company but also on whether the company can produce the products that customers need. Due to the change of customers' market concept and the increasingly mature purchasing behavior, customers no longer simply consider the price when purchasing food machinery. They also pay more attention to the maintenance cost throughout the product life cycle. In terms of the current situation, the food machinery industry in China has entered the structural adjustment stage with diversified specifications, high-end technology, and complex structure as the main features, and it also requires strong quality control. Among them, the demand for high-end equipment is the strongest, which is conducive to driving the overall profit of China's baking equipment industry.

A. Refrigeration equipment heats the baking market

In recent years, the development of e-commerce platforms has been particularly rapid, and cold chain-related equipment has opened up another sales channel for the baking market. With the increasing consumer demand for baked goods, ice cream cake and snow mooncake are favored by consumers, and this kind of food has higher requirements for preservation and transportation. Therefore, it can only be accomplished with the continuous refinement of the cold chain. Nowadays, the development of refrigeration equipment such as freezer, fresh-keeping cabinet, and refrigerator has greatly extended the sales radius of fresh-baked pastries, which is of great help to expand the market scale.

B. Automation equipment enhances the production capacity

Automation is an inevitable trend in the industrialization of food machinery such as baking equipment. Many areas in China are experiencing problems with shortage of labor and rising wages, and these problems will become more and more serious and noticeable in the future. To solve this problem, it is necessary to reduce the number of workers and ensure output. At this time, highly automated equipment is needed to achieve this.

Coupled with COVID-19 factors, the sales model of baked goods has diversified. Sales through e-commerce platforms have driven the output of the central factory to increase and boosted demand for automation equipment.

(4) Competition

In the growth process of the baking industry, the baking equipment industry is one of the closely related industries. Unlike other precision machinery industries, the entry barrier for the baking machinery industry is not high. With the understanding of simple machinery principles, any company can step into the ranks of production. Therefore, there are many potential competitors in the domestic market. Faced with tough competition from well-known foreign brands, it is inevitable for the baking equipment manufacturers to avoid intense pressure. Aside from the external competitive pressures, another important factor affecting the development of the baking equipment industry is whether the manufacturer has enough competitiveness to survive in the fiercely competitive market.

In contrast to other rivals, Sinmag has the competitiveness and persistence in customer service others can't surpass. This is our core strength for survival and growth. Sinmag has the largest equipment variety and production capacity in China, and our investment in customized equipment and new equipment development is unmatched. Regardless of market conditions and changes in customer needs, Sinmag always provides the equipment that best suits the customers' needs. We continue to add new equipment to fully meet the customer needs.

At present, the COVID-19 pandemic has an impact on the economic operation of mainland China and has a greater influence on the baking industry.

As a leading brand of baking equipment, Sinmag Corp. also suffered operational shocks in the early stages of the pandemic, and many supply chains are still affected. Small-scale food equipment manufacturers have exposed their shortcomings in product quality and after-sales service, giving Sinmag an opportunity to stand out again by virtue of its competitive advantages after years of cultivation in the baking market and the establishment of a complete product line and excellent after-sales service system. In addition to actively seizing business opportunities in China's market in the post-pandemic era, the Company has adjusted its sales strategy in response to the pandemic situation in different countries and deliberately made up

for the performance gap in the early stage of the pandemic outbreak.

3. Technology and R&D Overview

(1) Technical level of the business

In recent years, the Chinese baking market has gradually transformed from the original demand for single baking products, and baking and catering have progressively become a fusion development trend. However, in the face of the sudden COVID-19 pandemic, consumers' consumption habits and demand direction for baked products will be adjusted again. The operating model of the baking industry is bound to respond quickly to changes in consumers, and food equipment manufacturers must also follow to modify appropriate production and marketing strategies to satisfy the market. It is expected that the food equipment industry will still struggle to escape from the intense competition.

The R&D team of Sinmag continues to observe market trends, maintain close interaction with customers, deepen cooperation with customers, and enthusiastically develop products that meet customer needs to maintain its competitive advantage and leading position in the market. In addition to the development of various processes and technologies, we will persist on developing more diverse, innovative, and high-quality products, and introduce the concept of safe production and environmental protection, to focus on the business opportunities in the post-pandemic era and to layout the Company's sustainable development.

(2) The Group's R&D expenses invested in the most recent fiscal year and up to the publication date of the Annual Report

Unit: NT\$ thousands

Item	2020	For the year ending Mar. 31, 2021
R&D expenses	136,663	26,930
Net operating revenue	3,300,489	793,936
R&D expenses to net operating revenue ratio (%)	4.14%	3.39%

(3) Technology or products successfully developed

The key technologies currently possessed by the Company include the mixing hook manufacturing technology, technology that accurately measure the completion of dough mixing, the application of hydraulic technology to divider rounder, and the ovens that can simultaneously save baking time and improve product quality than the peers. The Company has always attached great importance to research and development and aimed to make progress to maintain its competitive edge in the industry.

The models that have been developed and officially mass-produced are:

1. Bakery Mixer Series.

2. Cake Mixer Series.
3. Divider Series.
4. Sheeter Series.
5. Proofer Series.
6. Oven Series.
7. Toast Producing Machine Series.
8. Burger Producing Machine Series.
9. Slicer Series.
10. Donut Producing Machine Series.
11. Pizza Producing Machine Series.
12. Air Cooling Refrigerator Series.
13. Show Case Series.
14. Freezer Producing Machine Series.
15. Freezing and Refrigerating Working Table Series.
16. Danish Automatic Oil Wrapping Machine Series.
17. Sheeting Make Up Line Series.
18. Combi Oven Series.
19. Cake Machine Series.

The expected R&D equipment is as follows:

1. Flip function mixer: It is used for 1-pack, 2-pack, and 3-pack powder mixers. A set of complete machine flipping devices is developed on the mixer, adding the flip function to the mixer. It takes up little space and reduces labor intensity.
2. Jumbo planetary mixer: 100L-200L planetary mixer, trolley off-cylinder cake mixer. Mainly used in large central factories to increase batch production, reduce feeding frequency, and enhance automation.
3. Second-generation cake bowl lifter: The small and easy-to-move cake bowl lifter is convenient for cleaning the site and has higher on-site flexibility.
4. Compact proofer: Proofer at low height and a capacity of about 28 trays, which is suitable for customers with insufficient back kitchen height.
5. Enhance the quality of the oven: Add adjustable wind speed function to the convection oven, strengthen heat preservation of the deck oven, integrate the model and specification of the deck oven, advance heat conduction of the converter combustion chamber, and enhance in-direct heating of the tunnel oven.
6. Mini continuous divider rounder: 30g-100g a dough, the machine can produce two doughs at a time, the production capacity is about 1,000 pieces/hour, and the target customers are small and medium-sized chain customers.
7. New dough divider SMD-2PB and SMD-4P series: Electric adjustment of the dough division weight.

8. Mini divider rounder: In response to market demand, a special model for soft dough with a small weight and high moisture content is designed.
4. Long-term and short-term business development plans
 - (1) Short-term business development plans
 - A. Follow up on the recovery of each block market after the pandemic and strive for customer orders.
 - B. Strengthen the existing market, source new customers, and reinforce customer service.
 - C. Promote newly developed and upgraded next-generation equipment.
 - D. Expand bakery derivative compound market, increase the breadth and diversification of equipment to market applications, and extend market share.
 - E. Proceed with promoting the sales model of the turnkey equipment for the front and back of bakery stores.
 - F. In line with the business transformation of the Chinese wholesale market and supermarkets and the development of new concept bakery stores, provide suitable equipment and enlarge market sales.
 - G. Expand the export of equipment that has not yet been sold in various countries and develop the export market.
 - H. Strengthen customer service, ensure competitive advantages, and provide high-quality services to differentiate from other peers and enhance the Company's value.
 - (2) Long-term business development plans
 - A. To meet the needs of major international markets such as the United States, Europe, etc., develop new equipment to expand the marketing area, and exert the global synergy of resource sharing and cost reduction in product manufacturing, design, technology, and sales channels.
 - B. Build global marketing channels and keep on expansion and sales in India and Southeast Asia.
 - C. Integrate corporate resources, develop new products, make full use of the Company's market channels and high-quality products, create added value, and enhance profitability.
 - D. Strengthen lean manufacturing management, advance product quality, reduce costs, produce better baking effects, more stable and durable production equipment, and enhance market competitiveness.
 - E. Strengthen R&D innovation, create differentiated services, raise customer satisfaction, and then increase the added product value.

II. Market, Production, and Sales Overview

1. Market Analysis

- (1) Analyze the sales (supply) regions of the Company's main products (services)

Unit: NT\$ thousands

Year Region		2019		2020	
		Consolidated sales	Ratio	Consolidated sales	Ratio
Domestic sales		153,997	3.70%	114,804	3.48%
Export	America	675,676	16.22%	657,508	19.92%
	Asia	2,967,080	71.24%	2,256,288	68.37%
	Africa	127,032	3.05%	87,212	2.64%
	Europe	157,647	3.79%	114,003	3.45%
	Others	83,196	2.00%	70,674	2.14%
	Subtotal	4,010,631	96.30%	3,185,685	96.52%
Total		4,164,628	100.00%	3,300,489	100.00%

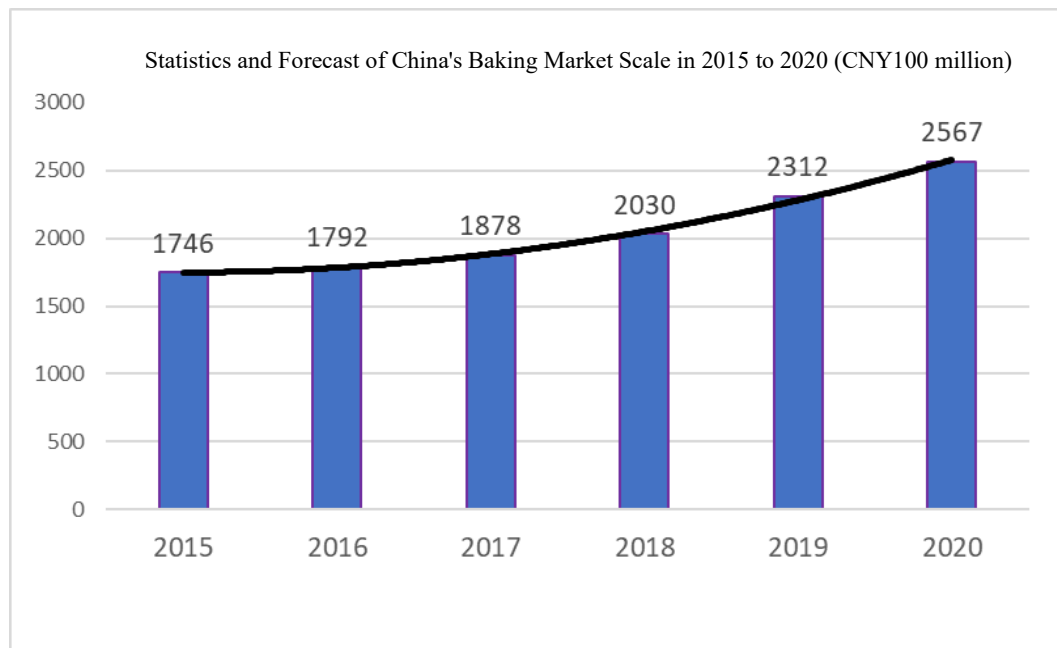
(2) Market share and future supply, demand, and growth of the market

A. Market share

The Company mainly produces commercial baking machinery and equipment. With extensive sales experience, deep professional background, and diversified product categories, the sales region covers more than sixty countries around the world and successfully cuts into important baking channels at home and abroad with its own brand SINMAG. The Company has a complete range of products and excellent after-sales service. In addition to factories in China and Taiwan, there are branch offices in Taipei, Taichung, Kaohsiung, and forty offices in China. Moreover, the Company has set up marketing bases in Malaysia, the United States, and Thailand to build a complete sales network to enable the Company to maintain a strong competitive position in the industry.

B. The future supply, demand, and growth of the market

In 2019, the retail sales of baked goods in China reached \$231.2 billion, a year-on-year growth of 7.4%. Under the global economic downturn, due to effective domestic pandemic control, the market scale in 2020 is estimated to be about \$256.7 billion and is expected to rise to \$362.5 billion in 2022. According to the data, the compound growth rate of the baked goods industry in China from 2017 to 2022 is estimated to be 13%. Chinese baking is an industry that keeps on shining for everyday living. Although the Chinese economy has been restrained by the impact of the COVID-19 pandemic in early 2020, baked goods, as the basic consumption of people's livelihood, are expected to resume steady growth when the pandemic is gradually under control.



Growth of China's baked goods market

- a. The per capita consumption of baked goods in China is low, and there is enormous room for market growth

baked goods have always been the breakfast and staple food in European and American countries. In contrast, the development of China's baking industry has been relatively short. At the same time, the baked goods are mainly served as desserts and snacks in China, and there is a huge gap in per capita consumption with countries in Europe and America. Along with the continual elevation of Chinese consumers' understanding of the bakery, there is a huge space for the development of China's bakery.

Baked goods are mainly divided into four categories, namely bread, pastries, cakes, and mixed desserts. They have been used as breakfast and staple food in Europe and America. However, in the Asia-Pacific region, as people's living habits and eating styles differ from those of the western countries for a long time, baked goods are usually consumed as snacks rather than meals. According to statistics from the Baking Professional Committee of the China Food Industry Association, the per capita consumption of baked goods in China was about 7.8 kg in 2019. Although the per capita consumption of baked goods in China has increased year by year in recent years, there is still a large gap compared with countries in Europe and America, and the industry has immense room for growth.

- b. Baked products with short shelf life have become a popular track

According to the length of product shelf life, the baking industry is divided into three categories, namely short, medium, and long-term shelf life. In recent years, baked goods with a short shelf life are more in line with the upgrade trend of healthy food consumption as people pay attention to their health. Major bakery consumer brands have also launched short shelf life bakeries.

- c. Chinese bakery will move towards the development of breakfast, fresh food, and health

With the influence of foreign eating habits and the accelerated pace of urban life, more and more young people choose convenient and nutritious food, and fast and convenient western food has become their first choice. At present, more than 11% of Chinese people choose to eat bread at breakfast, which is just below the number of consumers who opt for steamed buns. The domestic bakery market is in a rapid development stage, and the newly baked products emerge the trend of breakfast, fresh food, health, etc.

(3) Competitive niche

- A. Professional management team, excellent quality image, and goodwill

The Company's management team has accumulated years of experience in the baked goods industry and established a sound sales network, which enables it to grasp market trends immediately, communicate with customers in a timely and efficient manner, willingly provide customers with comprehensive solutions, and swiftly promote products to the market. A professional R&D team, with leading technology and R&D capabilities, serves as a strong and powerful backing for the sales team. Furthermore, the Company has always insisted on high-quality customized products, which has established a great reputation among customers. We firmly believe that "quality" and "goodwill" are the Company's most important intangible assets, as well as the guarantee for expanding the customer base and business.

- B. Excellent R&D and design capabilities

The Company attaches great importance to full communications and cooperation with customers. In response to customers' requirements for product quality and functions, the Company has gradually enhanced the R&D, production, and marketing experience and strength. Through cooperation with major domestic and foreign manufacturers and technology licensing, the Company has gained knowledge of relevant advanced technologies to facilitate the development of innovative products and create a niche for peer competition.

- C. Customized service

To meet customer needs and provide customized and flexible cooperation, we will create the desired design for them. The Group's position lies in the design and manufacturing of international baking brands, so product design, manufacturing, and quality must be in line with international needs. The Group is committed to conforming to the needs and expectations of its customers by providing customized products and services as its core business philosophy.

- D. Global layout to master marketing channels

The Company vigorously establishes overseas marketing bases to build a global sales network. Through reinvestment, in addition to the branch offices in Taipei,

Taichung, Kaohsiung, and forty offices in China, it also sets up marketing bases in Malaysia, Thailand, and the United States and hires sales personnel with local market savoir-faire to engage in business development to speedily collect market information, grasp sales opportunities, and energetically expand the export business. The Company has a certain reputation in the baking industry, and its market share has escalated year by year. The international marketing layout is conducive to the expansion of overseas markets.

(4) Favorable and unfavorable factors of development prospect and countermeasures

A. Favorable factors

(A) Great development potential in second and third-tier cities in China

The consumption of baked products in China's second and third-tier cities is far from that in first-tier cities. With economic development and technological advancement, the market potential is tremendous in the future. The consumption of baked products in second and third-tier cities in China is lower than that in first-tier cities such as Beijing and Shanghai. The population of China's underdeveloped provinces accounts for nearly 50% of the total population. This means that baked goods have greater room for improvement in the future. On the other hand, with the development of e-commerce and cold chain logistics technology, the current low consumption of baked goods in second and third-tier cities is expected to make progress by degrees.

(B) Elevated living standards and upgraded consumption structure

Although China's baked goods industry has skyrocketed in recent years, there is still a big gap in the per capita consumption level with developed countries and regions, and there is room for enhancement in the future. With changes in eating habits in the future, there is still room for advancement in per capita consumption. At the same time, consumers have higher requirements for product quality and consumer experience, and the increase in unit prices will also stimulate the surge of the baking industry scale.

Westernization of the eating habits of the younger generation has promoted the development of the baking industry. Generally, residents' dietary consumption patterns are divided into three types, namely staple food consumption, leisure consumption, and festival consumption. Among them, staple food consumption is the most important form of consumption. With the enrichment of residents' living standards, the proportion of leisure consumption and festival consumption is promptly increasing.

(C) Propelled by China's policies, domestic demand is growing rapidly

To promote economic activities in various regions of mainland China,

carry on expanding the domestic consumption market, and elevate people's living standards, the Chinese government plans to build a well-off society in an all-around way and promote sustainable economic development. Meanwhile, local governments publicly announce various policies specifically aimed at the promotion or support of the development of the catering industry. Therefore, with the support of policies, the catering market in mainland China will continue to unfold in the future. In addition, the people's eating habits have steadily westernized with the increase in international exchanges, driving the development of China's baking industry, and bakery companies from all over the world are gearing up to challenge the Chinese market. Therefore, with policy support in the future, the baking market in mainland China will continue to expand, which will have a positive impact on the Company's business development.

B. Unfavorable factors

(A) Price fluctuation of raw materials and metal materials

The raw materials required for the Company's products are mainly steel. The price cannot be effectively predicted, as it is affected by the trend of international raw material prices. Therefore, fluctuations in steel prices have a certain degree of impact on the cost of baking equipment.

Countermeasures

The Company maintains long-term cooperation with upstream suppliers and strictly manages the internal raw material prices. In addition to paying attention to the international raw material prices at all times, inventory management is strengthened to reduce the risk of loss from the falling price of raw materials. Moreover, the Company continuously improves and optimizes production processes to achieve the effect of saving materials and reducing production costs.

(B) Rising labor costs in mainland China

The "Labor Contract Law" was implemented in China in 2008, which clearly stipulates labor rights and interests such as paid leave, overtime pay, severance pay, and social insurance reserves, which has led to a sharp increase in labor costs in China. In recent years, China has persisted in polish up the economic environment in the mainland, which has increased employment opportunities in the mainland, but there has been a shortage of labor in coastal cities. In order to retain labor, companies have raised wage rates. At the same time, the Chinese mainland government launched the "13th Five-Year" plan for national economic and social development. In recent years, the average income of urban and rural residents doubled that of ten years ago, and the urbanization of

permanent residents has reached 50%, making the labor costs for enterprises keep on rising in recent years.

Countermeasures

In response to the continuously rising labor costs, the Company has advanced the production process, introduced automatic and semi-automatic equipment step by step, advanced the level of automation, and enhanced production efficiency to reduce the impact of escalating labor costs on the Company's operations. Also, the construction and commissioning of the Wuxi No.2 plant are completed, replanning the production line to enhance the production efficiency. Furthermore, the Company is a domestic demand industry in mainland China. With the general rising trend of labor wages, the people's consumption capacity in mainland China will also increase, which will drive the growth of related domestic demand industries. The Company's performance is expected to benefit.

(C) Intense market competition

In recent years, China's food processing machinery manufacturing industry has flourished with the economic takeoff. Many manufacturers have invested in the production of baking equipment, taking their cost advantage to seize the market at low prices, resulting in increasingly fierce price competition in the baking equipment market. Under intense market competition pressure, apart from continuously providing products with price advantages, it is also necessary to provide customers with good quality and a perfect service system.

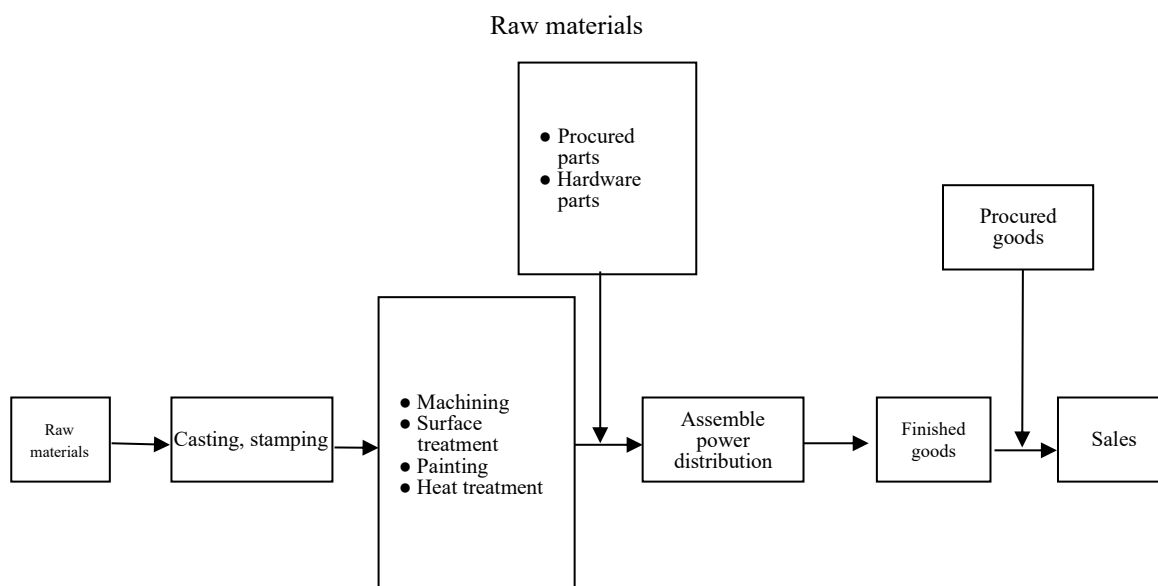
Countermeasures

Although the products of Chinese peers have their cost advantages, the quality is still unstable due to the immature manufacturing technology, and the market acceptance is still limited. The Sinmag Group has been deeply engaged in baking equipment for thirty-eight years and has extensive experience in many markets around the world with flexible production and marketing strategies, good product quality, a complete sales network, and a fast and perfect after-sales service system.

The Company will persist to invest in the R&D of baking equipment process technology and successively introduce automated production equipment to save labor costs, improve production efficiency and product quality.

2. Major applications and manufacturing process of main products

- (1) Major applications: The Company's baking equipment is used for the production of bread, cake, mooncakes, and pizza, etc.
- (2) Manufacturing process:



3. Supply of main raw materials

The Company's main raw materials are cast iron, iron, and stainless steel. All raw materials can be obtained locally. Thanks to the convenient location, it is very handy and fast in liaison, supplies, and technical support. The long-term cooperation relationship with the supplier is good, and the quality, delivery time, and cost can fulfill the Company's needs. So far, no work stoppages due to the lack of materials or other disputes have occurred.

4. The name of the manufacturer (customer) who has accounted for more than 10% of the total purchases (sales) in any of the most recent two years, as well as the amount and proportion of purchases (sales), and the reasons for the increase or decrease.

- (1) The Company has no supplier with more than 10% of the purchases in 2019, 2020, and as of Mar. 31, 2021.
- (2) The Company has no customers with sales of more than 10% in 2019, 2020 and as of Mar. 31, 2021.

5. The Group's production volume and value for the past two years:

Unit: NT\$ thousands/unit

Year Production volume Main product	2019			2020		
	Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
Mixer	27,842	25,555	509,816	17,522	17,178	388,880
Divider Rounder and Moulder	4,150	3,800	163,917	2,937	2,884	146,477
Sheeter	2,162	1,994	85,374	1,750	1,694	71,328
Proofer	5,876	5,388	232,393	4,657	4,583	188,996
Oven	23,775	21,841	688,331	17,637	17,355	517,303
Slicer	13,166	12,080	73,562	18,699	18,434	54,540
Fryer	143	131	2,212	97	96	1,535
Refrigerator	2,715	2,491	82,564	1,830	1,804	56,013
Show Case	2,110	1,936	104,144	1,040	1,025	57,162
Food Service Equipment	1,127	1,034	44,366	1,524	1,503	54,035
Other Machines	4,469	4,094	33,024	3,916	3,861	29,104
Other Parts	Note	Note	155,296	Note	Note	104,321
Bakeware	Note	Note	0	Note	Note	0
Total	87,535	80,344	2,174,999	71,609	70,417	1,669,694

Note: Due to the diverse nature of other parts and bakeware, only the production value is calculated.

6. The Group's sales volume and value for the past two years:

Unit: NT\$ thousands/unit

Year Sales volume Main product	2019				2020			
	Domestic sales		Export		Domestic sales		Export	
	Quantity	Sales	Quantity	Sales	Quantity	Sales	Quantity	Sales
Mixer	194	14,902	23,763	829,803	142	11,879	16,455	606,355
Divider Rounder and Moulder	83	19,834	3,133	251,123	64	11,829	2,813	213,842
Sheeter	34	3,262	2,016	139,503	21	2,408	1,659	113,207
Proofer	117	13,533	6,168	503,412	118	10,489	5,157	409,445
Oven	362	47,700	15,487	1,405,214	313	47,771	12,096	1,102,559
Slicer	56	1,561	3,355	103,951	58	2,596	2,775	77,354
Fryer	1	40	259	12,356	0	0	155	6,221
Refrigerator	11	735	2,570	107,181	29	1,334	1,638	68,745
Show Case	0	0	1,495	110,391	0	0	986	72,103
Food Service Equipment	8	783	882	75,202	1	252	1,034	106,488
Other Machines	213	28,726	6,555	89,541	145	4,590	6,312	74,258
Other Parts (Note 2)	Note 1	22,153	Note 1	329,029	Note 1	21,343	Note 1	295,973
Bakeware	Note 1	768	Note 1	53,926	Note 1	308	Note 1	39,140
Total	1,079	153,997	65,683	4,010,632	891	114,799	51,080	3,185,690

Note 1: Due to the huge difference in the calculation units of other parts and bakeware, only the sales value is calculated.

Note 2: includes service revenue.

III. Number of Employees for the Most Recent Two Fiscal Years, and during the Current Fiscal Year up to the Publication Date of the Annual Report, Their Average Years of Service, Average Age, and Education Levels (including Percentage of Employees at Each Level)

Unit: Persons

Year		2019	2020	As of May 15, 2021
Number of employees	Administration personnel	997	886	890
	Direct labor	557	520	522
	Total	1,554	1,406	1,412
Average age		42.22	39.76	39.98
Average year of services		9.74	10.82	11.04
Academic distribution ratio	Ph.D.	0.13%	0.14%	0.14%
	Master's degree	0.58%	0.64%	0.64%
	Bachelor's degree	40.28%	42.03%	42.07%
	Senior high school	36.42%	35.28%	35.20%
	Below senior high school	22.59%	21.91%	21.95%

IV. Environmental Protection Expenditure

The waste gas in the production process of the Company and its subsidiaries is treated by regularly replacing the activated carbon adsorption devices, sewage discharge and the pipeline of sewage treatment plant meet discharge standards, the removal and treatment of industrial wastes are entrusted to a civic organization approved by the competent authority for safe disposal by law and regularly detect the noise, sewage, waste gas, and dust every year, so there is no environmental pollution. Over the years, there has been no punishment or loss due to environmental pollution.

V. Labor Relations

- (I) Various employee welfare measures, continuing education, training, retirement systems, and implementation status, as well as the agreement between labor and management, and various employee rights protection measures:

1. Various employee welfare measures and implementation status

The Company and its subsidiaries are committed to creating harmonious labor

relations and perfecting employee welfare. In addition to the establishment of the Employee Welfare Committee and the Labor Union Committee under the law, welfare funds and labor union funds are also allocated monthly. The Welfare Committee and the Labor Union Committee formulate an annual plan every year and conduct various activities as follows:

- (1) The Company's Employee Welfare Committee organizes various tourism activities and year-end dinners every year.
 - (2) In addition to statutory labor and health insurance, employees are also covered by group insurance (life insurance, accident insurance, and hospitalization insurance).
 - (3) Employees are entitled to regular health checks at corporate expense. The Company values the results of employee health checkups, and for employees whose checkups are abnormal or special, the Company proactively assists them in tracking treatment or observation to ensure the health of employees.
 - (4) Welfare matters such as Mid-Autumn Festival mooncakes, accommodation, and car service.
 - (5) Provide various welfare subsidies for weddings and funerals, grants, and emergency relief.
 - (6) To enhance the Company's competitiveness, a comprehensive training program is made for employees' career planning and professional skills.
 - (7) To increase employee cohesion, the systems of employee compensation and fair evaluation and promotion have been set up.
2. Continuing education, training, and implementation status

To enhance the quality of human resources and development advantages, the Company has established "Education and Training Methods" and formulated an annual training plan every year to maintain the foundation of the Company's sustainable management and development. Implement pre-employment guidance education and training for recruits when assuming a post, and conduct general training and professional training (including internal training and external training) for all employees from time to time, with the expectation to train professional talents, thereby improve management performance and effectively exploring and utilizing talents.

The Group's employee training in 2020 is as follows:

Unit: NT\$

Item	Total number of employees	Total hours	Total expenses
Orientation training	27	238	0
Professional competency training	644	4,450	1,008,306
Management skills training	3	36	24,000

Item	Total number of employees	Total hours	Total expenses
Safety and health training	410	229	34,330
Fire marshaling training	1,426	2,756	0
Total	2,510	7,709	1,066,636

3. Retirement system and implementation status

Under the law, the Company allocates 6% of the monthly salary to the individual pension account at the Bureau of Labor Insurance for new employees hired after July 2005 as well as employees who opted to apply the new Labor Pension Act every month. At the same time, the Company retains the seniority of the original employees who opted for the old pension mechanism and original employees who opted for the new pension mechanism and calculates and allocates an appropriate amount of retirement reserve to the exclusive account at Bank of Taiwan based on the pension payment standard of the original employee's pension mechanism.

If an employee meets the prescribed conditions and applies for retirement, the HR unit shall calculate the retirement seniority, base, and amount, and then apply to the Labor Retirement Reserve Committee.

Subsidiaries implement retirement pensions, various social insurance, geriatric funds, etc. in accordance with local government regulations to ensure that employees can enjoy pension insurance benefits after retirement.

4. Labor-management agreements and measures to protect employee rights:

Both labors and management operate satisfactorily with respect for labor ethics, and regular labor coordination meetings are held. Representatives appointed by both sides participate in the two-way communication on the Company's various systems, working environment, safety and health, and other issues, which can be an important source of reference for management and administration. Furthermore, the Employee Welfare Committee also holds meetings. Through the participation of enthusiastic and communicative colleagues in various meetings, various activities regarding the Company's various welfare measures are proposed to enhance the harmonious working atmosphere and cohesion of the Company and its employees. The Company determines the salary adjustment ratio according to the Company's operating conditions and price levels each year.

(II) Losses arising as a result of labor disputes in the most recent fiscal year and up to the publication date of the annual report, and disclosure of the estimated amount and countermeasures that may occur for the moment and in the future:

Since its establishment, the Company and its subsidiaries have strictly complied with the relevant laws and regulations, implemented labor laws and regulations, protect employees' rights and interests, and committed to creating harmonious labor relations.

Therefore, there is no major labor dispute. As the Company's internal welfare system is well-developed with functional employee grievance mechanisms, the probability of labor disputes in the coming years is expected to be minimal, and there will be no losses due to labor disputes.

(III) Code of Employee Conduct or Ethics:

All the operations of the Company and its subsidiaries, as well as the rights and obligations of colleagues, are clearly stipulated in relevant regulations and measures to follow, and they are published immediately and placed on the internal website for all colleagues to check at any time. Any addition or amendment to the regulations shall be approved by the internal mechanisms. The addition or amendment shall be published immediately on the internal website so that colleagues can fully grasp the content of the amendments. The following is a summary of the relevant regulations and measures listed in the Code of Employee Conduct or Ethics:

1. Hierarchical responsibility:

In line with the development needs of the organization, establish rationalized ranks and titles to provide employees with an appropriate career development blueprint. Establish clear approval authority for each operation. Implement a hierarchical responsibility and a tiered authorization system to ensure all operating procedures of the Company are well functioning. Relevant regulations include "Regulations Governing Employees Work," "Regulations Governing Personnel Management," "Regulations Governing the Duty Proxy," "Employee Handbook," and "Operating Procedures for Approval of Authorization."

2. Specify the work duties of each unit:

According to the functions of main departments, specify work duties and organizational functions of each unit to implement the division of labor for each unit and strengthen the Company's core competitiveness.

3. Reward and punishment specification:

To encourage employees with special contributions or avoid damage to the Company due to employees' personal behavior, the "Regulations Governing Employees Work" and "Employee Handbook" clearly define the relevant rewards and punishments for employee-related behaviors. All rewards and punishments will be announced internally to achieve the educational purpose of encouragement or vigilance.

4. Performance management:

The Company has always adopted a "fair, impartial and open" attitude to the employee performance evaluation and carried it out based on the "Personnel

Evaluation Measures" and assessment plan. Conduct an annual performance evaluation process for different positions, give appropriate feedback to employees' work performance, and help make future development plans for the subordinates.

5. Attendance management:

To establish good discipline to upgrade the quality of work and to make employees follow their attendance and leave operations, the "Regulations Governing Employee Leave" was formulated and the duty proxy system was implemented.

6. Maintenance of trade secrets:

To ensure business interests and enhance the Company's competitiveness, employees have the obligation to strictly keep confidential Company business secrets. In order to avoid damage to the Company due to leaks, aside from expressly stipulated in the Regulations Governing Personnel Management, employees must sign labor contracts with specifications in the content to protect the Company's business secrets more comprehensively.

7. Sexual harassment prevention:

The Company strictly prohibits sexual harassment in the workplace and has clearly formulated relevant regulations of the Act of Gender Equality in Employment to regulate employees' behavior.

(IV) Protective measures for the working environment and personal safety of employees of the Company and its subsidiaries:

Employee insurance system	Labor insurance	In accordance with Labor Insurance Act, there are maternity benefits, injury or sickness benefits, disability benefits, old-age benefits, and death benefits.
	National health insurance/social insurance	Handle with reference to the National Health Insurance Act and the Social Insurance Act, there are benefits of old-age care, medical, work-related injuries, maternity, and unemployment. When the insurer and his family members suffer from illness, injury, or maternity accidents, they can receive medical services.
	Employee group insurance	The coverage includes term life insurance, accidental injury insurance, accidental medical insurance, critical illness, work-related injury subsidy, hospitalization medical insurance, and occupational accident insurance. Let colleagues substantially perceived the group insurance protection.
Build a safe workplace environment	Organize personal and fire safety seminar	Conduct fire safety seminars every six months. Organize safety and health education and training every year.
	Create a green and healthy workplace	Strengthen energy saving and carbon reduction. Continue to create a healthy workplace environment, such as a toxic-free environment, a regular environment, and a green environment.
Reinforce labor relations	Set up collective contracts and hold labor-management meetings every quarter	Through collective contracts and labor-management meetings, colleagues can understand the Company's operating status, employee dynamics, and better working environment, to achieve harmonious labor relations.

(V) The major objectives and management plans of the Company and its subsidiaries' working environment and employees' personal safety protection measures are summarized as follows:

No.	Objective/target	Plan	Description	Implementation status
1	Formulation of safety and health operating standards.	1. Establish/amend safety and health operating standards. 2. Implement safety and health operating instruction.	1. Establish Safety and Health Code of Practice. 2. Conduct on-the-job, general, and hazardous labor safety and health education training according to the regulations.	1. The Company formulates/amends safety and health operating standards. 2. Implement instruction during education and training.
2	Management of machinery, equipment, or bakeware.	Establish the list of machinery and equipment in the plant.	File management after inventory check and update immediately shall there be any changes.	Daily/monthly inspections, key inspections, work checkpoints, and onsite inspections.
3	Labeling and general knowledge of dangerous and hazardous materials.	1. Establish hazard knowledge measures. 2. Amend and update in coordination with the Global Harmonization System (GHS).	1. Establish a list of hazardous substances. 2. Post hazard labels. 3. Provide safety data sheet. 4. Implement hazard education and training.	Set the operating environment monitoring plan and perform operating environment measurement every six months and every year according to regulations.
4	Health check and health management.	1. Set up a first aid kit. 2. Implement: A physical examination of recruits, health check, and special health check (dust and noise) of in-service personnel.	1. Set up a first aid box on each floor and workshop. 2. Recruits must provide health check reports when reporting to duty. Regularly arrange health checks for in-service personnel. Arrange annual special health checks once a year according to work assignments and follow up regularly.	According to health protection regulations: 1. Set up a full amount of first aid equipment and medicines to be checked semi-annually and supplemented if there are any deficiencies. 2. Prescribe items for health checks at qualified hospitals.
5	The "Noisy Area" sign is 100% compliant with the facility rules.	1. Enhancement plans for occupational safety and health facility rules. 2. Set the operating environment monitoring plan.	Advocate that workers should wear protective equipment in noisy places.	According to the environmental test report, if the noise exceeds 85 decibels, the prevention of noise hazards should be marked and announced to make workers aware of it.
6	Comply with environmental protection laws	Set the operating environment monitoring plan.	1. Compliance with environmental protection laws and	Tested annually.

No.	Objective/target	Plan	Description	Implementation status
	and regulations, and implement them.		regulations. 2. Air inspection. 3. Wastewater discharge monitoring. 4. Drinking water testing. The test results meet the regulatory standards.	
7	The cylinders in the operating area are indeed fixed.	Place it securely and fix it with a protective cover to avoid the hazard caused by dumping.	The flammable gas and oxygen cylinders should be placed separately and secured with protective covers to avoid the risk of hazards due to dumping.	A comprehensive check of all cylinders in the plant area has been fixed with chains.

VI. Important Contracts

All important contracts that could affect shareholder rights, including supply and sales contracts, technical cooperation contracts, engineering contracts, long-term loan contracts, and others that are still valid as of the publication date of the annual report and expired in the most recent year.

Contract nature	Party	Contract period	Main content	Restriction clause
Loan contract	United Overseas Bank (Malaysia) Bhd.	2017.01.12-2022.05.05	Sinmag Bakery Equipment Sdn. Bhd., the Company's third-tier subsidiary in Malaysia, took out a long-term loan from United Overseas Bank (Malaysia) Bhd. to purchase business and storage premises.	None

Chapter 6. Financial Information

I. Condensed Balance Sheet, Statements of Comprehensive Income, Financial Analysis, and CPA's Name and Audit Opinions for the Past Five Fiscal Years

(I) Condensed balance sheet for the past five years

(1) Consolidated financial report - Based on International Financial Reporting Standards (IFRS)

Unit: NT\$ thousands

Year Item		Financial information for the past five years (Note 2)					Financial information for the year ending Mar. 31, 2021
		2016	2017	2018	2019	2020	
Current assets		2,205,604	2,426,043	2,209,816	2,022,326	1,939,183	1,796,012
Property, plant, and equipment		688,534	736,700	843,929	1,065,760	1,020,344	1,014,143
Intangible assets		28,393	48,254	92,077	5,433	6,586	6,285
Other assets		194,772	93,934	86,145	207,928	480,622	550,324
Total assets		3,117,303	3,304,931	3,231,967	3,301,447	3,446,735	3,366,764
Current liabilities	Before distribution	996,543	1,055,361	933,670	871,996	1,014,838	876,684
	After distribution	1,409,062	1,443,614	1,260,167	1,123,147	1,355,901 (Note 1)	1,217,747 (Note 1)
Non-current liabilities		184,777	204,918	179,822	194,073	99,872	97,609
Total liabilities	Before distribution	1,181,320	1,260,279	1,113,492	1,066,069	1,114,710	974,293
	After distribution	1,593,839	1,648,532	1,439,989	1,317,220	1,455,773 (Note 1)	1,315,356 (Note 1)
Equity attributable to owners of the parent company		1,882,289	1,987,944	2,062,679	2,176,933	2,268,971	2,326,062
Share capital		485,316	485,316	502,302	502,302	502,302	502,302
Capital surplus		74,943	74,943	75,738	75,738	75,738	75,738
Retained earnings	Before distribution	1,392,748	1,512,331	1,586,294	1,759,646	1,850,503	1,924,303
	After distribution	980,229	1,107,092	1,259,797	1,508,495	1,509,440 (Note 1)	1,583,240 (Note 1)
Other equity		(70,718)	(84,646)	(101,655)	(160,753)	(159,572)	(176,281)
Treasury stock		0	0	0	0	0	0
Non-controlling interest		53,694	56,708	55,796	58,445	63,054	66,409
Total equity	Before distribution	1,935,983	2,044,652	2,118,475	2,235,378	2,332,025	2,392,471
	After distribution	1,523,464	1,656,399	1,791,978	1,984,227	1,990,962 (Note 1)	2,051,408 (Note 1)

Note 1: The earnings distribution for 2020 has been approved by the Board of Directors, but has not been approved by the Shareholders Meeting.

Note 2: Financial information of each year has been audited and certified by CPAs.

(2) Parent Company-only financial report - Based on International Financial Reporting Standards (IFRS)

Unit: NT\$ thousands

Year Item		Financial information for the past five years (Note 2)				
		2016	2017	2018	2019	2020
Current assets		475,205	424,223	384,573	333,617	274,876
Property, plant, and equipment		108,979	122,917	118,988	111,894	108,683
Intangible assets		1,057	846	486	238	134
Other assets		1,861,564	1,948,367	2,051,658	2,245,849	2,278,244
Total assets		2,446,805	2,496,353	2,555,705	2,691,598	2,661,937
Current liabilities	Before distribution	444,800	397,154	402,819	421,931	333,404
	After distribution	857,319	785,407	729,316	673,082	674,467 (Note 1)
Non-current liabilities		119,716	111,255	90,207	92,734	59,562
Total liabilities	Before distribution	564,516	508,409	493,026	514,665	392,966
	After distribution	977,035	896,662	819,523	765,816	734,029 (Note 1)
Share capital		485,316	485,316	502,302	502,302	502,302
Capital surplus		74,943	74,943	75,738	75,738	75,738
Retained earnings	Before distribution	1,392,748	1,512,331	1,586,294	1,759,646	1,850,503
	After distribution	980,229	1,107,092	1,259,797	1,508,495	1,509,440 (Note 1)
Other equity		(70,718)	(84,646)	(101,655)	(160,753)	(159,572)
Treasury stock		0	0	0	0	0
Non-controlling interest		0	0	0	0	0
Total equity	Before distribution	1,882,289	1,987,944	2,062,679	2,176,933	2,268,971
	After distribution	1,469,770	1,599,691	1,736,182	1,925,782	1,927,908 (Note 1)

Note 1: The earnings distribution for 2020 has been approved by the Board of Directors, but has not been approved by the Shareholders Meeting.

Note 2: Financial information of each year has been verified by CPAs.

(II) Comprehensive income statements for the past five years

(1) Consolidated financial report - Based on International Financial Reporting Standards (IFRS)

Unit: NT\$ thousands

Item \ Year	Financial information for the past five years (Note)					Financial information for the year ending Mar. 31, 2021
	2016	2017	2018	2019	2020	
Operating revenue	4,297,545	4,614,233	4,312,015	4,164,628	3,300,489	793,936
Gross profit	1,810,713	1,897,745	1,718,306	1,705,525	1,339,739	304,849
Operating profit (loss)	777,282	828,198	657,300	662,080	488,841	111,377
Non-operating income and expenses	13,486	(37,962)	31,961	25,471	3,949	9,451
Net income before tax	790,768	790,236	689,261	687,551	492,790	120,828
Continuing operations Net income	560,223	547,123	485,232	515,502	353,546	77,161
Loss from discontinued operations	0	0	0	0	0	0
Net income	560,223	547,123	485,232	515,502	353,546	77,161
Other comprehensive income (net, after tax)	(121,204)	(19,400)	(10,163)	(64,266)	(193)	(16,715)
Total comprehensive income	439,019	527,723	475,069	451,236	353,353	60,446
Net income attributable to owners of the parent company	546,858	534,153	473,613	503,361	340,940	73,800
Net income attributable to non-controlling interest	13,365	12,970	11,619	12,141	12,606	3,361
Total comprehensive income attributable to owners of the parent company	427,553	518,174	462,193	440,751	343,189	57,091
Total comprehensive income attributable to non-controlling interests	11,466	9,549	12,876	10,485	10,164	3,355
Earnings per share	11.27	11.01	9.43	10.02	6.79	1.47

Note: Financial information of each year has been audited and certified by CPAs.

(2) Parent Company-only financial report - Based on International Financial Reporting Standards (IFRS)

Unit: NT\$ thousands

Item \ Year	Financial information for the past five years (Note)				
	2016	2017	2018	2019	2020
Operating revenue	1,101,701	1,134,163	947,326	981,102	736,660
Gross profit	180,301	187,640	147,524	150,503	111,643
Operating profit (loss)	38,207	34,587	18,130	11,597	2,679
Non-operating income and expenses	573,116	541,965	497,570	531,787	363,567
Net income before tax	611,323	576,552	515,700	543,384	366,246
Continuing operations Net income	546,858	534,153	473,613	503,361	340,940
Loss from discontinued operations	0	0	0	0	0
Net income	546,858	534,153	473,613	503,361	340,940
Other comprehensive income (net, after tax)	(119,305)	(15,979)	(11,420)	(62,610)	2,249
Total comprehensive income	427,553	518,174	462,193	440,751	343,189
Earnings per share	11.27	11.01	9.43	10.02	6.79

Note: Financial information of each year has been verified by CPAs.

(III) Financial analysis for the past five years

(1) Consolidated financial report - Based on International Financial Reporting Standards (IFRS)

Item \ Year		Financial analysis for the past five years (Note)					For the year ending Mar. 31, 2021
		2016	2017	2018	2019	2020	
Financial structure (%)	Ratio of liabilities to assets	37.89	38.13	34.45	32.29	32.34	28.93
	Ratio of long-term capital to property, plant, and equipment	290.86	291.06	262.36	217.98	231.05	238.24
Debt service ability (%)	Current ratio	221.32	229.87	236.68	231.91	191.08	204.86
	Quick ratio	155.43	159.31	162.03	156.60	127.24	118.90
	Times interest earned ratio	16,632.88	11,729.66	8,031.65	9,621.54	9,433.14	15,433.50
Operating ability	Accounts receivable turnover rate (times)	5.34	6.03	5.97	7.11	6.60	7.14
	Average days for cash receipts	68	60	61	51	55	51
	Inventory turnover rate (times)	3.86	4.08	3.77	3.78	3.12	2.90
	Payables turnover rate (times)	7.66	8.19	8.08	8.67	7.02	7.42
	Average days for sale of goods	95	89	97	97	117	126
	Turnover rate for property, plant, and equipment (times)	6.10	6.47	5.45	4.36	3.16	3.12
	Total asset turnover rate (times)	1.42	1.43	1.31	1.27	0.97	0.93
Profitability	Asset return ratio (%)	18.66	17.21	15.05	15.95	10.60	9.13
	Equity return ratio (%)	29.53	27.48	23.31	23.68	15.48	13.06
	Ratio of income before tax to paid-in capital (%)	162.93	162.82	137.22	136.88	98.10	96.21
	Net profit ratio (%)	13.03	11.85	11.25	12.37	10.71	9.71
	Earnings per share (NT\$)	11.27	11.01	9.43	10.02	6.79	1.47
Cash flow	Cash flow ratio (%)	82.56	50.26	68.25	85.09	47.36	(2.82)
	Cash flow sufficiency ratio (%)	129.50	122.61	119.62	119.38	130.46	109.01
	Cash reinvestment ratio (%)	19.10	4.19	8.94	14.51	7.77	(0.83)
Leverage	Operating leverage	1.08	1.07	1.10	1.11	1.16	1.18
	Financial leverage	1.00	1.00	1.01	1.01	1.01	1.01

Explain changes in financial ratios over the past two fiscal years: (Not required if the difference does not exceed 20%)

1. The increase in average days for the sale of goods was mainly due to the decrease in operating revenue as a result of the COVID-19 effect and led to a decline in inventory turnover and an increase in days for the sale of goods.
2. The decline in the turnover rate of property, plant, and equipment and total asset turnover rate was mainly due to the decrease in operating revenue as a result of the COVID-19 effect.
3. The decline in asset return ratio, equity return ratio, the ratio of income before tax to paid-in capital, and earnings per share was mainly due to the decrease in operating revenue as a result of the COVID-19 effect and led to a decline in profit.
4. The decline in cash flow ratio and cash reinvestment ratio was mainly due to the decrease in operating revenue, net income before tax and low accounts receivable turnover as a result of the COVID-19 effect and led to a decline in net cash flow from operating activities.

Note: Financial information of each year has been audited and certified by CPAs.

(2) Parent Company-only financial report - Based on International Financial Reporting Standards (IFRS)

Item \ Year		Financial analysis for the past five years (Note)				
		2016	2017	2018	2019	2020
Financial structure (%)	Ratio of liabilities to assets	23.07	20.36	19.29	19.12	14.76
	Ratio of long-term capital to property, plant, and equipment	1,727.20	1,617.30	1,733.51	1,945.53	2,087.69
Debt service ability (%)	Current ratio	106.83	106.81	95.47	79.06	82.44
	Quick ratio	91.32	86.39	70.10	62.42	61.91
	Times interest earned ratio	65,552.14	76,871.23	54,961.70	38,665.22	28,425.29
Operating ability	Accounts receivable turnover rate (times)	3.80	4.17	3.95	4.71	4.16
	Average days for cash receipts	96	87	92	77	88
	Inventory turnover rate (times)	13.96	13.90	9.46	9.81	9.29
	Payables turnover rate (times)	4.01	3.98	3.82	3.78	3.66
	Average days for sale of goods	26	26	39	37	39
	Turnover rate for property, plant, and equipment (times)	10.04	9.78	7.83	8.49	6.67
	Total asset turnover rate (times)	0.46	0.45	0.37	0.37	0.27
Profitability	Asset return ratio (%)	22.97	21.63	18.77	19.22	12.77
	Equity return ratio (%)	29.74	27.60	23.38	23.74	15.33
	Ratio of income before tax to paid-in capital (%)	125.96	118.79	102.66	108.17	72.91
	Net profit ratio (%)	49.63	47.09	49.99	51.3	46.28
	Earnings per share (NT\$)	11.27	11.01	9.43	10.02	6.79
Cash flow	Cash flow ratio (%)	5.71	(7.47)	(12.91)	20.46	(36.28)
	Cash flow sufficiency ratio (%)	11.29	4.26	(2.94)	0.90	(4.73)
	Cash reinvestment ratio (%)	(15.52)	(20.85)	(20.22)	(10.56)	(15.94)
Leverage	Operating leverage	1.12	1.12	1.37	1.34	2.48
	Financial leverage	1.02	1.02	1.05	1.13	1.93

Explain changes in financial ratios over the past two fiscal years: (Not required if the difference does not exceed 20%)

1. Financial structure:
The decline in the ratio of liabilities to assets was mainly due to the decrease in purchases and the decrease in accounts payable as a result of the COVID-19 effect.
2. Debt service ability:
The decline in times interest earned ratio was mainly due to the decrease in operating revenue and the decrease in net income before tax as a result of the COVID-19 effect.
3. Operating ability:
The decline in the turnover rate of property, plant, and equipment and total asset turnover rate was mainly due to the decrease in operating revenue as a result of the COVID-19 effect.
4. Profitability:
Mainly due to the decrease in operating revenue and the decrease in profits as a result of the COVID-19 effect.
5. Cash flow:
The decline in cash flow ratio, cash flow sufficiency ratio, and cash reinvestment ratio was mainly due to the decrease in operating revenue, net income before tax and low accounts receivable turnover as a result of the COVID-19 effect and led to a decline in net cash flow from operating activities.
6. Leverage:
The decline in operating leverage and financial leverage was mainly due to the decrease in operating revenue and operating profit as a result of the COVID-19 effect.

Note: Financial information of each year has been verified by CPAs.

Note: Formulas of the analysis item are as follows:

1. Financial structure
 - (1) Debt ratio = Total liabilities/Total assets.
 - (2) The ratio of long-term funds to property, plant, and equipment = (Total equity + Non-current liabilities)/Net property, plant, and equipment.
2. Debt service ability
 - (1) Current ratio = Current assets/Current liabilities.
 - (2) Quick ratio = (Current assets - Inventory - Prepaid expenses)/Current liabilities.
 - (3) Times interest earned ratio = Earnings before interest and taxes/Interest expenses.
3. Operating ability
 - (1) Accounts receivable turnover rate (including accounts receivable and bills receivable from business activities) = Net sales/Balance of average accounts receivable in each period (including accounts receivable and bills receivable from business activities).
 - (2) Average days for cash receipts = 365/Accounts receivable turnover.
 - (3) Inventory turnover rate = Cost of sales/Average inventory.
 - (4) Payables turnover rate (including accounts payable and bills payable from business activities) = Cost of sales/Balance of average accounts payable in each period (including accounts payable and bills payable from business activities).
 - (5) Average days for sale of goods = 365/Inventory turnover.
 - (6) Turnover rate for property, plant, and equipment = Net sales/Average net property, plant, and equipment.
 - (7) Total asset turnover rate = Net sales/Average total assets.
4. Profitability
 - (1) Asset return ratio = [Profit or loss after tax + Interest expenses \times (1 - Tax rate)]/Average total assets.
 - (2) Equity return ratio = Profit or loss after tax/Average total equity.
 - (3) Net profit ratio = Profit or loss after tax/Net sales.
 - (4) Earnings per share = (Income attributable to owners of the parent company - Preferred shares dividends)/Weighted average number of shares issued.
5. Cash flow
 - (1) Cash flow ratio = Net cash flows from operating activities/Current liabilities.
 - (2) Cash flow sufficiency ratio = Net cash flow from operating activities for the most recent five years/(Capital expenditures + Inventory increment + Cash dividends) for the most recent five years.
 - (3) Cash reinvestment ratio = (Net cash flow from operating activities - Cash dividends)/(Gross property, plant, and equipment + Long-term investment + Other non-current assets + Working capital).
6. Leverage:
 - (1) Operating leverage = (Net operating revenue - Variable operating costs and expenses)/Operating income.
 - (2) Financial leverage = Operating income/(Operating income - Interest expenses).

(IV) Names of CPA and audit opinions for the past five years

Year	CPA Firm	CPA	Audit opinion
2016	Deloitte & Touche	Keng-Hsi Chang Yu, Cheng- Chuan	Unqualified opinion with other matters paragraph
2017	Deloitte & Touche	Keng-Hsi Chang Chiang-Hsun Chen	Unqualified opinion with other matters paragraph
2018	Deloitte & Touche	Chiang-Hsun Chen Chao-Mei Chen	Unqualified opinion with other matters paragraph
2019	Deloitte & Touche	Chao-Mei Chen Chiang-Hsun Chen	Unqualified opinion with other matters paragraph
2020	Deloitte & Touche	Chiang-Hsun Chen Chao-Mei Chen	Unqualified opinion with other matters paragraph

II. Audit Committee's Report for the Most Recent Fiscal Year's Financial Report

Sinmag Equipment Corporation Audit Committee Review Report

It is hereby approved

The Board of Directors has submitted the 2020 business report, financial statements, and earnings distribution proposal of the Company, among which the financial statements have been audited by CPAs Chiang-Hsun Chen and Chao-Mei Chen of Deloitte & Touche, and the audit report has been issued. The aforementioned business report, financial statements, and earnings distribution proposal have been reviewed by the Audit Committee. All members believe that there is no discrepancy. Therefore, in accordance with the provisions of Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, the above report is submitted for your verification.

Sincerely,

2021 Annual Shareholders' Meeting of Sinmag Equipment Corporation

Sinmag Equipment Corporation

Convener of the Audit Committee

Mar. 26, 2021

III. The Parent Company-only Financial Statements for the Most Recent Fiscal Year, Certified by the CPA

For the Company's 2020 parent company-only financial report, please refer to pages 168 to 247 of this annual report.

IV. The Consolidated Financial Report of the Parent Company and the Subsidiary Company for the Most Recent Fiscal Year, Certified by the CPA

For the 2020 consolidated financial report of the parent company and the subsidiary company, please refer to pages 248 to 317 of this annual report.

V. In the Most Recent Fiscal Year and up to the Publication Date of the Annual Report, any Financial Difficulties Experienced by the Company or its Affiliates and How Said Difficulties Will Affect the Company's Financial Situation: None.

Chapter 7. Review and Analysis of the Company's Financial Position and Financial Performance, and Listing of Risks

I. Financial Position

(I) Comparative analysis of the financial position

(1) Consolidated financial report - International Financial Reporting Standards (IFRS)

Unit: NT\$ thousands

Item \ Year	Dec 31, 2020	Dec 31, 2019	Difference	
			Increases (decreases)	%
Current assets	1,939,183	2,022,326	(83,143)	-4%
Property, plant, and equipment	1,020,344	1,065,760	(45,416)	-4%
Intangible assets	6,586	5,433	1,153	21%
Other assets	480,622	207,928	272,694	131%
Total assets	3,446,735	3,301,447	145,288	4%
Current liabilities	1,014,838	871,996	142,842	16%
Non-current liabilities	99,872	194,073	(94,201)	-49%
Total liabilities	1,114,710	1,066,069	48,641	5%
Equity attributable to owners of the parent company	2,268,971	2,176,933	92,038	4%
Share capital	502,302	502,302	0	0%
Capital surplus	75,738	75,738	0	0%
Retained earnings	1,850,503	1,759,646	90,857	5%
Other equity	(159,572)	(160,753)	1,181	1%
Treasury stock	0	0	0	0%
Non-controlling interest	63,054	58,445	4,609	8%
Total equity	2,332,025	2,235,378	96,647	4%
In the last two years, the ratio of increase or decrease has changed by 20% and the amount of change has reached NT\$10 million or more. The analysis is as follows:				
1. Other assets: Mainly due to the increase in financial assets at amortized cost.				
2. Current liabilities: Mainly due to the repayment of loans by the US subsidiary.				

(2) Parent Company-only financial report - Based on International Financial Reporting Standards (IFRS)

Unit: NT\$ thousands

Item \ Year	Dec 31, 2020	Dec 31, 2019	Difference	
			Increases (decreases)	%
Current assets	274,876	333,617	(58,741)	-18%
Property, plant, and equipment	108,683	111,894	(3,211)	-3%
Intangible assets	134	238	(104)	-44%
Other assets	2,278,244	2,245,849	32,395	1%
Total assets	2,661,937	2,691,598	(29,661)	-1%
Current liabilities	333,404	421,931	(88,527)	-21%
Non-current liabilities	59,562	92,734	(33,172)	-36%
Total liabilities	392,966	514,665	(121,699)	-24%
Share capital	502,302	502,302	0	0%
Capital surplus	75,738	75,738	0	0%
Retained earnings	1,850,503	1,759,646	90,857	5%
Other equity	(159,572)	(160,753)	1,181	1%
Treasury stock	0	0	0	0%
Non-controlling interest	0	0	0	0%
Total equity	2,268,971	2,176,933	92,038	4%
<p>In the last two years, the ratio of increase or decrease has changed by 20% and the amount of change has reached NT\$10 million or more. The analysis is as follows:</p> <ol style="list-style-type: none"> 1. The decline in current liabilities: Mainly due to the decrease in purchases and the decrease in accounts payable as a result of the COVID-19 effect. 2. The decline in non-current liabilities: Mainly due to the decrease in deferred tax liabilities. 3. The decline in total liabilities: Mainly due to the decrease in accounts payable and deferred tax liabilities. 				

II. Financial Performance

(I) Analysis of financial performance

(1) Consolidated financial report - Based on International Financial Reporting Standards (IFRS)

Unit: NT\$ thousands

Item \ Year	2020	2019	Difference	
			Increases (decreases)	%
Operating revenue	3,300,489	4,164,628	(864,139)	-21%
Operating costs	(1,960,750)	(2,459,103)	(498,353)	-20%
Gross profit	1,339,739	1,705,525	(365,786)	-21%
Operating expenses	(850,898)	(1,043,445)	(192,547)	-18%
Operating profit	488,841	662,080	(173,239)	-26%
Non-operating income and expenses	3,949	25,471	(21,522)	-85%
Net income before tax	492,790	687,551	(194,761)	-28%
Income tax expenses	(139,244)	(172,049)	(32,805)	-19%
Net income	353,546	515,502	(161,956)	-31%
Analysis of the increase and decrease ratio: 1. The decline in operating revenue, operating costs, gross profit, and operating profit: Mainly due to the decrease in operating revenue and the decrease in gross profit as a result of the COVID-19 effect. 2. The decline in non-operating income and expenses: Mainly due to the increase in loss on foreign currency exchange. 3. The decline in net income before tax and net income: Mainly due to the decrease in operating revenue and the decrease in profit.				

(2) Parent Company-only financial report - Based on International Financial Reporting Standards (IFRS)

Unit: NT\$ thousands

Item \ Year	2020	2019	Difference	
			Increases (decreases)	%
Operating revenue	736,660	981,102	(244,442)	-25%
Operating costs	(626,305)	(829,045)	(202,740)	-24%
Gross profit	111,643	150,503	(38,860)	-26%
Operating expenses	(108,964)	(138,906)	(29,942)	-22%
Operating profit	2,679	11,597	(8,918)	-77%
Non-operating income and expenses	363,567	531,787	(168,220)	-32%
Net income before tax	366,246	543,384	(177,138)	-33%

Income tax expenses	(25,306)	(40,023)	(14,717)	-37%
Net income	340,940	503,361	(162,421)	-32%
Analysis of the increase and decrease ratio:				
1. The decline in operating profit: Mainly due to the decrease in operating revenue as a result of the COVID-19 effect.				
2. The decline in non-operating income and expenses, net income before tax, and net income: Mainly due to the decrease in profit of subsidiaries using the equity method as a result of the COVID-19 effect.				

- (II) The expected sales volume and its basis, and the possible impact on the Company's future financial operations and countermeasures:

The Company's main products are food machinery and equipment. As the unit price of each product is quite different, it is not appropriate to adopt sales volume as a basis for measurement. However, as a whole, the Company aims to continuously develop new products to meet the needs of customers.

The Company's scale of operation has grown year by year. Besides stabilizing profits to repay shareholders, we also continue to improve the financial structure. The Company's business has expanded year by year, and with a more stable financial structure, it is sufficient to cope with future business development.

III. Cash Flow

- (I) Analysis of cash flow changes in the last two years:

(1) Consolidated financial report - Based on International Financial Reporting Standards (IFRS)

Item \ Year	2020	2019	Increase (decrease) ratio
Cash flow ratio %	47.36	85.09	-44.34%
Cash flow sufficiency ratio (%)	130.46	119.38	9.28%
Cash reinvestment ratio (%)	7.77	14.51	-46.45%
Change ratio analysis: The decline in cash flow ratio and cash reinvestment ratio was mainly due to the decrease in operating revenue, net income before tax and low accounts receivable turnover as a result of the COVID-19 effect and led to a decline in net cash flow from operating activities.			

(2) Parent Company-only financial report - Based on International Financial Reporting Standards (IFRS)

Item \ Year	2020	2019	Increase (decrease) ratio
Cash flow ratio %	(36.28)	20.46	-277.32%
Cash flow sufficiency ratio (%)	(4.73)	0.90	-625.56%
Cash reinvestment ratio (%)	(15.94)	(10.56)	50.95%
Change ratio analysis: The decline in cash flow ratio, cash flow sufficiency ratio, and cash reinvestment ratio was mainly due to the decrease in operating revenue, net income before tax and low accounts receivable turnover as a result of the COVID-19 effect and led to a decline in net cash flow from operating activities.			

(II) Enhancement plan for insufficient liquidity: No cash shortage is expected.

(III) Analysis of cash liquidity in the coming year:

The Company actively expands overseas markets to increase revenue, reduces production costs and increases production capacity by refining production processes and enhancing automated production, and strengthens control over inventory management and accounts receivable. Net cash flow is expected to grow steadily.

IV. Effect upon Financial Operations of any Major Capital Expenditures during the Most Recent Fiscal Year: None.

V. Company Reinvestment Policy for the Most Recent Fiscal Year, Main Reasons for Profits/Losses Generated thereby, Plan for Improving Reinvestment Profitability, and Investment Plans for Coming Year

1. Reinvestment policy for the most recent fiscal year:

The decision-making authority of the Company makes reinvestment based on factors such as operational needs, cost reduction or consideration of the Company's future growth, etc. The Company's senior management designates or forms an investment evaluation team. After comprehensive consideration of the current status, business development, future prospects, and local market conditions of the investment target company, the investment evaluation team put forward a long-term investment evaluation report for the decision-making authorities to make investment decisions. In addition, the Company also keeps abreast of the operating conditions of the invested businesses at all times and analyzes the investment results to facilitate the decision-making authority as the follow-up evaluation of post-investment management.

2. The main reasons for the profit or loss of reinvestment, the improvement plan, and the investment plan for the coming year:

The Company's reinvestment using the equity method all focuses on long-term strategic purposes. In 2020, the profit from reinvestment under the equity method is NT\$367,701 thousand. In the future, the reinvestment plan will proceed with careful evaluation based on the principle of long-term strategic investment.

VI. Risk Analysis and Assessment for the Most Recent Fiscal Year and as of the Publication Date of the Annual Report

- (I) The effect upon the Company's profits (losses) of interest and exchange rate fluctuations and changes in the inflation rate, and response measures to be taken in the future

- (1) Risk of interest rate changes

Unit: NT\$ thousands

Item of the year	2020	2019
Interest income	16,086	16,674
Interest expenses	5,280	7,221
Net operating revenue	3,300,489	4,164,628
Operating profit	488,841	662,080
Interest income/net operating revenue (%)	0.49%	0.40%
Interest income/operating profit (%)	3.29%	2.52%
Interest expense/net operating revenue (%)	0.16%	0.17%
Interest expense/operating profit (%)	1.08%	1.09%

The Company's interest expense for 2020 is NT\$5,280 thousand, which accounts for 0.16% and 1.08% of the year's net operating income and operating profit respectively. To avoid the impact of interest rate changes, the Company will take the following countermeasures as appropriate:

- A. To strengthen the financial structure, the cash capital increase will be timely conducted in the future according to the operating conditions and capital needs to reduce the dependence on bank financing.
- B. Enhance the accounts receivable turnover rate, increase working capital, and reduce bank borrowings.
- C. Regularly evaluate the interest rate of bank borrowings and obtain the average market interest rate at the same time, and keep in close contact with the bank to strive for the most favorable borrowing rate.

(2) Risk of exchange rate changes

Unit: NT\$ thousands

Item of the year	2020	2019
Net exchange (loss) gain	(8,620)	14,601
Net operating revenue	3,300,489	4,164,628
Operating profit	488,841	662,080
Net exchange (loss) gain/net operating revenue (%)	(0.26%)	0.35%
Net exchange (loss) gain/operating profit (%)	(1.76%)	2.21%

The Company is mainly for export and mostly quotes and receives payments in US dollars. Therefore, exchange rate changes have a certain impact on the Company's profit and loss. The net exchange loss for 2020 is NT\$8,620 thousand. In the future, we will strengthen the management of foreign exchange risk and continue to implement the following measures to cope with the impact of exchange rate fluctuations:

- A. Fully grasp the latest exchange rate trend and adjust the foreign currency position promptly.
- B. By controlling the mutual offset of recurring foreign currency receivables and payables, exchange rate changes have a certain degree of internal hedging effect.
- C. For payables denominated in foreign currency, judge the exchange rate trend and analyze the exchange gains and losses, choose to repay in advance or borrow from the bank for payments to avoid the risk of exchange rate fluctuation, and achieve the purpose of cost-saving.
- D. Open a foreign currency deposit account in the bank, and deposit the foreign currency remittances into the foreign currency account, and convert it into NT dollars or other strong foreign currencies according to the capital needs and exchange rate trends to achieve the most appropriate allocation of capital position.
- E. When the exchange rate fluctuates greatly, other tools are used to avoid exchange risk, such as trading forward foreign exchange, to avoid the risk of the exchange rate change.

(3) Risk of inflation

The Company's main business content is the manufacturing and sales of food machinery and equipment. At present, inflation does not have much impact on the Company's profit and loss.

The Company's specific measures in response to changes in inflation:

- A. Make appropriate adjustments to the inventory of raw materials and sign purchase contracts with cooperative manufacturers for the main raw materials.
- B. Advance the production process to enhance the added value of products and pass on the cost appropriately.

(II) The policy regarding high-risk investments, highly leveraged investments, loans to

others, endorsements, guarantees, and derivatives transactions; the main reasons for the profits/losses generated thereby, and response measures to be taken in the future:

1. The Company and its subsidiaries did not engage in high-risk, high-leverage investments in 2020 and as of the publication date of the annual report.
2. The Company and its subsidiaries have no loan to others in 2020 and as of the publication date of the annual report.
3. The third-tier subsidiary, Sinmag Bakery Equipment Sdn. Bhd. applied to the bank for a financing line of MYR 6 million due to operational needs, and the Company provided an endorsement guarantee. The endorsement guarantees provided by the Company are all within the prescribed limits and are endorsement guarantees of parent and subsidiary companies, so they have no significant impact on the Company's financial status.
4. The third-tier subsidiary Sinmag Equipment (China) Co., Ltd. was engaged in derivative commodity transactions in 2020 with a written-off amount of CNY 395 million, an unwritten-off amount of CNY 0, and realized profits of CNY 1,288,824.78. As of May 15, 2021, the written-off amount in derivative commodity transactions was CNY 158 million, the unwritten-off amount was CNY 55 million, and realized profits was CNY 448,469.32. The derivative financial commodity traded is the use of the Company's idle funds for financial planning. The products traded are all structured deposit commodities with guaranteed capital and income. The banks dealing with transactions are the banks that the Company deals with, which can avoid system and credit risks without incurring losses. The derivative financial commodity that the Company engages in complies with the Company's internal control and the "Procedures for the Acquisition or Disposal of Assets" and the approval authority.

(III) Future R&D project and R&D expenditure to be invested

The Company has put great emphasis on R&D personnel and related equipment investment since the founding of the Company and has accumulated R&D strength through education, training, and experience inheritance, and strengthened product planning and research and innovation capabilities. In recent years, R&D capabilities have been invested in the development of specification products, so that product specification planning and research and innovation capabilities can meet the needs of different customers. In the coming year, the Company will persist to invest in R&D. Approximately 3% of the turnover will be allocated as R&D funds each year. The mass production schedule of new products will be completed according to the customer's demand. In addition, the main success factors of R&D projects depend on the quality of personnel and the mastery of related technologies. We firmly believe that the long-term accumulated experience of the Company's R&D team will certainly be able to provide competitive products.

Expected future R&D project

Project name	Mass production schedule	Explanation	Project content	Main factors of success	Current progress	Expected future expenditure
Flip function mixer	The test is scheduled for October 2020, and mass production is expected in December 2020.	It is used for 1-pack, 2-pack, and 3-pack powder mixers. A set of complete machine flipping devices is developed on the mixer, adding the flip function to the mixer. It takes up little space and reduces labor intensity.	a. Research on the transmission mechanism. b. Research on the mechanical state of the machine. c. Research on the control system,	The machine is easy to operate with a turner function and simple structure to facilitate subsequent maintenance.	Collected relevant design information and started 3D modeling.	Depends on the project execution status.
Jumbo planetary mixer	The test is scheduled for October 2020, and mass production is expected in December 2020.	100L-200L planetary mixer, trolley off-cylinder cake mixer. Mainly used in large central factories to increase batch production, reduce feeding frequency, and enhance automation.	a. Research on the machine mechanism. b. Research on the transmission system. c. Research on the stress of structure.	The machine has the advantages of high productivity, simple operation, time and labor-saving, and is suitable for large central factories.	There is a dough spiral mixer as a reference.	Depends on the project execution status.
Second-generation cake bowl lifter	The test is scheduled for October 2020, and mass production is expected in December 2020.	The small and easy-to-move cake bowl lifter is convenient for cleaning the site and has higher on-site flexibility.	a. Research on the transmission mechanism. b. Research on the control system, c. Research on the stress of machines.	The machine is small, easy to move, takes up little space, easy to operate, and cost-effective.	Refinements on the first generation of cake lifters, currently looking for suitable DC motors and battery components.	Depends on the project execution status.
Compact proofer	The test is scheduled for October 2020, and mass production is expected in December 2020.	Proofer at low height and a capacity of about 28 trays, which is suitable for customers with insufficient back kitchen height.	a. Research on the cabinet structure and control the size of the equipment. b. Research on the program control.	The equipment takes up less space and is suitable for more customers.	3D modeling is currently in progress.	Depends on the project execution status.
Enhance the quality of the oven	The test is scheduled for October 2020, and	Add adjustable wind speed function to the convection oven, strengthen heat preservation of the deck oven,	a. Research on the wind speed control system of the convection oven.	Research on the refinement of oven insulation, the structure of	The improvement of oven	Depends on the project

Project name	Mass production schedule	Explanation	Project content	Main factors of success	Current progress	Expected future expenditure
	mass production is expected in December 2020.	integrate the model and specification of the deck oven, advance heat conduction of the converter combustion chamber, and enhance indirect heating of the tunnel oven.	b. Research on the selection of deck oven insulation materials. c. Research on the heat conduction structure of the converter combustion chamber.	the converter combustion chamber can make a great energy-saving effect, and the wind speed adjustment of convection oven can elevate the quality of baked products.	insulation has been in cooperation with universities.	execution status.
Mini continuous divider rounder	The test is scheduled for November 2021, and mass production is expected in December 2021.	30g-100g a dough, the machine can produce two doughs at a time, the production capacity is about 1,000 pieces/hour, and the target customers are small and medium-sized chain customers.	a. Research on the link mechanism of rounder. b. Research on the control system, c. Machine stress analysis.	The machine is small and takes up little space. Simple operation, suitable for small and medium-chain customers.	At present, the principle of link transmission structure has been designed.	Depends on the project execution status.
New dough divider SMD-2PB series SMD-4P series	In the prototype design and drawing stage, the mass production schedule depends on the testing results	Electric adjustment of the dough division weight. .	a. The touch-tone operation to modify the set weight of the dough, and motor operation to adjust the division weight instead of manual adjustment of weight. b. Switch to the human-machine interface operation. c. Extrusion dough with pressure adjustment to suit different doughs.	a. The program precisely controls the operation and positioning of the motor and adjusts the volume of the piston to match the proportion of the dough to control the weight of the divided dough. b. The extrusion pressure can be set in multiple stages, and the pressure can be selected according to the product to avoid damaging the dough essence.	In progress.	Depends on the project execution status.
Mini divider rounder	Design drawing stage.	In response to market demand, a special model for soft dough with a	a. The piston chamber is made of stainless steel.	a. The casting has no sand holes and meets	In progress.	Depends on the project

Project name	Mass production schedule	Explanation	Project content	Main factors of success	Current progress	Expected future expenditure
		small weight and high moisture content is designed.	<ul style="list-style-type: none"> b. The rounding function is directly added to the conveyor belt. c. Suitable for 20-100g dough, with a moisture content of more than 70%. 	<ul style="list-style-type: none"> the requirements of heat treatment. b. The rounding track design must be able to match the dough size to achieve a good rounding effect. c. Due to the high moisture content of the dough, it is necessary to prevent the dough from sticking to smoothly divide, convey, and round. 		execution status.

- (IV) Effect on the Company's financial operations of important policies adopted and changes in the legal environment at home and abroad, and measures to be taken in response

The Company's management always pays attention to the impact of important policies and changes in the legal environment at home and abroad on the Company's operations and plans countermeasures. So far there has been no significant impact.

- (V) Effect on the Company's financial operations of developments in science and technology as well as industrial change, and measures to be taken in response

The Company maintains good cooperative relations with domestic research institutions through close contact with domestic and foreign manufacturers and can keep abreast of industry changes and future technological development trends. The Company has the ability to develop its technology and is confident that it can expeditiously respond to the needs of new processes and technology ahead of the peers and can further enhance the Company's competitive niche. In the future, the Company will keep up a close eye on market trends and pulsations to adapt to the evolution and changes of related industries. Therefore, technological changes and industrial changes will not have a significant impact on the Company's financial operation.

- (VI) Effect on the Company's crisis management of changes in the Company's corporate image, and measures to be taken in response

The Company upholds the principle of integrity and down-to-earth business philosophy and actively strengthens internal management to improve quality and efficiency. Moreover, the Company continues to introduce more outstanding talents, build up the strength of the management team, and then return the results of its operations to the shareholders and the public to fulfill the corporate social responsibility. As the Company has a good corporate image, there is no corporate crisis caused by changes in corporate image.

- (VII) Expected benefits and possible risks associated with any merger and acquisitions, and measures to be taken in response: None.

- (VIII) Expected benefits and possible risks associated with any plant expansion and measures to be taken in response: None.

- (IX) Risks associated with any concentration of sales or purchases operations and measures to be taken in response: Not applicable to the Company.

- (X) The effect upon and risk to the Company in the event a major quantity of shares belonging to a director, supervisor, or shareholder holding greater than a 10% stake in the Company has been transferred or has otherwise changed hands, and measures to be taken in response: None.

- (XI) The effect upon and risk to the Company associated with any change in governance personnel or top management, and measures to be taken in response: The Company

has a stable management structure for a long time, and there is no risk of change in governance personnel or top management in the future.

(XII) Litigious and non-litigious matters. List major litigious, non-litigious, or administrative disputes that involve the Company and/or any Company director, supervisor, the president, any person with actual responsibility for the firm, any major shareholder holding a stake of greater than 10%, and/or companies controlled by the Company; and have been concluded by means of a final and unappealable judgment, or are still under litigation. Where such a dispute could materially affect shareholders' equity or the prices of the Company's securities, the Annual Report shall disclose the facts of the dispute, amount of money at stake in the dispute, the date of litigation commencement, the main parties to the dispute, and the status of the dispute as of the publication date of the Annual Report: None.

(XIII) Other important risks and measures to be taken in response: None.

VII. Other Important Matters:

(I) Information security risk assessment analysis and measures to be taken in response
The Company has formulated application system management measures to implement internal control systems and maintain information security policies. Through annual review and evaluation of its safety regulations and procedures, to ensure their appropriateness and effectiveness. Detailed descriptions are as follows:

(1) Information security policy

- A. Ensure the security of the Company's data, system, devices, and network communications, and prevent external intrusions and destruction.
- B. Ensure that the access to the system information account and the system changes are authorized by the Company's prescribed procedures.
- C. Destruction procedures should be implemented and discarded computer storage media should be destroyed to avoid the accidental outflow of data.
- D. Monitor the security status and activity records of the information system, effectively grasp and handle information security incidents.
- E. Maintain availability and integrity of the data and system so that normal operations can be recovered in the event of a disaster or damage.

At present, the Company's information security maintenance measures are complete. Considering information security insurance is still emerging insurance, which involves information security classification, claims appraisal, and other supporting facilities, so it is still in the stage of evaluating future applicability.

(2) Information security network structure

The Company's internal systems are isolated from the external network and cannot

be accessed directly. It has adopted multiple network security defense systems. The firewall, intrusion prevention connection screening system, and mail server at the front end of the network have adopted the Microsoft Exchange Online cloud space email system and instantly blocked the latest malware, harmful website links, spam emails, and other threats. The internal hosts and endpoints are deployed with Trend Micro anti-virus software from the central console, which updates the virus code at any time and identifies malicious behavior characteristics in real-time. It can instantly block viruses, trojan horses, ransomware, and malicious programs in folders to effectively reduce the risk of being damaged by a hacker attack.

(3) System account life cycle management and authority account management

The user's account and permissions are set up according to the business scope and rights and responsibilities. The access to the data can only be used and changed after the application and approval of the responsible supervisors through the approval process. Once the user leaves the original position, the user's account and permissions are revoked immediately to prevent unauthorized use.

(4) Data access record audit and storage

The computers after the discard procedure are all subjected to the dismantling and destruction of hard disks to comply with the management system and information security policies under laws and regulations.

(5) Continuous operation of information system

The system and files are backed up daily and weekly locally, and the weekly backup data is then transmitted to the remote Google cloud space as a remote backup. The system data recovery test drills are carried out regularly every year to ensure the normal operation of the information system and data preservation. It can reduce the risk of data loss caused by natural and man-made disasters without warning.

The operations performed by the information department can be carried out under the procedures prescribed by the Company to ensure the integrity and safety of the data. Therefore, in the most recent year and up to the publication date of the Annual Report, technological changes have not had a material adverse effect on the Company's information security and no major operational risks.

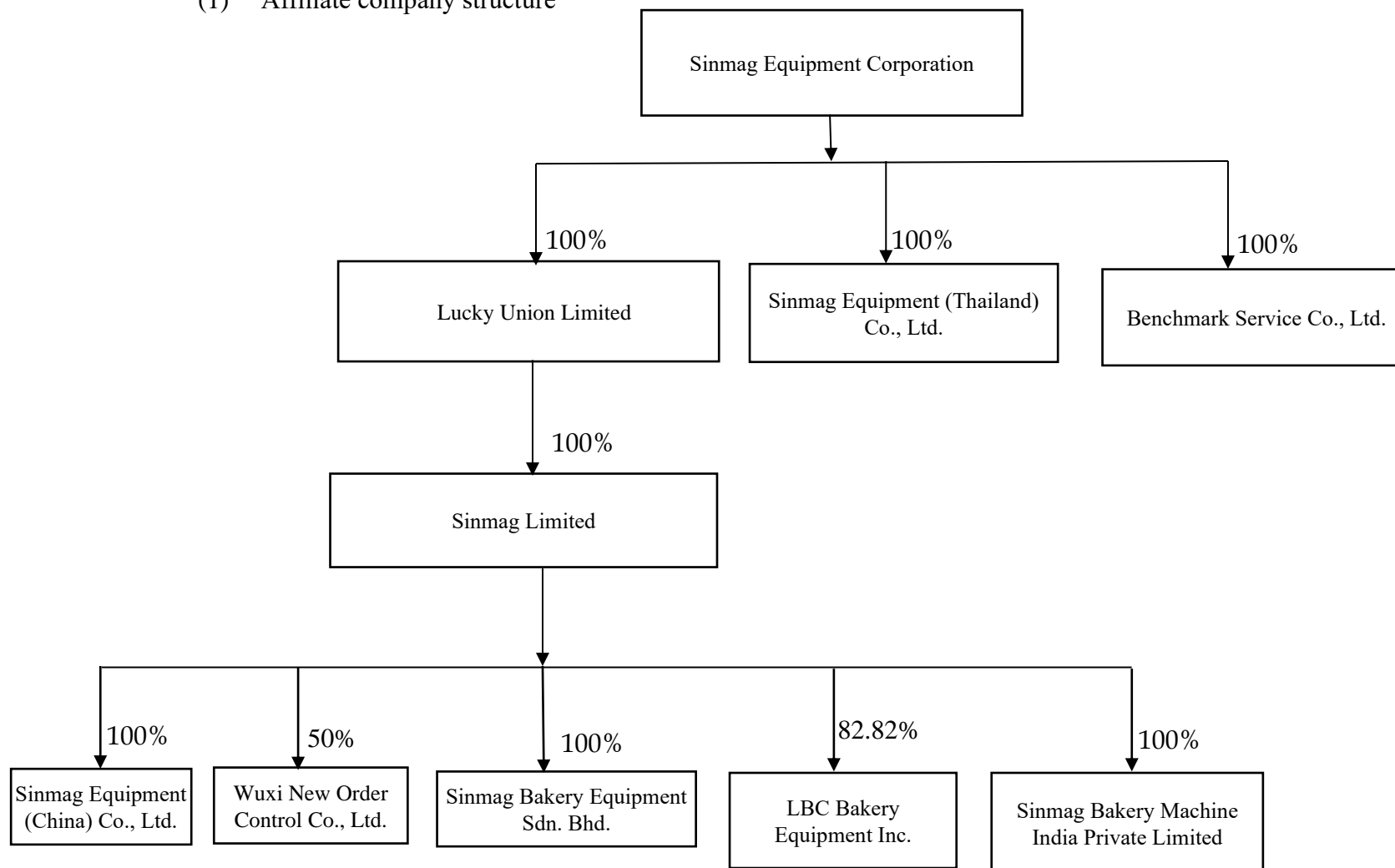
Chapter 8. Special Disclosure

I. Information on the Company's Affiliates

(I) Consolidated business report of affiliated companies

1. Overview of affiliated companies

(1) Affiliate company structure



(2) Basic information on affiliates

May 15, 2021

Name	Date of incorporation	Address	Paid-in capital	Main business or production items
Lucky Union Limited	2003.10.27	Portcullis TrustNet Chambers P.O.Box 1225 Apia, Samoa	US\$11,728,283	Holding company
Sinmag Equipment (Thailand) Co., Ltd.	2009.11.20	21 Soi Phokrew 1 Yek 5, Sub District Klongjan, District Bangkok 10240 Thailand	US\$3,303,734.19	Sales of food machinery and equipment
Benchmark Service Co., Ltd.	2020.6.16	21 Soi Phokrew 1 Yek 5, Sub District Klongjan, District Bangkok 10240 Thailand	US\$16,260.16	Maintenance service
Sinmag Limited	2003.10.27	Portcullis TrustNet Chambers P.O.Box 1225 Apia, Samoa	US\$12,228,283	Holding company
Sinmag Equipment (China) Co., Ltd.	1994.12.28	No.312, Youyi North Road, Xishan Economic Development Zone, Wuxi, Jiangsu Province, China	US\$33,850,000	Manufacturing and sales of food machinery and equipment
Sinmag Bakery Equipment Sdn. Bhd.	1990.06.25	No.32, Jalan Tpp 5, Taman Perindustrian Putra, 47130 Puchong, Selangor, Malaysia	MYR 300,000	Sales of food machinery and equipment
Wuxi New Order Control Co., Ltd.	2002.05.08	No.312, Youyi North Road, Xishan Economic Development Zone, Wuxi, Jiangsu Province, China	US\$150,000	Manufacturing and sales of control instruments and electromechanical control system
LBC Bakery Equipment Inc.	2005.07.26	6026 31ST Ave. NE, Tulalip, WA 98271, U.S.A.	US\$1,465,000	Sales of food machinery and equipment
Sinmag Bakery Machine India Private Limited	2009.03.16	204, Anand Estates, 189, Arthur Road, Chinchpokli, Mumbai-400011. Dist.-Maharashtra	US\$720,000	Manufacturing and sales of food machinery and equipment

- (3) Where there is considered to be a controlled and subordinate relation, the information of the same shareholders: None.
- (4) The industries covered by the overall affiliates business and the division of labor:
- The scope of the Company's overall affiliates business includes investment holding, manufacturing and sales of food machinery and equipment, and manufacturing and sales of baked goods.
- Investment holding: Lucky Union Limited and Sinmag Limited.
 - Manufacturing and sales of food machinery and equipment: Sinmag Equipment (China) Co., Ltd., Wuxi New Order Control Co., Ltd., Ltd., and Sinmag Bakery Machine India Private Limited.
 - Sales of food machinery and equipment: LBC Bakery Equipment Inc., Sinmag Bakery Equipment Sdn. Bhd. and Sinmag Equipment (Thailand) Co., Ltd.
- (5) Information on directors, supervisors, and presidents of affiliates

May 15, 2021; Unit: NT\$

Name	Title	Name or representative	Shareholding	
			Number of shares or capital contribution	Shareholding %
Lucky Union Limited	Director	Sinmag Equipment Corporation Representative: Shun-Ho Hsieh	\$392,587 thousand	100%
Sinmag Equipment (Thailand) Co., Ltd.	Director	Tzu-Chien Chang	\$93,425 thousand	100%
	Director	Ming-Ching Hsieh		
	Director	Ming-Hsiung Kuo		
Benchmark Service Co., Ltd.	Director	Tzu-Chien Chang	\$479 thousand	100%
	Director	Ming-Ching Hsieh		
	Director	Ming-Hsiung Kuo		
Sinmag Limited	Director	Lucky Union Limited Representative: Shun-Ho Hsieh	\$407,839 thousand	100%
Sinmag Equipment (China) Co., Ltd.	Chairman	Shun-Ho Hsieh	\$349,938 thousand	100%
	Director	Ming-Ching Hsieh		
	Director	Tzu-Chien Chang		
	Supervisor	Yao-Tsung Wu		
Sinmag Bakery Equipment Sdn. Bhd.	Chairman	Shun-Ho Hsieh	\$12,340 thousand	100%
	Director	Lian Choy Seng		
	Director	Yung-Chen Chen		
	Director	Lim Kang Cheng		
	President	Lian Choy Seng		
LBC Bakery Equipment Inc.	Director	Steve Hegge	\$17,241 thousand	82.82%
	Director	Tzu-Chien Chang		
	Director	Ming-Ching Hsieh		
	Director	Brian Smith		
	President	Steve Hegge		
Wuxi New Order Control Co., Ltd.	Chairman	Tseng-Wen Lee	\$3,348 thousand	50%
	Director	Ming-Ching Hsieh		
	Director	Yao-Tsung Wu		
	President	Tseng-Wen Lee		
	Supervisor	Sheng-Huei Yang		
Sinmag Bakery Machine India Private Limited	Chairman	Shun-Ho Hsieh	\$54,748 thousand	100%
	Director	Yung-Chen Chen		
	Director	Mukesh Chachan		

2. Operational overview of affiliated companies

(I) Financial status and operating results of affiliated companies

Dec. 31, 2020

Name	Currency	Capital	Total assets	Total liabilities	Net worth	Operating revenue	Operating profit (Loss)	Current net income	Earnings per share
Lucky Union Limited	NTD	405,129,898	2,155,339,733	19,936	2,155,319,797	-	(173,912)	366,173,681	-
Sinmag Equipment (Thailand) Co., Ltd.	THB	103,000,000.00	112,587,316.39	13,159,453.53	99,427,862.86	82,088,461.17	5,196,775.86	3,650,615.02	-
Benchmark Service Co., Ltd.	THB	500,000.00	535,079.75	3,705.00	531,374.75	75,000.00	31,486.01	31,374.75	-
Sinmag Limited	NTD	420,376,720	2,151,599,773	-	2,151,599,773	-	(3,051)	366,545,964	-
Sinmag Equipment (China) Co., Ltd.	CNY	236,999,120.92	574,633,351.62	161,454,809.05	413,178,542.57	632,972,033.92	95,792,854.00	84,581,135.38	-
Sinmag Bakery Equipment Sdn. Bhd.	MYR	300,000.00	20,464,467.87	6,210,950.10	14,253,517.77	13,849,800.22	969,517.52	811,266.19	-
LBC Bakery Equipment Inc.	USD	1,789,527.00	13,566,536.24	3,261,075.62	10,305,460.62	18,548,843.29	1,837,047.21	1,363,167.04	-
Wuxi New Order Control Co., Ltd.	CNY	1,241,565.00	10,476,144.60	3,933,260.99	6,542,883.61	20,488,164.10	2,772,296.32	2,654,896.07	-
Sinmag Bakery Machine India Private Limited	INR	35,706,404.00	6,555,649.84	562,619.79	5,993,030.05	-	(7,691,002.46)	(6,943,100.25)	-

(II) Consolidated financial statements of affiliated companies

The companies that must be included in preparing the consolidated financial statements covering affiliated companies are entirely the same as those included in preparing the consolidated financial report comprising the parent and its subsidiaries, and if the required disclosures to be made in the consolidated financial statements covering affiliated companies are already made in the consolidated financial report comprising the parent and its subsidiaries, then the consolidated financial reports covering affiliated companies need not be prepared. Please refer to pages 248 to 317.

(III) Report of the affiliated companies: None.

II. Private Placement of Securities during the Most Recent Fiscal Year or the Current Fiscal Year up to the Publication Date of the Annual Report: None.

III. Holding or Disposal of Shares in the Company by the Company's Subsidiaries during the Most Recent Fiscal Year or the Current Fiscal Year up to the Publication Date of the Annual Report: None.

IV. Other Supplementary Information

(I) In accordance with the provisions of Article 16 of the Company's "Code of Business Ethics for Directors and Managers," the disclosure of these measures is as follows:

Sinmag Equipment Corporation

Code of Business Ethics for Directors and Managers

Artical I (The purpose and basis of the formation)

To pursue the best interests of the Company as a whole and to commit to sustainable development, and make the Company's stakeholders better understand the ethical standards and code of conduct that the directors and managers of the Company should follow when performing their duties, the Code is formulated to be followed.

Artical II (Scope of application)

The term "manager" in this Code refers to the Company's president and person of an equivalent post, the vice president and person of an equivalent post, the associate manager and person of an equivalent post, the head of the finance department, the head of the accounting department, and others who are responsible for the Company's management affairs and have the authorization to sign.

Artical III (Due diligence of good managers)

Directors and managers shall abide by laws and regulations and the provisions of this Code, set an example, give impetus to the implementation of the provisions of this

Code, and pursue a high standard of ethical behavior.

Directors and managers shall perform their duties with due diligence and aim to pursue the overall interests of the Company, shall not harm the interests of the Company for the benefits of a specific person or group, and shall be fair in treating all shareholders while performing their duties.

Artical IV (Preventing conflicts of interest)

If the motions listed by the Board of Directors involve the director's interests that may damage the interests of the Company, the directors shall recuse themselves and shall not vote nor exercise the voting right on behalf of other shareholders.

Directors and managers shall disclose to the Company before engaging in trading, lending, or other legal acts with the Company for themselves or others, and explain such related matters in detail.

Conflicts of interest occur when personal interest intervenes or is likely to intervene in the overall interest of the Company, for example, when a director or manager of the Company is unable to perform their duties objectively and efficiently, or a person based on one's position in the Company obtains improper benefits for oneself, spouse, parents, children, or relatives within the second degree of kinship. The Company shall pay special attention to the matter of loaning funds or providing guarantees, major asset transactions, and purchases (sales) of goods with the affiliated companies to which the aforementioned personnel belongs. The Company shall establish a policy to prevent conflicts of interest and offer appropriate means for directors and managers to proactively explain whether there are any potential conflicts of interest with the Company.

Artical V (Non-competition)

If a director engages in competitive behavior with the Company, he shall report to the Shareholders' Meeting in advance and obtain permission following the provisions of the Company Act. If the manager engages in the act of competing with the Company, he shall report to the Board of Directors in advance and obtain permission according to the provisions of the Company Act.

Artical VI (Avoidance of opportunities for self-interest)

The Company shall prevent the directors or managers from engaging in the following actions: (1) opportunity for personal gain through the use of Company property, information, or convenience of one's position; (2) obtaining personal gain through the use of Company property, information, or convenience of one's position; (3) competing with the Company. When the Company has a chance of making a profit, the directors and managers shall be responsible for increasing the legitimate interests that the Company can obtain.

Artical VII (Fair trade)

Directors and managers shall treat the Company's purchase (sales) customers, competitors, and employees fairly and shall not obtain improper benefits through

manipulation, concealment, misuse of information learned from their duties, misrepresentation of important matters, or other unfair trading methods.

Artical VIII (Insider trading)

Any information that directors and managers learned from their duties may significantly affect the price of the Company's securities transactions shall be kept strictly confidential in accordance with the provisions of the Securities and Exchange Act before the information is disclosed, and the information shall not be used for insider trading.

Artical IX (Confidentiality)

Directors and managers shall carefully manage the matters or confidential information that they learn from their duties. Information shall not be disclosed to others or used other than work purposes unless it is disclosed by the Company or provided to perform their duties. The same applies even after the resignation.

The information to be kept confidential in the preceding paragraph includes the Company's personnel and customer information, inventions, business secrets, technical information, product design, manufacturing expertise, financial accounting information, intellectual property rights, etc. and all other undisclosed information that may be used by competitors or be harmful to the Company or customers after leakage.

Artical X (Protection and appropriate use of Company assets)

Directors and managers are responsible for protecting the Company's assets and ensuring that they can be effectively and lawfully used for official business purposes. If assets were stolen, neglected, or wasted, which will directly affect the Company's profitability.

Artical XI (Compliance with laws and regulations)

Directors and managers shall comply with laws and regulations and relevant Company policies and regulations.

Artical XII (Political donations and activities)

Directors and managers should avoid in any way influencing the Company's employees by making political donations, supporting specific political parties or candidates, or participating in other political activities.

Artical XIII (Encouraging the reporting of illegal or violation of the Code of Ethical Conduct)

The Company should strengthen the internal promotion of ethics concepts and encourage employees to report to the manager, chief internal auditor, or other appropriate personnel in the form of a named report when they suspect or discover violations of laws, regulations, or this Code. In order to encourage employees to report violations, the Company should set a specific reporting system and let employees know that the Company will do its utmost to protect the safety of the reporter from retaliation.

Artical XIV (Handling of violations of this Code)

Directors and managers who violate this Code shall report to the Board of Directors for resolution.

Artical XV (Procedure for exemption)

If the directors and managers have legitimate reasons, they can be exempted from the application of specific provisions of this Code by the resolution of the Board of Directors. However, they must immediately disclose information such as the date of the Board's approval of the exemption, independent directors' objections or reservations, the period during which the exemption applies, the reasons for the exemption, and the criteria for the exemption at the Public Observation Post System (MOPS). So that shareholders can evaluate whether the resolution of the Board is appropriate, to restrain the occurrence of arbitrary or suspicious exemptions from complying with the Code, and ensure that any exemption from following the Code has an appropriate control mechanism to protect the Company.

Artical XVI (Implementation and disclosure methods)

The stipulations of this Code are approved by the Audit Committee and submitted to the Board of Directors for resolution and then submitted to the Shareholders' Meeting for approval of implementation. The same applies to the amendment.

This Code shall be disclosed on the Company's website, annual report, prospectuses, and MOPS. The same applies to the amendment.

(II) According to Article 5 of the Company's "Code of Ethical Conduct," the disclosure of these measures is as follows:

Sinmag Equipment Corporation

Code of Ethical Conduct for Employees

Artical I The purpose and basis of the formation

To align the conduct of the Company's personnel with ethical standards and to make the Company's stakeholders better understand the Company's ethical standards, this Code is formulated for compliance.

Artical II Scope

The Company's managers and employees at all levels.

The term "manager" in this Code refers to the Company's president and person of an equivalent post, the vice president and person of an equivalent post, the associate manager and person of an equivalent post, the head of the finance department, the head of the accounting department, and others who are responsible for the Company's management affairs and have the authorization to sign.

Artical III Code of Ethical Conduct

(I) Preventing conflicts of interest:

The Company's personnel shall not engage in loaning funds, major asset transactions, providing guarantees, or other transactions that conflict with the

Company's interests in the name of themselves or others.

The Company's personnel should uphold a high degree of self-discipline. If there is a personal stake that will damage the interests of the Company, one shall recuse oneself.

If the Company's personnel believe that they cannot handle the affairs in an objective or beneficial manner, or when the relevant transaction or relationship may cause a conflict of interest, they should take the initiative to notify their supervisor in writing and deal with or recuse processing in a legally acceptable manner.

Where managers of the Company, based on their position and authority, their spouse, direct blood relatives, relatives within the third degree of kinship, and their working institutions take part in the Company's business, they should take the initiative to notify the president in writing and deal with or recuse processing in a legally permitted method.

(II) Avoidance of opportunities for self-interest:

The Company's personnel shall not seek personal interests by taking advantage of their positions and shall safeguard the legitimate interests of the Company and avoid the occurrence of the following:

- (1) opportunity for personal gain through the use of Company property, information, or convenience of one's position;
- (2) obtaining personal gain through the use of Company property, information, or convenience of one's position;
- (3) competing with the Company.

When the Company has a chance of making a profit, its personnel shall be responsible for increasing the legitimate interests that the Company can obtain.

(III) Confidentiality:

The Company personnel shall carefully manage the matters, confidential information, or client information that they learn from their duties. Information shall not be disclosed to others or used other than work purposes unless it is disclosed by the Company or required by laws and regulations. The same applies even after the resignation.

The information to be kept confidential in the preceding paragraph includes all undisclosed information that may be used by competitors or be harmful to the Company or customers after leakage.

(IV) Fair trade:

The Company's personnel shall treat the Company's purchase (sales) customers, competitors, and employees fairly and shall not obtain improper benefits through manipulation, concealment, misuse of information learned from their duties, misrepresentation of important matters, or other unfair trading methods.

(V) Protection and appropriate use of Company assets:

The Company's personnel are responsible for protecting the Company's assets and ensuring that they can be effectively and lawfully used for official business purposes to avoid affecting the operations of the Company.

(VI) Compliance with laws and regulations:

The Company's personnel shall comply with laws and regulations when performing their duties, including the Securities and Exchange Act and other laws and regulations.

(VII) Encouraging the reporting of any illegal or violation of the Code of Ethical Conduct:

Managers should strengthen the promotion of ethical concepts, and encourage employees to report in writing to the Audit Committee, managers, chief internal auditor, or other appropriate personnel who have no conflict of interest when they suspect or discover violations of laws, regulations, or Code of Ethical Conduct. However, it shall not be done maliciously.

The reported or accused person shall not retaliate or threaten the whistleblower in the preceding paragraph. The informed personnel shall do their best to protect the safety and assume confidentiality of the whistleblower from retaliation.

Such suspicious matters shall be investigated by appropriate personnel authorized by the HR unit or the Board of Directors, depending on the rank of the reported personnel. Anyone who knows the suspicious matters during the investigation is responsible for confidentiality.

(VIII) Disciplinary measures:

After the investigation and determination of the violation of this Code by the Company's personnel, the authority and responsibility unit shall report and punish the violation following the Regulations Governing Personnel Management. The same applies to the person in charge of the unit who knows the matter without correction or fails to handle it per the Company's regulations. If the violation is serious, the Company may pursue its civil and criminal liabilities to protect the rights and interests of the Company and shareholders. When the Company punishes the offender, the offender may submit evidence and appeal to the investigating personnel authorized by the HR unit or the president. The authority and responsibility unit shall refer to the complaint of the offender concerned and make an appropriate penalty.

If the Company's personnel violated this Code and the first instance of the court verdict violated the law, or the Company's HR unit deliberated and determined that it violated this Code and made a disposition, the HR unit should immediately announce the title, name, date of violation, cause of the violation, violation of the Code, and handling of such a situation.

- Artical IV Procedure for exemption
Managers who have the necessary exemptions to comply with the provisions of this Code may do so after the Board of Directors has passed the resolution.
In the preceding circumstances, the Company shall promptly disclose information such as the title, name, date of exemption approved by the Board of Directors, period of exemption applies, reasons, and criteria on the MOPS.
- Artical V Disclosure methods
This Code shall be disclosed in the annual report, prospectus, and MOPS. The same applies to the amendment.
- Artical VI Implementation
This Code shall be implemented after being approved by the president. The same applies to the amendment.

(IX) The Company's "Procedures for Handling Internal Material Information" are as follows:

Sinmag Equipment Corporation

Procedures for Handling Internal Material Information

- Artical I To establish a sound internal material information processing and disclosure mechanism of the Company, avoid improper information leakage, and ensure the consistency and accuracy of the information published by the Company to the public, this operating procedure is specially formulated for compliance.
- Artical II The processing and disclosure of internal material information by each department shall be in accordance with the relevant laws, orders, the regulations of TWSE or TPEX, and this operating procedure.
- Artical III The applicable objects of this operating procedure are as follows:
I. A director, manager of the Company, and a natural person designated to exercise powers as representative pursuant to Article 27, paragraph 1 of the Company Act.
II. Shareholders holding more than 10% of the Company's shares.
III. Any person who has learned the information by reason of occupational or controlling relationship.
IV. A person who, though no longer among those listed in the preceding three subparagraphs, has only lost such status within the last six months.
V. Any person who has learned the information from any of the persons named in the preceding four subparagraphs.
The spouse, minor children of the person in the preceding five subparagraphs, and the holder in the name of another person shall apply mutatis mutandis.
- Artical IV Upon actually knowing of any information that will have a material impact on the Company's stock prices, and prior to the public disclosure of such information or within 18 hours after its public disclosure, those who listed Article III shall not purchase or sell shares of the Company.
- Artical V The internal material information referred to in this operating procedure includes information that involves the finances or businesses of the Company, or the supply and demand of such securities on the market, or tender offer of such securities,

which will have a material impact on the price of the securities, or will have a material impact on the investment decision of a reasonably prudent investor. Its scope as follows:

- I. Matters specified in Article 7 of the Securities and Exchange Act Enforcement Rules.
- II. Matters specified in Articles 2 and 3 of Regulations Governing the Scope of Material Information and the Means of its Public Disclosure under Article 157-1, paragraphs 5 and 6 of the Securities and Exchange Act.
- III. The matters specified in Article 2 of the TPEx's confirmation and public handling status of the material information for TPEx listed companies.
- IV. Others that involve the finances or businesses of the Company, or the supply and demand of such securities on the market, which will have a material impact on the Company's stock prices, or have a material impact on the investment decision of a reasonably prudent investor.

Artical VI In addition to the legal requirements to input and disclose material information into the Market Observation Post System (MOPS), the information disclosure methods stipulated in Article IV can also be made in the following ways:

- I. Publicly announces the information on the Market Information System website of Taiwan Stock Exchange Corporation (TWSE).
- II. Publicly announces the information on the Market Information System website of Taipei Exchange (TPEx).
- III. Coverage of the information by two or more daily national newspapers on non-local news pages, national television news, or electronic newspapers issued by any the aforesaid media.

In the case of information publicly disclosed under subparagraph III, the period of 18 hours prescribed in Article IV shall begin with the later of the time of delivery of the newspaper, first broadcasting of the television news, or posting of the news on the electronic website, as the case may be. The time of delivery of a newspaper means 6 a.m. for morning newspapers and 3 p.m. for evening newspapers.

When an insider is appointed or dismissed, the information shall be submitted to the "Real-Time Reporting System of Insider Appointment/Dismissal" within two days after the fact occurs. The directors and managers shall sign and confirm the relevant regulation statement for insiders within five days from the date of their appointment, and the record shall be kept in the Company for future reference. A copy of the director's statement will be sent to the competent authority for reference within ten days from the date of taking office.

Artical VII The date of existence of the information described in Article V shall be the date of the fact, agreement, contract signature, payment, request, execution of the transaction, transfer of title, resolution of the Board of Directors, or other precise date based on concrete evidence, whichever comes first.

Artical VIII The internal material information is handled exclusively by the spokesperson or the person designated by the spokesperson, with the following powers:

- I. Draft and amend this operating procedure.
- II. Disclose internal material information according to laws and regulations.
- III. Accept the report on the leakage of internal material information and formulate countermeasures.
- IV. Draw up a system to preserve all documents, files, and electronic records related to this operating procedure.
- V. Other business related to this operating procedure.

Artical IX The Company's directors, managers, and employees shall perform the care and duties of good managers, the principle of good faith, and be responsible for confidentiality.

Directors, managers, and employees who are aware of the Company's internal material information shall not disclose it to others.

The Company's directors, managers, and employees shall not inquire or collect the Company's undisclosed internal material information that is not related to personal duties from those who know the Company's internal material information. It is not allowed to reveal the Company's undisclosed internal material information, which is learned not due to the execution of business, to others.

Institutions or personnel outside the company involved in the Company's mergers and acquisitions, important memorandums, strategic alliances, other business cooperation plans, or the signing of important contracts should require them to sign confidentiality agreements to prevent the disclosure of the Company's internal material information to others.

Artical X When a file of internal material information is delivered in writing, it shall be handled in accordance with the "Regulations Governing the Administration of Financial and Non-financial Information."

When transmitted by e-mail or other electronic means, it must be processed with security technologies such as encryption.

Files of internal material information should be backed up and stored in the security premises.

Artical XI The following records shall be kept for the information disclosed to the outside:

- I. The person, date, and time of the information disclosure.
- II. Information disclosure method.
- III. Disclosure of information content and attachments.

Artical XII Directors, managers, and employees of the Company shall promptly report to the spokesperson if they are aware of any leakage of internal material information. After receiving the aforementioned report, the spokesperson shall formulate countermeasures and invite relevant departments to discuss the treatment if necessary and make a record of the processing results for future reference.

Artical XIII Where the directors, managers, and employees of the Company and others who have learned of the Company's internal material information due to their identity, occupation, or control are involved in one of the following circumstances, depending on the significance of the circumstances, they shall be punished in accordance with Article 35 of the "Regulations Governing Personnel Management":

- I. Unauthorized disclosure of internal material information or violation of this operating procedure or other laws and regulations.
- II. The content of the spokesperson or deputy spokesperson's external statements exceeds the scope of the Company's authorization or violates this operating procedure or other laws and regulations.

Should anyone outside the Company reveal the Company's internal material information and cause damage to the Company's property or interests, the Company shall pursue its legal liability through relevant channels.

Artical XIV This operating procedure shall be implemented after the Board of Directors' approval. The same applies to the amendment.

Chapter 9. Situations Listed in Article 36, Paragraph 3, Subparagraph 2 of the Securities and Exchange Act which Might Materially Affect Shareholders' Equity or the Price of the Company's Securities Occurring during the Most Recent Fiscal Year or the Current Fiscal Year up to the Publication Date of the Annual Report: None.

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Sinmag Equipment Corporation

Opinion

We have audited the accompanying financial statements of Sinmag Equipment Corporation (the "Company"), which comprise the balance sheets as of December 31, 2020 and 2019, the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of other auditors (refer to the other matter paragraph), the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, 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.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter of the Company's financial statements for the year ended December 31, 2020 is stated as follows:

Occurrence of Sales Revenue

The Company has thousands of customers whose overall operating revenue (excluding related parties) accounted for 32% of the total operating revenue. Due to the impact of novel coronavirus pneumonia for the year ended December 31, 2020, the total operating revenue has declined compared with last year; however, operating revenue from some major customers has increased, which resulted in a significant impact on the financial performance of the Company. Therefore, we deemed the occurrence of sales revenue from customers with negative correlation between growth volatility and the Company's overall operating revenue

as a key audit matter. The accounting policies related to revenue recognition are referred to in Note 4 to the financial statements.

The following audit procedures were performed in response to the abovementioned key audit matter:

1. We understood the design and implementation of the internal controls related to the recognition of sales revenue, and designed the appropriate audit procedures on internal controls related to the occurrence of sales revenue, in order to confirm and evaluate the effectiveness of the design and implementation of the Company's internal controls.
2. We selected samples of sales transactions, and reviewed sales orders, bills of lading or signed documents, invoices and receipts, in order to confirm the occurrence of sales revenue.
3. We compared the changes in sales revenue, gross profit margin, trade receivables turnover days and credit conditions of the abovementioned major customers between the current and previous year, and evaluated the reasonableness of the changes.

Other Matter

We did not audit the financial statements of LBC Bakery Equipment Inc., a subsidiary included in the financial statements of the Company, but such financial statements were prepared using a different financial reporting framework and audited by other auditors in accordance with auditing standards generally accepted in the United States of America. We have applied audit procedures on the conversion adjustments to the financial statements of LBC Bakery Equipment Inc., which conform to the Regulations Governing the Preparation of Financial Reports by Securities Issuers. Our opinion, insofar as it relates to the amounts included for LBC Bakery Equipment Inc. prior to these conversion adjustments, is based solely on the report of other auditors and additional audit procedures to meet the relevant requirements of the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. The investments accounted for using the equity method of LBC Bakery Equipment Inc. constituted 9% (NT\$233,726 thousand) and 8% (NT\$213,039 thousand), of the total assets as of December 31, 2020 and 2019, respectively, and share of profit or loss of subsidiaries constituted 9% (NT\$33,003 thousand) and 6% (NT\$29,929 thousand), of profit before income tax from continuing operations for the years then ended, respectively.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either

intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company'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 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 Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Company to express an opinion on the 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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2020 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 audits resulting in this independent auditors' report are Chiang-Hsun Chen and Chao-Mei Chen.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 26, 2021

Notice to Readers

The accompanying financial statements are intended only to present the 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 financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying 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 financial statements shall prevail.

SINMAG EQUIPMENT CORPORATION

BALANCE SHEETS

DECEMBER 31, 2020 AND 2019

(In Thousands of New Taiwan Dollars)

ASSETS	2020		2019	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash (Notes 4 and 6)	\$ 53,103	2	\$ 57,803	2
Notes receivable (Notes 4, 9 and 21)	11,526	-	13,734	-
Trade receivables (Notes 4, 9 and 21)	79,221	3	125,571	5
Trade receivables from related parties (Notes 4, 21 and 28)	60,677	2	63,350	2
Other receivables (Notes 4 and 9)	186	-	474	-
Current tax assets (Notes 4 and 23)	1,699	-	2,460	-
Inventories (Notes 4 and 10)	66,313	3	68,494	3
Prepayments (Note 15)	<u>2,151</u>	<u>-</u>	<u>1,731</u>	<u>-</u>
Total current assets	<u>274,876</u>	<u>10</u>	<u>333,617</u>	<u>12</u>
NON-CURRENT ASSETS				
Financial assets at amortized cost - non-current (Notes 4, 7, 8 and 29)	115	-	64	-
Investments accounted for using the equity method (Notes 4, 11 and 28)	2,239,142	84	2,207,286	82
Property, plant and equipment (Notes 4, 12 and 29)	108,683	4	111,894	4
Right-of-use assets (Notes 4 and 13)	189	-	567	-
Other intangible assets (Notes 4 and 14)	134	-	238	-
Deferred tax assets (Notes 4 and 23)	38,589	2	37,751	2
Other non-current assets (Notes 4 and 15)	<u>209</u>	<u>-</u>	<u>181</u>	<u>-</u>
Total non-current assets	<u>2,387,061</u>	<u>90</u>	<u>2,357,981</u>	<u>88</u>
TOTAL	<u>\$ 2,661,937</u>	<u>100</u>	<u>\$ 2,691,598</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 16)	\$ 145,000	6	\$ 113,391	4
Contract liabilities - current (Notes 4 and 21)	4,528	-	4,540	-
Notes payable	14,779	1	20,878	1
Notes payable to related parties (Note 28)	500	-	339	-
Trade payables	6,728	-	6,327	-
Trade payables to related parties (Note 28)	70,558	3	221,833	9
Other payables (Note 17)	38,518	1	54,114	2
Current tax liabilities (Notes 4 and 23)	52,471	2	-	-
Provisions - current (Notes 4 and 18)	131	-	131	-
Lease liabilities - current (Notes 4 and 13)	<u>191</u>	<u>-</u>	<u>378</u>	<u>-</u>
Total current liabilities	<u>333,404</u>	<u>13</u>	<u>421,931</u>	<u>16</u>
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Notes 4 and 23)	58,646	2	87,891	3
Lease liabilities - non-current (Notes 4 and 13)	-	-	191	-
Net defined benefit liabilities - non-current (Notes 4 and 19)	<u>916</u>	<u>-</u>	<u>4,652</u>	<u>-</u>
Total non-current liabilities	<u>59,562</u>	<u>2</u>	<u>92,734</u>	<u>3</u>
Total liabilities	<u>392,966</u>	<u>15</u>	<u>514,665</u>	<u>19</u>
EQUITY (Notes 4 and 20)				
Share capital				
Ordinary shares	<u>502,302</u>	<u>19</u>	<u>502,302</u>	<u>19</u>
Capital surplus	<u>75,738</u>	<u>3</u>	<u>75,738</u>	<u>3</u>
Retained earnings				
Legal reserve	552,755	21	502,418	18
Special reserve	160,753	6	101,655	4
Unappropriated earnings	<u>1,136,995</u>	<u>42</u>	<u>1,155,573</u>	<u>43</u>
Total retained earnings	<u>1,850,503</u>	<u>69</u>	<u>1,759,646</u>	<u>65</u>
Other equity	<u>(159,572)</u>	<u>(6)</u>	<u>(160,753)</u>	<u>(6)</u>
Total equity	<u>2,268,971</u>	<u>85</u>	<u>2,176,933</u>	<u>81</u>
TOTAL	<u>\$ 2,661,937</u>	<u>100</u>	<u>\$ 2,691,598</u>	<u>100</u>

The accompanying notes are an integral part of the financial statements.
(With Deloitte & Touche auditors' report dated March 26, 2021)

SINMAG EQUIPMENT CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

	2020		2019	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 21 and 28)				
Sales	\$ 715,966	97	\$ 960,853	98
Service revenue	<u>20,694</u>	<u>3</u>	<u>20,249</u>	<u>2</u>
Total operating revenue	<u>736,660</u>	<u>100</u>	<u>981,102</u>	<u>100</u>
OPERATING COSTS				
Cost of goods sold (Notes 10, 22 and 28)	(623,626)	(85)	(826,353)	(84)
Service cost	<u>(2,679)</u>	<u>-</u>	<u>(2,692)</u>	<u>(1)</u>
Total operating costs	<u>(626,305)</u>	<u>(85)</u>	<u>(829,045)</u>	<u>(85)</u>
GROSS PROFIT	110,355	15	152,057	15
UNREALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (Note 4)	(11,699)	(2)	(12,987)	(1)
REALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (Note 4)	<u>12,987</u>	<u>2</u>	<u>11,433</u>	<u>1</u>
REALIZED GROSS PROFIT	<u>111,643</u>	<u>15</u>	<u>150,503</u>	<u>15</u>
OPERATING EXPENSES (Notes 22 and 28)				
Selling and marketing expenses	(48,317)	(6)	(58,136)	(6)
General and administrative expenses	(47,367)	(6)	(73,328)	(7)
Research and development expenses	(7,116)	(1)	(8,081)	(1)
Expected credit (loss) gain (Notes 4 and 9)	<u>(6,164)</u>	<u>(1)</u>	<u>639</u>	<u>-</u>
Total operating expenses	<u>(108,964)</u>	<u>(14)</u>	<u>(138,906)</u>	<u>(14)</u>
PROFIT FROM OPERATIONS	<u>2,679</u>	<u>1</u>	<u>11,597</u>	<u>1</u>
NON-OPERATING INCOME AND EXPENSES (Notes 4, 22 and 28)				
Interest income	170	-	253	-
Other income	301	-	455	-
Other gains and losses	(3,312)	(1)	5,020	-
Finance costs	(1,293)	-	(1,409)	-
Share of profit or loss of subsidiaries, associates and joint ventures	<u>367,701</u>	<u>50</u>	<u>527,468</u>	<u>54</u>
Total non-operating income and expenses	<u>363,567</u>	<u>49</u>	<u>531,787</u>	<u>54</u>

(Continued)

SINMAG EQUIPMENT CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

	2020		2019	
	Amount	%	Amount	%
PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS	\$ 366,246	50	\$ 543,384	55
INCOME TAX EXPENSE (Notes 4 and 23)	<u>(25,306)</u>	<u>(4)</u>	<u>(40,023)</u>	<u>(4)</u>
NET PROFIT FOR THE YEAR	<u>340,940</u>	<u>46</u>	<u>503,361</u>	<u>51</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4, 19, 20 and 23)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	1,335	-	(4,390)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	<u>(267)</u>	<u>-</u>	<u>878</u>	<u>-</u>
	<u>1,068</u>	<u>-</u>	<u>(3,512)</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	1,476	1	(73,873)	(8)
Income tax relating to items that may be reclassified subsequently to profit or loss	<u>(295)</u>	<u>-</u>	<u>14,775</u>	<u>2</u>
	<u>1,181</u>	<u>1</u>	<u>(59,098)</u>	<u>(6)</u>
Other comprehensive income (loss) for the year, net of income tax	<u>2,249</u>	<u>1</u>	<u>(62,610)</u>	<u>(6)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 343,189</u>	<u>47</u>	<u>\$ 440,751</u>	<u>45</u>
EARNINGS PER SHARE (Note 24)				
From continuing operations				
Basic	<u>\$ 6.79</u>		<u>\$ 10.02</u>	
Diluted	<u>\$ 6.77</u>		<u>\$ 9.98</u>	

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

(With Deloitte & Touche auditors' report dated March 26, 2021)

(Concluded)

SINMAG EQUIPMENT CORPORATION

STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

			Retained Earnings			Other Equity Exchange Differences on Translating the Financial Statements of Foreign Operations	Total Equity
	Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriate d Earnings		
BALANCE AT JANUARY 1, 2019	\$ 502,302	\$ 75,738	\$ 455,057	\$ 84,646	\$ 1,046,591	\$ (101,655)	\$ 2,062,679
Appropriation of 2018 earnings (Note 20)							
Legal reserve	-	-	47,361	-	(47,361)	-	-
Special reserve	-	-	-	17,009	(17,009)	-	-
Cash dividends distributed by the Company	-	-	-	-	(326,497)	-	(326,497)
Net profit for the year ended December 31, 2019	-	-	-	-	503,361	-	503,361
Other comprehensive loss for the year ended December 31, 2019, net of income tax	-	-	-	-	(3,512)	(59,098)	(62,610)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	499,849	(59,098)	440,751
BALANCE AT DECEMBER 31, 2019	502,302	75,738	502,418	101,655	1,155,573	(160,753)	2,176,933
Appropriation of 2019 earnings (Note 20)							
Legal reserve	-	-	50,337	-	(50,337)	-	-
Special reserve	-	-	-	59,098	(59,098)	-	-
Cash dividends distributed by the Company	-	-	-	-	(251,151)	-	(251,151)
Net profit for the year ended December 31, 2020	-	-	-	-	340,940	-	340,940
Other comprehensive income for the year ended December 31, 2020, net of income tax	-	-	-	-	1,068	1,181	2,249
Total comprehensive income for the year ended December 31, 2020	-	-	-	-	342,008	1,181	343,189
BALANCE AT DECEMBER 31, 2020	<u>\$ 502,302</u>	<u>\$ 75,738</u>	<u>\$ 552,755</u>	<u>\$ 160,753</u>	<u>\$ 1,136,995</u>	<u>\$ (159,572)</u>	<u>\$ 2,268,971</u>

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

(With Deloitte & Touche auditors' report dated March 26, 2021)

SINMAG EQUIPMENT CORPORATION

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 366,246	\$ 543,384
Adjustments for:		
Expected credit loss recognized (reversed) on receivables	6,164	(639)
Depreciation expenses	3,780	3,766
Amortization expenses	188	248
Finance costs	1,293	1,409
Share of profit of subsidiaries, associates and joint ventures	(367,701)	(527,468)
Interest income	(170)	(253)
Write-downs of inventories	3,558	2,899
Gain on disposal of property, plant and equipment	-	(1,621)
Unrealized gain on the transactions with subsidiaries, associates and joint ventures	11,699	12,987
Realized gain on the transactions with subsidiaries associates and joint ventures	(12,987)	(11,433)
Net loss (gain) on foreign currency exchange	1,534	(1,880)
Changes in operating assets and liabilities		
Notes receivable	2,208	32,405
Trade receivables	39,120	(528)
Trade receivables from related parties	2,391	(22,939)
Other receivables	288	967
Inventories	(1,377)	28,944
Prepayments	(420)	(3)
Notes payable	(6,099)	(6,688)
Notes payable from related parties	161	(634)
Trade payables	401	1,113
Trade payables from related parties	(150,751)	72,116
Other payables	(15,550)	(390)
Contract liabilities - current	(12)	(4,353)
Net defined benefit liabilities - non-current	(2,401)	(2,647)
Cash generated from (used in) from operations	(118,437)	118,762
Interest received	170	253
Income tax paid	(2,719)	(32,659)
Net cash generated from (used in) operating activities	(120,986)	86,356
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at amortized cost	(51)	-
Acquisition of investments accounted for using the equity method	(93,904)	-
Payments for property, plant and equipment	(191)	(532)
Proceeds from disposal of property, plant and equipment	-	5,822
Payments for intangible assets	(84)	-
Dividends received from subsidiaries	395,786	275,245
Increase in other non-current assets	(28)	-

(Continued)

SINMAG EQUIPMENT CORPORATION

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020	2019
Decrease in other non-current assets	\$ -	\$ 210
Proceeds from the capital reduction on investments accounted for using the equity method	<u>36,727</u>	<u>-</u>
Net cash generated from investing activities	<u>338,255</u>	<u>280,745</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	695,000	583,391
Repayments of short-term borrowings	(663,391)	(620,000)
Repayment of the principal portion of lease liabilities	(378)	(219)
Dividends paid	(251,151)	(326,497)
Interest paid	<u>(1,339)</u>	<u>(1,401)</u>
Net cash used in financing activities	<u>(221,259)</u>	<u>(364,726)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES		
	<u>(710)</u>	<u>(756)</u>
NET (DECREASE) INCREASE IN CASH	(4,700)	1,619
CASH AT THE BEGINNING OF THE YEAR	<u>57,803</u>	<u>56,184</u>
CASH AT THE END OF THE YEAR	<u>\$ 53,103</u>	<u>\$ 57,803</u>

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

(With Deloitte & Touche auditors' report dated March 26, 2021)

(Concluded)

SINMAG EQUIPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Sinmag Equipment Corporation (the “Company”) was incorporated in the Republic of China (ROC) in September 1983, and the paid-in capital was \$502,302 thousand as of December 31, 2020. The Company is primarily engaged in the following businesses:

- a. Wholesale of machinery;
- b. Retail sale of machinery and equipment;
- c. Machinery and equipment manufacturing;
- d. International trade; and
- e. All businesses that are not prohibited or restricted by law, except those that are subject to special approval.

The Company’s shares have been listed on mainboard of the Taipei Exchange (TPEX) since December 2007.

The financial statements are presented in the Company’s functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Company’s board of directors on March 18, 2021.

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

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

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

- b. The IFRSs endorsed by the FSC for application starting from 2021

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”	Effective immediately upon promulgation by the IASB
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”	January 1, 2021
Amendment to IFRS 16 “Covid-19 - Related Rent Concessions”	June 1, 2020
c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC	

New IFRSs	Effective Date Announced by IASB (Note 1)
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 2)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 3)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 6)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 7)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 4)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 5)

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

Note 2: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 3: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 4: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 5: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

Note 6: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 7: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

b. Basis of preparation

The financial statements have been prepared on the historical cost basis except for net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

When preparing these parent company only financial statements, the Company used the equity method to account for its investments in subsidiaries, associates and joint ventures. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the parent company only financial statements to be the same with the amounts attributable to the owners of the Company in its consolidated financial statements, adjustments arising from the differences in accounting treatments between the parent company only basis and the consolidated basis were made to investments accounted for using the equity method, the share of profit or loss of subsidiaries, associates and joint ventures, the share of other comprehensive income of subsidiaries, associates and joint ventures and the related equity items, as appropriate, in these parent company only financial statements.

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

Current assets include:

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

Current liabilities include:

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

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

d. Foreign currencies

In preparing the Company's financial statements, transactions in currencies other than the Company's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

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

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

For the purpose of presenting the parent company only financial statements, the functional currencies of the Company (including subsidiaries, associates, joint ventures and branches in other countries that use currencies which are different from the currency of the Company) are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

e. Inventories

Inventories consist of raw materials, work in progress, finished goods and merchandise and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at weighted-average cost.

f. Investments in subsidiaries

The Company uses the equity method to account for its investments in subsidiaries.

A subsidiary is an entity (including a structured entity) that is controlled by the Company.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary. The Company also recognizes the changes in the Company's share of equity of subsidiaries attributable to the Company.

Changes in the Company's ownership interest in a subsidiary that do not result in the Company losing control of the subsidiary are accounted for as equity transactions. The Company recognizes directly in equity any difference between the carrying amount of the investment and the fair value of the consideration paid or received.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognized immediately in profit or loss.

The Company assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the investee's financial statements as a whole. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Company recognizes a reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

Profits or losses resulting from downstream transactions are eliminated in full only in the parent company only financial statements. Profits and losses resulting from upstream transactions and transactions between subsidiaries are recognized only in the parent company only financial statements and only to the extent of interests in the subsidiaries that are not related to the Company.

g. Property, plant and equipment

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

Except for freehold land which is not depreciated, the depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

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

h. Intangible assets

1) Intangible assets acquired separately

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

2) Derecognition of intangible assets

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

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

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

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

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

j. Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instruments.

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

1) Financial assets

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

a) Measurement categories

Financial assets are classified as financial assets at amortized cost.

- Financial assets at amortized cost

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

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

Subsequent to initial recognition, financial assets at amortized cost, (including cash and cash equivalents, financial assets at amortized cost, receivable (including related parties and excluding tax refund receivables), and refundable deposits), are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

- i. Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and
- ii. Financial assets that are not credit impaired on purchase or origination but have subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

b) Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables).

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

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

For internal credit risk management purposes, the Company considers that the following situations indicate that a financial asset is in default (without taking into account any collateral held by the Company):

- i. Internal or external information show that the debtor is unlikely to pay its creditors.
- ii. Financial asset's aging is more than 210 days unless the Company has reasonable and corroborative information to support a more lagged default criterion.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and the carrying amounts of such financial assets are not reduced.

c) Derecognition of financial assets

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

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

2) Financial liabilities

a) Subsequent measurement

All financial liabilities are measured at amortized cost using the effective interest method except for situations where interest recognized for short-term payables is considered immaterial.

b) Derecognition of financial liabilities

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

k. Provisions

Provisions are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Warranties

Provisions for the expected cost of warranty obligations are recognized at the date of sale of the relevant products at the best estimate by the management of the Company of the expenditures required to settle the Company's obligations.

l. Revenue recognition

The Company identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

1) Revenue from the sale of goods

Revenue from the sale of goods comes from sales of bakery equipment. Sales of bakery equipment are recognized as revenue when the goods are delivered to the customer because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. Trade receivables are recognized concurrently. The transaction price received is recognized as a contract liability until the goods have been delivered to the customer.

The Company does not recognize revenue on materials delivered to subcontractors because this delivery does not involve a transfer of control.

2) Revenue from the rendering of services

Revenue from the rendering of services comes from the maintenance services of equipment.

As the Company provides maintenance services, customers simultaneously receive and consume the benefits provided by the Company's performance. Consequently, the related revenue is recognized when services are rendered.

m. Leasing

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

The Company as lessee

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

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the balance sheets.

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

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

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

n. Borrowing costs

All of borrowing costs are recognized in profit or loss in the period in which they are incurred.

o. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

Defined benefit costs (including service cost, net interest and remeasurement) under defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost) and net interest on the net defined benefit liabilities (assets) are recognized as employee benefits expense in the period in which they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Company's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

p. Taxation

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

1) Current tax

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

According to the Income Tax Law in the ROC, an additional tax on unappropriated earnings is provided for as income tax in the year the shareholders approve to retain earnings.

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

2) Deferred tax

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

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

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

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

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred taxes for the year

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The Company considers the economic implications of the COVID-19 when making its critical accounting estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

The management evaluated that major accounting policies, estimates and basic assumptions applied by the Company had no significant uncertainty.

6. CASH

	December 31	
	2020	2019
Cash on hand	\$ 155	\$ 152
Checking accounts	11,787	7,749
Demand deposits	<u>41,161</u>	<u>49,902</u>
	<u>\$ 53,103</u>	<u>\$ 57,803</u>

The market rate intervals of cash in the bank at the end of the year were as follows:

	December 31	
	2020	2019
Bank balance	0.001%-0.2%	0.001%-0.6%

7. FINANCIAL ASSETS AT AMORTIZED COST

	December 31	
	2020	2019
<u>Non-current</u>		
Domestic investments		
Restricted assets - time deposits with original maturities of more than 3 months	<u>\$ 115</u>	<u>\$ 64</u>

- The ranges of interest rates for time deposits with original maturities of more than 3 months were approximately 0.79% and 1.045% per annum as of December 31, 2020 and 2019, respectively.
- Refer to Note 8 for information relating to the credit risk management and impairment of investments in financial assets at amortized cost.
- Refer to Note 29 for information relating to investments in financial assets at amortized cost pledged as security.

8. CREDIT RISK MANAGEMENT FOR INVESTMENTS IN DEBT INSTRUMENTS

Financial Assets at Amortized Cost

	December 31	
	2020	2019
Gross carrying amount	\$ 115	\$ 64
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>
	<u>\$ 115</u>	<u>\$ 64</u>

The Company only invests in debt instruments that are rated the equivalent of investment grade or higher and have low credit risk for the purpose of impairment assessment. The credit rating information is supplied by independent rating agencies. The Company's exposure and the external credit ratings are continuously monitored. The Company reviews changes in bond yields and other public information and makes an assessment whether there has been a significant increase in credit risk since the last period to the reporting date.

In order to minimize credit risk, the Company has tasked its credit management committee to develop and maintain a credit risk grading framework to categorize exposures according to degree of risk of default. The credit rating information may be obtained from independent rating agencies where available and, if not available, the credit management committee uses other publicly available financial information to rate the debtors.

The Company considers the historical default rates of each credit rating supplied by external rating agencies, the current financial condition of debtors, and industry forecast to estimate 12-month or lifetime expected credit losses. As of December 31, 2020 and 2019, the Company evaluated the expected credit loss rates of its debt instrument investments as 0%.

9. NOTES RECEIVABLE, TRADE RECEIVABLES, OVERDUE RECEIVABLES AND OTHER RECEIVABLES

	December 31	
	2020	2019
<u>Notes receivable</u>		
At amortized cost		
Gross carrying amount	\$ 11,526	\$ 13,734
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>
	<u>\$ 11,526</u>	<u>\$ 13,734</u>
<u>Trade receivables</u>		
At amortized cost		
Gross carrying amount	\$ 89,120	\$ 132,623
Less: Allowance for impairment loss	<u>(9,899)</u>	<u>(7,052)</u>
	<u>\$ 79,221</u>	<u>\$ 125,571</u>
<u>Overdue receivables</u>		
At amortized cost		
Gross carrying amount	\$ 3,696	\$ 379
Less: Allowance for impairment loss	<u>(3,696)</u>	<u>(379)</u>
	<u>\$ -</u>	<u>\$ -</u>
<u>Other receivables</u>		
Tax refund receivables	\$ -	\$ 137
Others	<u>186</u>	<u>337</u>
	<u>\$ 186</u>	<u>\$ 474</u>

a. Notes receivable

The average credit period for notes receivable was 60-120 days. In order to minimize credit risk, the management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Company reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Company's credit risk was significantly reduced.

The Company measures the loss allowance for notes receivable at an amount equal to lifetime ECLs. The expected credit losses on notes receivable are estimated by reference to the past default experience of the debtor, the debtor's current financial position and the general economic conditions of the industry in which the debtors operate. As of December 31, 2020 and 2019, the rate of expected credit loss of notes receivable was 0%.

The overdue aging analysis of the Company's notes receivable is as follows:

	December 31	
	2020	2019
Not past due	<u>\$ 11,526</u>	<u>\$ 13,734</u>

b. Trade receivables

The average credit period of sales of goods was 90 days. No interest was charged on trade receivables that were past due. In order to minimize credit risk, the management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Company reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Company's credit risk was significantly reduced.

The Company measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor, the debtor's current financial position and the general economic conditions of the industry in which the debtors operate. As the Company's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due days from the invoice date is not further distinguished according to the Company's different customer base.

The Company writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For trade receivables that have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of trade receivables based on the Company's provision matrix.

December 31, 2020

	Up to 60 Days	61 to 120 Days	121 to 180 Days	181 to 240 Days	Over 241 Days	Total
Expected credit loss rate	5.79%	7.93%	32.74%	78.25%	100%	
Gross carrying amount	\$59,384	\$24,603	\$ 899	\$ 80	\$ 4,154	\$89,120
Loss allowance (Lifetime ECLs)	<u>(3,438)</u>	<u>(1,950)</u>	<u>(294)</u>	<u>(63)</u>	<u>(4,154)</u>	<u>(9,899)</u>
Amortized cost	<u>\$55,946</u>	<u>\$22,653</u>	<u>\$ 605</u>	<u>\$ 17</u>	<u>\$ -</u>	<u>\$79,221</u>

December 31, 2019

	Up to 60 Days	61 to 120 Days	121 to 180 Days	181 to 240 Days	Over 241 Days	Total
Expected credit loss rate	2.71%	3.74%	12.64%	43.57%	100%	
Gross carrying amount	\$80,885	\$44,258	\$ 3,728	\$ 1,804	\$ 1,948	\$132,623
Loss allowance (Lifetime ECLs)	<u>(2,191)</u>	<u>(1,656)</u>	<u>(471)</u>	<u>(786)</u>	<u>(1,948)</u>	<u>(7,052)</u>
Amortized cost	<u>\$78,694</u>	<u>\$42,602</u>	<u>\$ 3,257</u>	<u>\$ 1,018</u>	<u>\$ -</u>	<u>\$125,571</u>

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

	For the Year Ended December 31	
	2020	2019
Balance at January 1	\$ 7,052	\$ 7,052
Add: Net remeasurement of loss allowance	<u>2,847</u>	<u>-</u>
Balance at December 31	<u>\$ 9,899</u>	<u>\$ 7,052</u>

c. Overdue receivables

The Company measures the loss allowance for overdue receivables at an amount equal to lifetime ECLs. The expected credit losses on overdue receivable are estimated by reference to the past default experience of the debtor, the debtor's current financial position and the general economic conditions of the industry in which the debtors operate. As of December 31, 2020 and 2019, the rate of expected credit loss of overdue receivables was 100%.

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

	For the Year Ended December 31	
	2020	2019
Balance at January 1	\$ 379	\$ 1,018
Add: Net remeasurement of loss allowance	3,317	-
Less: Net remeasurement of loss allowance	<u>-</u>	<u>(639)</u>
Balance at December 31	<u>\$ 3,696</u>	<u>\$ 379</u>

d. Other receivables

Other receivables consist of tax refund receivables, advances to employees, etc. The Company adopted a policy of only dealing with entities that have good credit ratings and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. Credit rating information is obtained from its own trading records to rate its major customers. The Company's exposure and the credit ratings of its counterparties are continuously monitored.

The Company considers the current financial condition of debtors in order to assess, whether there has been a significant increase in credit risk on other receivables since initial recognition and measures the expected credit loss. As of December 31, 2020 and 2019, the rate of expected credit loss of other receivables was 0%.

10. INVENTORIES

	December 31	
	2020	2019
Merchandise	\$ 6,251	\$ 6,743
Finished goods	15,574	14,079
Work in progress	19,794	19,650
Raw materials	23,707	25,488
Inventory in transit	<u>987</u>	<u>2,534</u>
	<u>\$ 66,313</u>	<u>\$ 68,494</u>

The nature of the cost of goods sold was as follows:

	For the Year Ended December 31	
	2020	2019
Cost of inventories sold	\$ 620,068	\$ 823,454
Inventory write-downs	<u>3,558</u>	<u>2,899</u>
	<u>\$ 623,626</u>	<u>\$ 826,353</u>

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in Subsidiaries

	December 31	
	2020	2019
Lucky Union Limited	\$ 2,145,662	\$ 2,207,286
Sinmag Equipment (Thailand) Co., Ltd. (Note 1)	92,972	-
Benchmark Service Co., Ltd. (Note 2)	<u>508</u>	<u>-</u>
	<u>\$ 2,239,142</u>	<u>\$ 2,207,286</u>

	Proportion of Ownership and Voting Rights	
	December 31	
Name of Subsidiary	2020	2019
Lucky Union Limited	100%	100%
Sinmag Equipment (Thailand) Co., Ltd. (Note 1)	100%	-
Benchmark Service Co., Ltd. (Note 2)	100%	-

Note 1: After undertaking structural reorganization in June 2020, the Company directly held 100% equity of Sinmag Equipment (Thailand) Co., Ltd.

Note 2: In June 2020, Benchmark Service Co., Ltd. was incorporated in Thailand, and there was no significant operating revenue generated as of December 31, 2020.

Refer to Tables 3 and 4 for the details of the subsidiaries indirectly held by the Company.

12. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Machinery and Equipment	Transportation Equipment	Office Equipment	Total
<u>Cost</u>						
Balance at January 1, 2020	\$ 71,915	\$ 58,012	\$ 21,052	\$ 428	\$ 1,638	\$ 153,045
Additions	-	-	83	-	108	191
Balance at December 31, 2020	\$ 71,915	\$ 58,012	\$ 21,135	\$ 428	\$ 1,746	\$ 153,236
<u>Accumulated depreciation</u>						
Balance at January 1, 2020	\$ -	\$ 23,223	\$ 16,550	\$ 214	\$ 1,164	\$ 41,151
Depreciation expenses	-	1,790	1,304	86	222	3,402
Balance at December 31, 2020	\$ -	\$ 25,013	\$ 17,854	\$ 300	\$ 1,386	\$ 44,553
Carrying amounts at December 31, 2020	\$ 71,915	\$ 32,999	\$ 3,281	\$ 128	\$ 360	\$ 108,683
<u>Cost</u>						
Balance at January 1, 2019	\$ 74,985	\$ 61,953	\$ 20,982	\$ 428	\$ 6,081	\$ 164,429
Additions	-	467	65	-	-	532
Disposals	(3,070)	(4,408)	(115)	-	(4,443)	(12,036)
Reclassification (Note)	-	-	120	-	-	120
Balance at December 31, 2019	\$ 71,915	\$ 58,012	\$ 21,052	\$ 428	\$ 1,638	\$ 153,045
<u>Accumulated depreciation</u>						
Balance at January 1, 2019	\$ -	\$ 24,816	\$ 15,100	\$ 129	\$ 5,396	\$ 45,441
Disposals	-	(3,362)	(37)	-	(4,436)	(7,835)
Depreciation expenses	-	1,769	1,487	85	204	3,545
Balance at December 31, 2019	\$ -	\$ 23,223	\$ 16,550	\$ 214	\$ 1,164	\$ 41,151
Carrying amounts at December 31, 2019	\$ 71,915	\$ 34,789	\$ 4,502	\$ 214	\$ 474	\$ 111,894

The property, plant and equipment used by the Company are not leased under operating leases.

No impairment assessment was performed for the years ended December 31, 2020 and 2019 as there was no indication of impairment.

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

Buildings	
Main buildings	20-50 years
Others	10-15 years
Machinery and equipment	8 years
Transportation equipment	5 years
Office equipment	5 years

Property, plant and equipment pledged as collateral for bank borrowings are set out in Note 29.

Note: Reclassified from inventory to property, plant and equipment.

13. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2020	2019
<u>Carrying amounts</u>		
Buildings	\$ <u>189</u>	\$ <u>567</u>
	For the Year Ended December 31	
	2020	2019
Additions to right-of-use assets	\$ <u>-</u>	\$ <u>788</u>
Depreciation charge for right-of-use assets		
Buildings	\$ <u>378</u>	\$ <u>221</u>

Except for the aforementioned recognized depreciation, the Company did not have significant sublease or impairment of right-of-use assets for the years ended December 31, 2020 and 2019.

b. Lease liabilities

	December 31	
	2020	2019
<u>Carrying amounts</u>		
Current	\$ <u>191</u>	\$ <u>378</u>
Non-current	\$ <u>-</u>	\$ <u>191</u>

Range of discount rate for lease liabilities was as follows:

	December 31	
	2020	2019
Buildings	1.15%	1.15%

c. Material lease-in activities and terms

The Company leases buildings for the use of offices with lease term of 2 years. The Company does not have bargain purchase options to acquire the buildings at the end of the lease terms. In addition, the Company is prohibited from subleasing or transferring all or any portion of the underlying assets without the lessor's consent.

d. Other lease information

	For the Year Ended December 31	
	2020	2019
Expenses relating to short-term leases	\$ <u>413</u>	\$ <u>529</u>
Expenses relating to low-value asset leases	\$ <u>205</u>	\$ <u>190</u>
Total cash outflow for leases	\$ <u>(1,069)</u>	\$ <u>(1,090)</u>

The Company leases buildings which qualify as short-term leases and certain office equipment which qualify as low-value asset leases. The Company has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

14. OTHER INTANGIBLE ASSETS

	Computer Software
<u>Cost</u>	
Balance at January 1, 2020	\$ 2,706
Additions	<u>84</u>
Balance at December 31, 2020	<u>\$ 2,790</u>
<u>Accumulated amortization and impairment</u>	
Balance at January 1, 2020	\$ (2,468)
Amortization expenses	<u>(188)</u>
Balance at December 31, 2020	<u>\$ (2,656)</u>
Carrying amount at December 31, 2020	<u>\$ 134</u>
<u>Cost</u>	
Balance at January 1, 2019	\$ 2,706
Additions	<u>-</u>
Balance at December 31, 2019	<u>\$ 2,706</u>
<u>Accumulated amortization and impairment</u>	
Balance at January 1, 2019	\$ (2,220)
Amortization expenses	<u>(248)</u>
Balance at December 31, 2019	<u>\$ (2,468)</u>
Carrying amount at December 31, 2019	<u>\$ 238</u>

Computer software is amortized on a straight-line basis over its estimated useful life of 5 years.

15. OTHER ASSETS

	December 31	
	2020	2019
<u>Current</u>		
Other prepayments		
Prepayment for purchase	\$ 252	\$ -
Prepaid expenses	<u>1,899</u>	<u>1,731</u>
	<u>\$ 2,151</u>	<u>\$ 1,731</u>
<u>Non-current</u>		
Other assets		
Refundable deposits (Note)	<u>\$ 209</u>	<u>\$ 181</u>

Note: The Company only invests in debt instruments that are rated the equivalent of investment grade or higher and have low credit risk for the purpose of impairment assessment. The credit rating information is supplied by independent rating agencies. The Company's exposure and the external credit ratings are continuously monitored. The Company reviews changes in bond yields and other public information and makes an assessment whether there has been a significant increase in credit risk since the last period to the reporting date.

In order to minimize credit risk, the Company has tasked its credit management committee to develop and maintain a credit risk grading framework to categorize exposures according to degree of risk of default. The credit rating information may be obtained from independent rating agencies where available and, if not available, the credit management committee uses other publicly available financial information to rate the debtors.

The Company considers the historical default rates of each credit rating supplied by external rating agencies, the current financial condition of debtors, and industry forecast to estimate 12-month or lifetime expected credit losses. As of December 31, 2020 and 2019, the Company evaluated the expected credit loss rates of its debt instrument investments as 0%.

16. BORROWINGS

Short-term Borrowings

	December 31	
	2020	2019
<u>Unsecured borrowings</u>		
Line of credit borrowings	<u>\$ 145,000</u>	<u>\$ 113,391</u>

The range of weighted average effective interest rates on bank line of credit borrowings was 0.88%-1.10% and 1.15%-2.64% per annum as of December 31, 2020 and 2019, respectively.

17. OTHER PAYABLES

	December 31	
	2020	2019
Payables for salaries or bonuses	\$ 32,013	\$ 48,694
Payables for professional service fees	1,603	559
Payables for interests	39	85
Others	<u>4,863</u>	<u>4,776</u>
	<u>\$ 38,518</u>	<u>\$ 54,114</u>

18. PROVISIONS

	December 31	
	2020	2019
<u>Current</u>		
Warranties	<u>\$ 131</u>	<u>\$ 131</u>
For the Year Ended December 31		
	2020	2019
Balance at January 1	\$ 131	\$ 131
Additional provisions recognized	289	247
Amount used	<u>(289)</u>	<u>(247)</u>
Balance at December 31	<u>\$ 131</u>	<u>\$ 131</u>

The provision for warranty claims represents the present value of management's best estimate of the future outflow of economic benefits that will be required under the Company's obligations for warranties in sale of goods contracts. The estimate had been made on the basis of historical warranty trends and may vary as a result of new materials, altered manufacturing processes or other events affecting product quality.

19. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Company adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

b. Defined benefit plans

The defined benefit plans adopted by the Company in accordance with the Labor Standards Act is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contributes amounts equal to 6.57% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Company has no right to influence the investment policy and strategy.

The amounts included in the balance sheets in respect of the Company's defined benefit plans were as follows:

	December 31	
	2020	2019
Present value of defined benefit obligation	\$ 58,241	\$ 57,029
Fair value of plan assets	<u>(57,325)</u>	<u>(52,377)</u>
Deficit (surplus)	916	4,652
Asset ceiling	<u>-</u>	<u>-</u>
Net defined benefit liabilities	<u>\$ 916</u>	<u>\$ 4,652</u>

Movements in net defined benefit liabilities were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2019	<u>\$ 56,195</u>	<u>\$ (53,286)</u>	<u>\$ 2,909</u>
Service cost			
Current service cost	329	-	329
Net interest expense (income)	<u>514</u>	<u>(500)</u>	<u>14</u>
Recognized in profit or loss	<u>843</u>	<u>(500)</u>	<u>343</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(1,774)	(1,774)
Actuarial loss - changes in demographic assumptions	500	-	500
Actuarial loss - changes in financial assumptions	1,414	-	1,414
Actuarial loss - experience adjustments	<u>4,250</u>	<u>-</u>	<u>4,250</u>
Recognized in other comprehensive income	<u>6,164</u>	<u>(1,774)</u>	<u>4,390</u>
Contributions from the employer	<u>-</u>	<u>(2,990)</u>	<u>(2,990)</u>
Benefits paid	<u>(6,173)</u>	<u>6,173</u>	<u>-</u>
Balance at December 31, 2019	<u>\$ 57,029</u>	<u>\$ (52,377)</u>	<u>\$ 4,652</u>

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2020	<u>\$ 57,029</u>	<u>\$ (52,377)</u>	<u>\$ 4,652</u>
Service cost			
Current service cost	336	-	336
Net interest expense (income)	<u>428</u>	<u>(404)</u>	<u>24</u>
Recognized in profit or loss	<u>764</u>	<u>(404)</u>	<u>360</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(1,783)	(1,783)
Actuarial loss - changes in demographic assumptions	47	-	47
Actuarial loss - changes in financial assumptions	1,325	-	1,325
Actuarial (gain) - experience adjustments	<u>(924)</u>	<u>-</u>	<u>(924)</u>
Recognized in other comprehensive income	<u>448</u>	<u>(1,783)</u>	<u>(1,335)</u>
Contributions from the employer	<u>-</u>	<u>(2,761)</u>	<u>(2,761)</u>
Balance at December 31, 2020	<u>\$ 58,241</u>	<u>\$ (57,325)</u>	<u>\$ 916</u> (Concluded)

Through the defined benefit plans under the Labor Standards Act, the Company is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plans' debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2020	2019
Discount rate(s)	0.500%	0.750%
Expected rate(s) of salary increase	2.500%	2.500%

If possible reasonable changes in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	December 31	
	2020	2019
Discount rate(s)		
0.25% increase	\$ (1,325)	\$ (1,421)
0.25% decrease	\$ 1,373	\$ 1,475
Expected rate(s) of salary increase		
0.25% increase	\$ 1,324	\$ 1,426
0.25% decrease	\$ (1,285)	\$ (1,381)

The above sensitivity analysis may not be representative of the actual changes in the present value of the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2020	2019
Expected contributions to the plans for the next year	\$ 2,717	\$ 2,856
Average duration of the defined benefit obligation	9.2 years	10 years

20. EQUITY

a. Share capital

Ordinary shares

	December 31	
	2020	2019
Number of shares authorized (in thousands)	60,000	60,000
Shares authorized	\$ 600,000	\$ 600,000
Number of shares issued and fully paid (in thousands)	50,230	50,230
Shares issued	\$ 502,302	\$ 502,302

The Company reserved 2,100 thousand ordinary shares authorized for employee share options.

b. Capital surplus

	December 31	
	2020	2019
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital*		
Arising from issuance of ordinary shares	\$ 74,811	\$ 74,811
Arising from the difference between consideration received and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	927	927
	\$ 75,738	\$ 75,738

- * Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and to once a year).

c. Retained earnings and dividends policy

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

As the Company is in the growing stage, in determining the Company's dividend distribution policy, the Company's board of directors considers the current and future investment environment, capital needs for future expansions, domestic and international competition and capital budget, and also takes into account stockholder's benefits and the balance between dividend distributions and the Company's long-term financial plans. A dividend distribution plan is proposed annually by the board of directors and passed for resolution in the shareholders' meeting.

The Company shall, considering financial, operational and managerial factors, distribute no less than 20% of unappropriated earnings to stockholders as dividends and bonuses, in the form of cash or stock dividends, whilst cash dividends should not be lower than 20% of total bonuses to shareholders. For the policies on the distribution of compensation of employees and remuneration of directors, refer to compensation of employees and remuneration of directors in Note 22(g).

Under Article 237 of the Company Law, an appropriation of 10% of the amount of net income plus the items other than net income are included in the unappropriated earnings to a legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset deficits. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

Items referred to under Rule No. 1010012865 issued by the FSC and in the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Company.

The appropriations of earnings for 2019 and 2018 which were approved in the shareholders' meetings on June 20, 2020 and June 14, 2019, respectively, were as follows:

	Appropriation of Earnings	
	For the Year Ended December 31	
	2019	2018
Legal reserve	\$ 50,337	\$ 47,361
Special reserve	\$ 59,098	\$ 17,009
Cash dividends	\$ 251,151	\$ 326,497
Cash dividends per share (NT\$)	\$ 5	\$ 6.5

The appropriation of earnings for 2020, had been proposed by the Company's board of directors on March 18, 2021. The appropriation and dividends per share were as follows:

	Appropriation of Earnings For the Year Ended December 31, 2020
Legal reserve	\$ 34,201
Special reserve	\$ (1,181)
Cash dividends	\$ 341,063
Cash dividends per share (NT\$)	\$ 6.79

The appropriation of earnings for 2020 is subject to the resolution of the shareholders in their meeting to be held on June 18, 2021.

d. Special reserve

	December 31	
	2020	2019
Appropriation in respect of:		
Debit to other equity items	\$ 106,420	\$ 47,322
First-time adoption of IFRSs	<u>54,333</u>	<u>54,333</u>
	<u>\$ 160,753</u>	<u>\$ 101,655</u>

e. Other equity items

Exchange differences on the translation of the financial statements of foreign operations

	For the Year Ended December 31	
	2020	2019
Balance at January 1	\$ (160,753)	\$ (101,655)
Recognized for the year		
Exchange differences on the translation of the financial statements of foreign operations	1,476	(73,873)
Related income tax	<u>(295)</u>	<u>14,775</u>
Other comprehensive income recognized for the year	<u>1,181</u>	<u>(59,098)</u>
Balance at December 31	<u>\$ (159,572)</u>	<u>\$ (160,753)</u>

21. REVENUE

	For the Year Ended December 31	
	2020	2019
Revenue from contracts with customers		
Revenue from the sale of goods	\$ 715,966	\$ 960,853
Revenue from the rendering of services	<u>20,694</u>	<u>20,249</u>
	<u>\$ 736,660</u>	<u>\$ 981,102</u>

a. Contract information

1) Revenue from the sale of goods

The main operating revenue of the Company was from sales of bakery equipment. Goods are sold at their respective fixed amounts as agreed in the contracts.

2) Revenue from the rendering of services

Revenue from the rendering of services comes from providing the maintenance services of equipment.

b. Contract balances

	December 31, 2020	December 31, 2019	January 1, 2019
Notes receivable (see Note 9)	\$ 11,526	\$ 13,734	\$ 46,139
Trade receivables (see Note 9)	79,221	125,571	126,717
Trade receivables from related parties (see Note 28)	<u>60,677</u>	<u>63,350</u>	<u>41,291</u>
	<u>\$ 151,424</u>	<u>\$ 202,655</u>	<u>\$ 214,147</u>
Contract liabilities			
Sale of goods	<u>\$ 4,528</u>	<u>\$ 4,540</u>	<u>\$ 8,893</u>

Revenue recognized in the current year that was included in the contract liability balance at the beginning of the year is as follows:

	<u>For the Year Ended December 31</u>	
	2020	2019
<u>From contract liabilities at the start of the year</u>		
Sale of goods	<u>\$ 4,424</u>	<u>\$ 5,632</u>

c. Disaggregation of revenue

	<u>For the Year Ended December 31</u>	
	2020	2019
Type of goods or services		
Sale of goods	\$ 715,966	\$ 960,853
Rendering of services	<u>20,694</u>	<u>20,249</u>
	<u>\$ 736,660</u>	<u>\$ 981,102</u>

22. NET PROFIT FROM CONTINUING OPERATIONS

a. Interest income

	For the Year Ended December 31	
	2020	2019
Bank deposits	\$ <u>170</u>	\$ <u>253</u>

b. Other income

	For the Year Ended December 31	
	2020	2019
Others	\$ <u>301</u>	\$ <u>455</u>

c. Other gains and losses

	For the Year Ended December 31	
	2020	2019
Gain on disposal of property, plant and equipment	\$ -	\$ 1,621
Net foreign exchange (losses) gains	(3,307)	3,449
Others	<u>(5)</u>	<u>(50)</u>
	\$ <u>(3,312)</u>	\$ <u>5,020</u>

d. Finance costs

	For the Year Ended December 31	
	2020	2019
Interest on bank loans	\$ 1,289	\$ 1,405
Interest on lease liabilities	<u>4</u>	<u>4</u>
	\$ <u>1,293</u>	\$ <u>1,409</u>

e. Depreciation and amortization

	For the Year Ended December 31	
	2020	2019
An analysis of depreciation by function		
Operating costs	\$ 1,900	\$ 2,061
Operating expenses	<u>1,880</u>	<u>1,705</u>
	\$ <u>3,780</u>	\$ <u>3,766</u>
An analysis of amortization by function		
Operating costs	\$ 11	\$ 32
Selling and marketing expenses	2	-
General and administrative expenses	27	26
Research and development expenses	<u>148</u>	<u>190</u>
	\$ <u>188</u>	\$ <u>248</u>

f. Employee benefits expense

	For the Year Ended December 31	
	2020	2019
Short-term benefits	\$ 100,264	\$ 136,298
Post-employment benefits		
Defined contribution plans	3,737	3,951
Defined benefit plans (see Note 19)	<u>360</u>	<u>343</u>
	<u>4,097</u>	<u>4,294</u>
Total employee benefits expense	<u>\$ 104,361</u>	<u>\$ 140,592</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 29,673	\$ 33,967
Operating expenses	<u>74,688</u>	<u>106,625</u>
	<u>\$ 104,361</u>	<u>\$ 140,592</u>

g. Compensation of employees and remuneration of directors

According to the Articles of Incorporation of the Company, the Company accrues compensation of employees and remuneration of directors at rates of 2%-10% and no higher than 5%, respectively, of net profit before income tax, compensation of employees, and the remuneration of directors. The compensation of employees and the remuneration of directors for the years ended December 31, 2020 and 2019, which have been approved by the Company's board of directors on March 18, 2021 and March 12, 2020, respectively, were as follows:

Accrual rate

	For the Year Ended December 31	
	2020	2019
Compensation of employees	2.94%	3.00%
Remuneration of directors	1.29%	1.37%

Amount

	For the Year Ended December 31	
	2020	2019
	Cash	Cash
Compensation of employees	\$ 11,245	\$ 17,052
Remuneration of directors	4,948	7,758

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

There is no difference between the actual amounts of compensation of employees and remuneration of directors paid and the amounts recognized in the financial statements for the years ended December 31, 2019 and 2018.

Information on the compensation of employees and remuneration of directors resolved by the Company's board of directors in 2020 and 2019 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

h. Gains or losses on foreign currency exchange

	For the Year Ended December 31	
	2020	2019
Foreign exchange gains	\$ 14,209	\$ 17,296
Foreign exchange losses	<u>(17,516)</u>	<u>(13,847)</u>
Net foreign exchange (losses) gains	<u>\$ (3,307)</u>	<u>\$ 3,449</u>

23. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

Major components of income tax expense are as follows:

	For the Year Ended December 31	
	2020	2019
Current tax		
In respect of the current year	\$ 90,557	\$ 64,088
Income tax on unappropriated earnings	6,963	4,417
Adjustments for prior years	2,233	2,821
Withholding tax credits from overseas profits of the current year	<u>(43,802)</u>	<u>(30,511)</u>
	<u>55,951</u>	<u>40,815</u>
Deferred tax		
In respect of the current year	<u>(30,645)</u>	<u>(792)</u>
Income tax expense recognized in profit or loss	<u>\$ 25,306</u>	<u>\$ 40,023</u>

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

	For the Year Ended December 31	
	2020	2019
Profit before tax from continuing operations	<u>\$ 366,246</u>	<u>\$ 543,384</u>
Income tax expense calculated at the statutory rate	\$ 73,249	\$ 108,677
Unrecognized deductible temporary differences - share of (profit) loss of subsidiaries accounted for equity method	(14,570)	(45,243)
Nondeductible expenses in determining taxable income	-	11
Tax-exempt income	-	(149)
Tax effect of earnings of subsidiaries	1,233	-
Income tax on unappropriated earnings	6,963	4,417
Adjustments for prior years' tax	2,233	2,821
Withholding tax credits from overseas profits	<u>(43,802)</u>	<u>(30,511)</u>
Income tax expense recognized in profit or loss	<u>\$ 25,306</u>	<u>\$ 40,023</u>

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2020	2019
<u>Current tax</u>	\$ -	\$ -
<u>Deferred tax</u>		
In respect of the current year		
Translation of foreign operations	295	(14,775)
Remeasurement of defined benefit plans	<u>267</u>	<u>(878)</u>
Total income tax recognized in other comprehensive income	<u>\$ 562</u>	<u>\$ (15,653)</u>

c. Current tax assets and liabilities

	December 31	
	2020	2019
Current tax assets		
Tax refund receivable	<u>\$ 1,699</u>	<u>\$ 2,460</u>
Current tax liabilities		
Income tax payable	<u>\$ 52,471</u>	<u>\$ -</u>

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2020

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehen- sive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Unrealized loss on inventories	\$ 4,123	\$ 711	\$ -	\$ 4,834
Allowance for impairment loss	1,085	1,323	-	2,408
Unrealized gain on the transactions with subsidiaries	2,597	(257)	-	2,340
Exchange differences on translating the financial statements of foreign operations	24,969	-	(295)	24,674
Defined benefit obligations	4,265	-	(267)	3,998
Others	<u>712</u>	<u>(377)</u>	<u>-</u>	<u>335</u>
	<u>\$ 37,751</u>	<u>\$ 1,400</u>	<u>\$ (562)</u>	<u>\$ 38,589</u>

(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehen- sive Income	Closing Balance
<u>Deferred tax liabilities</u>				
Temporary differences				
Share of profit of subsidiaries accounted for using the equity method	\$ 82,473	\$ (28,670)	\$ -	\$ 53,803
Pensions	4,251	480	-	4,731
Others	<u>1,167</u>	<u>(1,055)</u>	<u>-</u>	<u>112</u>
	<u>\$ 87,891</u>	<u>\$ (29,245)</u>	<u>\$ -</u>	<u>\$ 58,646</u>

For the year ended December 31, 2019

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehen- sive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Unrealized loss on inventories	\$ 3,543	\$ 580	\$ -	\$ 4,123
Allowance for impairment loss	1,188	(103)	-	1,085
Unrealized gain on the transactions with subsidiaries	2,286	311	-	2,597
Exchange differences on translating the financial statements of foreign operations	10,194	-	14,775	24,969
Defined benefit obligations	3,387	-	878	4,265
Others	<u>115</u>	<u>597</u>	<u>-</u>	<u>712</u>
	<u>\$ 20,713</u>	<u>\$ 1,385</u>	<u>\$ 15,653</u>	<u>\$ 37,751</u>

Deferred tax liabilities

Temporary differences				
Share of profit of subsidiaries accounted for using the equity method	\$ 83,373	\$ (900)	\$ -	\$ 82,473
Pensions	3,722	529	-	4,251
Others	<u>203</u>	<u>964</u>	<u>-</u>	<u>1,167</u>
	<u>\$ 87,298</u>	<u>\$ 593</u>	<u>\$ -</u>	<u>\$ 87,891</u>

- e. The aggregate amount of temporary differences associated with investments for which deferred tax liabilities have not been recognized

As of December 31, 2020 and 2019, the taxable temporary differences associated with investments in subsidiaries and branches for which no deferred tax liabilities have been recognized were \$1,040,006 thousand and \$967,157 thousand, respectively.

- f. Income tax assessments

The tax returns through 2018 have been assessed by the tax authorities, and there is no litigation or claim regarding tax assessments against the Company.

24. EARNINGS PER SHARE

Unit: NT\$ Per Share

	For the Year Ended December 31	
	2020	2019
Basic earnings per share		
From continuing operations	<u>\$ 6.79</u>	<u>\$ 10.02</u>
Diluted earnings per share		
From continuing operations	<u>\$ 6.77</u>	<u>\$ 9.98</u>

The earnings and weighted average number of ordinary shares outstanding used in the computation of earnings per share were as follows:

Net profit for the year

	For the Year Ended December 31	
	2020	2019
Profit for the year attributable to owners of the Company	\$ 340,940	\$ 503,361
Effect of potentially dilutive ordinary shares		
Compensation of employees	<u>-</u>	<u>-</u>
Earnings used in the computation of diluted earnings per share	<u>\$ 340,940</u>	<u>\$ 503,361</u>

Weighted average number of ordinary shares outstanding (in thousands of shares)

	For the Year Ended December 31	
	2020	2019
Weighted average number of ordinary shares used in the computation of basic earnings per share	50,230	50,230
Effect of potentially dilutive ordinary shares:		
Compensation of employees	<u>166</u>	<u>182</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>50,396</u>	<u>50,412</u>

The Company may settle the compensation of employees in cash or shares; therefore, the Company assumed that the entire amount of the compensation will be settled in shares, and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

25. CASH FLOW INFORMATION

Changes in Liabilities Arising from Financing Activities

For the year ended December 31, 2020

	Opening Balance	Cash Flows		Non-cash Changes		Exchange Differences on Translating the Financial Statements	Closing Balance
		Increase in Principal (Repayment)	Finance Costs	New Leases	Finance Costs		
Short-term borrowings	\$ 113,391	\$ 31,609	\$ -	\$ -	\$ -	\$ -	\$ 145,000
Lease liabilities	569	(378)	(4)	-	4	-	191
	<u>\$ 113,960</u>	<u>\$ 31,231</u>	<u>\$ (4)</u>	<u>\$ -</u>	<u>\$ 4</u>	<u>\$ -</u>	<u>\$ 145,191</u>

For the year ended December 31, 2019

	Opening Balance	Cash Flows		Non-cash Changes		Exchange Differences on Translating the Financial Statements	Closing Balance
		Increase in Principal (Repayment)	Finance Costs	New Leases	Finance Costs		
Short-term borrowings	\$ 150,000	\$ (36,609)	\$ -	\$ -	\$ -	\$ -	\$ 113,391
Lease liabilities	-	(219)	(4)	788	4	-	569
	<u>\$ 150,000</u>	<u>\$ (36,828)</u>	<u>\$ (4)</u>	<u>\$ 788</u>	<u>\$ 4</u>	<u>\$ -</u>	<u>\$ 113,960</u>

26. CAPITAL MANAGEMENT

The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Company consists of net debt (borrowings offset by cash) and equity of the Company (comprising issued capital, reserves, retained earnings and other equity).

The Company is not subject to any externally imposed capital requirements.

Key management personnel of the Company review the capital structure on an annual basis. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Company may adjust the amount of dividends paid to shareholders, the number of new shares issued, and the amount of new debt issued or existing debt redeemed.

27. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments not measured at fair value

The management of the Company considered that the carrying amounts of financial assets and financial liabilities not measured at fair value approximate their fair values.

b. Categories of financial instruments

	December 31	
	2020	2019
<u>Financial assets</u>		
Amortized cost (1)	\$ 205,037	\$ 261,040
<u>Financial liabilities</u>		
Amortized cost (2)	244,070	368,188

1) The balances include financial assets at amortized cost, which comprise cash, financial assets at amortized cost, notes receivable, trade receivables (including related parties) and other receivables (excluding tax refund receivables) and refundable deposits.

2) The balances include financial liabilities measured at amortized cost, which comprise short-term borrowings and payables (including related parties, excluding payables for salaries or bonuses and payables for business tax).

c. Financial risk management objectives and policies

The Company's major financial instruments include cash, notes receivable, trade receivables (including related parties) and other receivables (excluding tax refund receivables), debt instruments, payables (including related parties, excluding payables for salaries or bonuses), short-term borrowings and lease liabilities. Risks on the financial instruments include market risk (such as currency risk and interest rate risk), credit risk and liquidity risk.

1) Market risk

The Company's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below) and interest rates (see (b) below).

a) Foreign currency risk

The Company had foreign currency denominated sales and purchases, which exposed the Company to foreign currency risk. The Company assesses the net risk position of non-functional currency denominated sales and purchases periodically and adjusts its non-functional cash position on the basis of its assessment.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are set out in Note 30.

Sensitivity analysis

The Company was mainly exposed to the exchange movements in the USD.

The following table details the Company's sensitivity to a 1% increase and decrease in the functional currency against the relevant foreign currency. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rates is 1%. The sensitivity analysis included only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates. A positive number below indicates an increase in pre-tax profit and other equity associated with the functional currency weakening 1% against the relevant currency. For a 1% strengthening of the functional currency against the relevant currency, there would be an equal and opposite impact on pre-tax profit and the balances below would be negative.

	USD Impact	
	For the Year Ended December 31	
	2020	2019
Profit or loss	\$ 677	\$ (196)

This was mainly attributable to the exposure outstanding on USD cash, receivables and payables which were not hedged at the end of the reporting period.

The Company's sensitivity to the USD reversed during the current year mainly due to a decrease in USD denominated payables.

b) Interest rate risk

The Company was exposed to interest rate risk because its deposits, bank loans and lease liabilities are at both fixed and floating interest rates.

The carrying amounts of the Company's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	December 31	
	2020	2019
Fair value interest rate risk		
Financial assets	\$ 115	\$ 64
Financial liabilities	145,191	113,960
Cash flow interest rate risk		
Financial assets	41,161	49,902
Financial liabilities	-	-

Sensitivity analysis

The sensitivity analysis below was determined based on the Company's exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of each liability outstanding at the end of the reporting period was outstanding for the whole year. A 25 basis point increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 25 basis points higher/lower and all other variables were held constant, the Company's pre-tax profit for the years ended December 31, 2020 and 2019 would have increased/decreased by \$103 thousand and \$125 thousand, respectively, which was mainly attributable to the Company's exposure to interest rates on its variable-rate bank deposits.

The Company's sensitivity to interest rates decreased during the current period mainly due to the decrease in floating interest rate financial assets.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. As at the end of the reporting period, the Company's maximum exposure to credit risk, which would cause a financial loss to the Company due to the failure of counterparties to discharge an obligation and financial guarantees provided by the Company, could arise from:

- a) The carrying amount of the respective recognized financial assets as stated in the balance sheets; and
- b) The maximum amount of the entity would have to pay if the financial guarantee is called upon, irrespective of the likelihood of the guarantee being exercised.

The Company adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company rated its major customers based on the information supplied by independent rating agencies where available and, if not available, other publicly available financial information and its own trading records. The Company's exposure and the credit ratings of its counterparties are continuously monitored. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

The Company's concentration of credit risk of 83% and 77% in total trade receivables as of December 31, 2020 and 2019, respectively, was related to the Company's ten largest customers.

3) Liquidity risk

The Company's current liabilities exceeded current assets by \$58,528 thousand and \$88,314 thousand on December 31, 2020 and 2019, respectively. However, in consideration of the Company's overall cash flow and financial investment operations, the consolidated current assets exceeded consolidated current liabilities on December 31, 2020 and 2019, so there was no liquidity risk from an overall perspective.

The Company manages liquidity risk by monitoring and maintaining a level of cash deemed adequate to finance the Company's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Company relies on bank borrowings as a significant source of liquidity. As of December 31, 2020 and 2019, the Company had available unutilized short-term bank loan facilities set out in (b) below.

a) Liquidity and interest risk rate table for non-derivative financial liabilities

The following table details the Company's remaining contractual maturities for its non-derivative financial liabilities with agreed upon repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise this rights. The maturity dates for other non-derivative financial liabilities were based on the agreed upon repayment dates.

December 31, 2020

	Within 3 Months	3 Months to 1 Year	1-5 Years
Short-term borrowings	\$ 145,245	\$ -	\$ -
Financial guarantee contracts	1,344	3,957	21,683
Non-interest bearing liabilities	98,868	202	-
Lease liabilities	<u>96</u>	<u>96</u>	<u>-</u>
	<u>\$ 245,553</u>	<u>\$ 4,255</u>	<u>\$ 21,683</u>

Additional information about the maturity analysis for lease liabilities

	Less than 1 Year	1-5 Years
Lease liabilities	<u>\$ 192</u>	<u>\$ -</u>

December 31, 2019

	Within 3 Months	3 Months to 1 Year	1-5 Years
Short-term borrowings	\$ 113,397	\$ -	\$ -
Financial guarantee contracts	1,445	4,255	27,952
Non-interest bearing liabilities	186,072	68,725	-
Lease liabilities	<u>96</u>	<u>287</u>	<u>191</u>
	<u>\$ 301,010</u>	<u>\$ 73,267</u>	<u>\$ 28,143</u>

Additional information about the maturity analysis for lease liabilities

	Less than 1 Year	1-5 Years
Lease liabilities	<u>\$ 383</u>	<u>\$ 191</u>

The amounts included above for financial guarantee contracts were the maximum amounts the Company could be required to settle under the arrangement if the full guaranteed amount is claimed by the counterparty. Based on expectations at the end of the reporting period, the Company considers that it is more likely that no amount will be payable under the arrangement.

b) Financing facilities

	December 31	
	2020	2019
Unsecured bank loan facilities, reviewed annually and payable on demand:		
Amount used	\$ 145,000	\$ 113,391
Amount unused	<u>166,200</u>	<u>151,559</u>
	<u>\$ 311,200</u>	<u>\$ 264,950</u>
Secured bank loan facilities:		
Amount used	\$ -	\$ -
Amount unused	<u>140,000</u>	<u>140,000</u>
	<u>\$ 140,000</u>	<u>\$ 140,000</u>

28. TRANSACTIONS WITH RELATED PARTIES

Besides information disclosed elsewhere in the other notes, details of transactions between the Company and other related parties are disclosed below.

a. Related party name and categories

Related Party Name	Related Party Category
Lucky Union Limited	Subsidiary
Sinmag Equipment (China) Co., Ltd.	Subsidiary
LBC Bakery Equipment Inc.	Subsidiary
Sinmag Bakery Equipment Sdn. Bhd.	Subsidiary
Sinmag Equipment (Thailand) Co., Ltd.	Subsidiary
Tehmag Foods Corporation	Associate
San Neng Bakeware Corporation	Associate
New Order Enterprise Co., Ltd.	Associate

b. Sales of goods

Line Item	Related Party Category/Name	For the Year Ended December 31	
		2020	2019
Sales	Subsidiaries		
	LBC Bakery Equipment Inc.	\$ 226,842	\$ 229,266
	Others	<u>114,684</u>	<u>152,067</u>
		<u>341,526</u>	<u>381,333</u>
	Associates	<u>255</u>	<u>950</u>
		<u>\$ 341,781</u>	<u>\$ 382,283</u>

The sales prices to related parties were determined based on their costs with a margin and negotiated on a case-by-case basis, and the collection terms to related parties were 60 to 180 days within receiving the bills of lading. The sales prices to third parties were determined in accordance with mutual agreements, and the collection terms to third parties were 90 days.

c. Purchases of goods

Related Party Category/Name	For the Year Ended December 31	
	2020	2019
Subsidiaries		
Sinmag Equipment (China) Co., Ltd.	\$ 506,660	\$ 655,146
Associates	<u>1,894</u>	<u>2,663</u>
	<u>\$ 508,554</u>	<u>\$ 657,809</u>

The cost of purchases from related parties was determined based on their costs with a margin. The payment terms to related parties were 30 days to 120 days or 45 days within receiving the bills of lading. The cost of purchases from third parties were determined in accordance with mutual agreements, and the payment terms were 90 days.

d. Receivables from related parties (excluding loans to related parties)

Line Item	Related Party Category/Name	December 31	
		2020	2019
Trade receivables	Subsidiaries		
	LBC Bakery Equipment Inc.	\$ 41,635	\$ 38,734
	Others	<u>19,018</u>	<u>24,615</u>
		<u>60,653</u>	<u>63,349</u>
	Associates	<u>24</u>	<u>1</u>
		<u>\$ 60,677</u>	<u>\$ 63,350</u>

The outstanding trade receivables from related parties are unsecured. As of December 31, 2020 and 2019, all receivables from related parties were not past due. And for the years ended December 31, 2020 and 2019, no impairment losses were recognized for trade receivables from related parties.

e. Payables to related parties (excluding loans from related parties)

Line Item	Related Party Category/Name	December 31	
		2020	2019
Notes payable	Associates	<u>\$ 500</u>	<u>\$ 339</u>
Trade payables	Subsidiaries		
	Sinmag Equipment (China) Co., Ltd.	\$ 70,488	\$ 221,649
	Associates	<u>70</u>	<u>184</u>
		<u>\$ 70,558</u>	<u>\$ 221,833</u>

The outstanding trade payables from related parties are unsecured.

- f. After undertaking structural reorganization in June 2020, the Company directly held 100% equity of Sinmag Equipment (Thailand) Co., Ltd. The Company acquired investment accounted for using the equity method in the amount of \$36,727 thousand, and such investment did not affect the shareholding percentage.
- g. The Company provided capital in the amount of \$479 thousand for the incorporation of Benchmark Service Co., Ltd. in June 2020.
- h. The Company participated in the cash capital increase of Sinmag Equipment (Thailand) Co., Ltd. in 2020, and increased its investment amount by \$56,698 thousand, which did not affect the shareholding percentage.
- i. The Company received cash dividends from Sinmag Equipment (Thailand) Co., Ltd. for the year ended 2020, which amounted to \$1,386 thousand.
- j. The Company received cash dividends from Lucky Union Limited for the years ended December 31, 2020 and 2019, which amounted to \$394,400 thousand and \$275,245 thousand, respectively.
- k. The Company received the refund of capital reduction from Lucky Union Limited in the amount of \$36,727 thousand in 2020.
- l. Endorsements and guarantees

Endorsements and guarantees provided by the Company

Related Party Category/Name	December 31	
	2020	2019
Subsidiaries		
Sinmag Bakery Equipment Sdn. Bhd.		
Amount endorsed	<u>RM 6,000 thousand</u>	<u>RM 6,000 thousand</u>
Amount utilized	<u>RM 3,756 thousand</u>	<u>RM 4,368 thousand</u>

- m. Other transactions from related parties

Line Item	Related Party Category/Name	For the Year Ended December 31	
		2020	2019
Selling and marketing expenses - other expenses	Associates	<u>\$ 11</u>	<u>\$ 7</u>
General and administrative expenses - other expenses	Associates	<u>\$ 5</u>	<u>\$ 1</u>
Research and development expenses - other expenses	Associates	<u>\$ -</u>	<u>\$ 6</u>
Other income	Subsidiaries	<u>\$ -</u>	<u>\$ 6</u>

- n. Remuneration of key management personnel

	For the Year Ended December 31	
	2020	2019
Short-term employee benefits	<u>\$ 19,435</u>	<u>\$ 24,606</u>

The remuneration of directors and key executives was determined by the remuneration committee based on the performance of individuals and market trends.

29. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings and the tariffs of imported raw material guarantees:

	December 31	
	2020	2019
Financial assets at amortized cost - non-current		
Pledged time deposits	\$ 115	\$ 64
Others		
Freehold land	58,715	58,715
Building	<u>29,919</u>	<u>31,646</u>
	<u>\$ 88,749</u>	<u>\$ 90,425</u>

30. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Company's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies and the related exchange rates between foreign currencies and respective functional currencies were as follows:

December 31, 2020

	Foreign Currency (In Thousands)	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 4,870	28.48 (USD:NTD)	<u>\$ 138,703</u>
Non-monetary items			
Investments accounted for using the equity method			
USD	78,622	28.48 (USD:NTD)	<u>\$ 2,239,142</u>
<u>Financial liabilities</u>			
Monetary items			
USD	2,495	28.48 (USD:NTD)	<u>\$ 71,048</u>

December 31, 2019

	Foreign Currency (In Thousands)	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 7,200	29.98 (USD:NTD)	<u>\$ 215,856</u>
Non-monetary items			
Investments accounted for using the equity method			
USD	73,625	29.98 (USD:NTD)	<u>\$ 2,207,286</u>
<u>Financial liabilities</u>			
Monetary items			
USD	7,853	29.98 (USD:NTD)	<u>\$ 235,447</u>

The significant (realized and unrealized) foreign exchange gains (losses) were as follows:

For the Year Ended December 31				
	2020		2019	
Foreign Currency	Exchange Rate	Net Foreign Exchange Gains (Losses)	Exchange Rate	Net Foreign Exchange Gains (Losses)
USD	29.549 (USD:NTD)	<u>\$ (3,238)</u>	30.912 (USD:NTD)	<u>\$ 3,639</u>

31. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions:

- 1) Financing provided to others (none)
- 2) Endorsements/guarantees provided (Table 1)
- 3) Marketable securities held (excluding investments in subsidiaries, associates and joint ventures) (none)
- 4) Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital (none)
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital (none)
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital (none)
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 2)

- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (none)
- 9) Trading in derivative instruments (none)
- b. Information on investees (Table 3)
- c. Information on investments in mainland China
 - 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area (Table 4)
 - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses (Table 5):
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
 - c) The amount of property transactions and the amount of the resultant gains or losses.
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.
 - e) The highest balance, the ending balance, the interest rate range, and total current period interest with respect to the financing of funds.
 - f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services.
- d. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 6)

TABLE 1**SINMAG EQUIPMENT CORPORATION****ENDORSEMENTS/GUARANTEES PROVIDED****FOR THE YEAR ENDED DECEMBER 31, 2020****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

No.	Endorser/Guarantor	Endorsee/Guarantee		Limit on Endorsement/ Guarantee Given on Behalf of Each Party (Note 2)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Amount Borrowed	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 1)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China	Note
		Name	Relationship (Note 4)											
0	Sinmag Equipment Corporation	Sinmag Bakery Equipment Sdn. Bhd.	(b)	Net value 50% \$1,134,486	\$ 40,737 (RM 6,000)	\$ 40,737 (RM 6,000)	\$ 25,501 (RM 3,756)	\$ -	2	Net value 50% \$1,134,486	Y	-	-	-

Note 1: The total amount of the guarantees provided by Sinmag Equipment Corporation to subsidiaries shall not exceed 50% of Sinmag Equipment Corporation's net worth based on its most recent audited financial statements.

Note 2: The total amount of the guarantees provided by Sinmag Equipment Corporation to individual subsidiaries shall not exceed 50% of Sinmag Equipment Corporation's net worth based on its most recent audited financial statements.

Note 3: The maximum amount endorsed/guaranteed during the period, limits on endorsement/guarantee given on behalf of each party and actual amount borrowed converted at the spot exchange rate as of December 31, 2020.

Note 4: Relationships between the endorser/guarantor and the party being endorsed/guaranteed are as follows:

- a. A company that the Company has business relationship with.
- b. The Company directly or indirectly holds over 50% ownership of the investee company.
- c. A Company that directly or indirectly holds over 50% ownership of the Company.
- d. In between companies where over 90% of voting shares are directly or indirectly held by the Company.
- e. The Company is required to provide guarantees or endorsements for the construction project based on the construction contract.
- f. Shareholder of the investee provides endorsements/guarantees to the Company in proportion to their shareholding percentages.
- g. Collateral performance guarantees from companies in the same industry that entered into pre-construction home sales agreements in accordance with the Consumer Protection Act.

TABLE 2**SINMAG EQUIPMENT CORPORATION****TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL****FOR THE YEAR ENDED DECEMBER 31, 2020****(In Thousands of New Taiwan Dollars)**

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transactions		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
Sinmag Equipment Corporation	Sinmag Equipment (China) Co., Ltd.	Subsidiary	Purchase	\$ 506,660	87	B/L 45 day	Note 1	Note 2	\$ (70,488)	(76)	-
Sinmag Equipment (China) Co., Ltd.	Sinmag Equipment Corporation	Parent company	(Sale)	(506,660)	(19)	B/L 45 day	"	"	70,488	22	-
LBC Bakery Equipment Inc.	Sinmag Equipment Corporation	Parent company	Purchase	226,842	87	B/L 180 day	"	"	(41,635)	(80)	-
Sinmag Equipment Corporation	LBC Bakery Equipment Inc.	Subsidiary	(Sale)	(226,842)	(31)	B/L 180 day	"	"	41,635	27	-

Note 1: Unit prices for related parties were determined based on their costs with a margin, unit prices for non-related parties were determined in accordance with mutual agreements.

Note 2: Open account of 90 days for non-related parties.

TABLE 3**SINMAG EQUIPMENT CORPORATION****INFORMATION ON INVESTEEES****FOR THE YEAR ENDED DECEMBER 31, 2020****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2020			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2020	December 31, 2019	Number of Shares	%	Carrying Amount			
Sinmag Equipment Corporation	Lucky Union Limited	Samoa	Holding company	\$ 392,587	\$ 429,314	-	100.00	\$ 2,145,662	\$ 365,344	\$ 365,344	Notes 2 and 6
	Sinmag Equipment (Thailand) Co., Ltd.	Thailand	Selling of bakery equipment.	93,425	-	20,600,000	100.00	92,972	3,467	2,327	Notes 2 and 4
	Benchmark Service Co., Ltd.	Thailand	Maintenance service	479	-	100,000	100.00	508	30	30	Notes 2 and 5
Lucky Union Limited	Sinmag Limited	Samoa	Holding company	407,839	444,566	-	100.00	2,151,600	365,716	365,716	Notes 2 and 7
Sinmag Limited	Sinmag Bakery Equipment Sdn. Bhd.	Malaysia	Selling of bakery equipment.	12,340	12,340	300,000	100.00	96,774	5,463	5,463	Note 2
	LBC Bakery Equipment Inc.	United States	Selling of bakery equipment.	17,241	17,241	882,000	82.82	233,726	40,280	33,003	Notes 1 and 2
	Sinmag Bakery Machine India Private Limited	India	Manufacturing and selling of bakery equipment.	54,748	54,748	-	100.00	2,303	(2,760)	(2,760)	Note 2
	Sinmag Equipment (Thailand) Co., Ltd.	Thailand	Selling of bakery equipment.	-	18,199	-	-	-	3,467	1,140	Notes 2 and 4

Note 1: The share of profits (losses) of the investee includes the effect of realized and unrealized gross profit on intercompany transaction.

Note 2: The share of profit (loss) was recognized according to the financial statements audited by R.O.C parent company's CPA of investees for the same year.

Note 3: For information on investments in mainland China, refer to Table 4.

Note 4: After undertaking structural reorganization in June 2020, the Company directly held 100% equity of Sinmag Equipment (Thailand) Co., Ltd.

Note 5: In June 2020, Benchmark Service Co., Ltd. was incorporated in Thailand, and there was no significant operating revenue generated as of December 31, 2020.

Note 6: Lucky Union Limited reduced and returned its capital in the amount of US\$1,224 thousand and the procedures were completed in November 2020.

Note 7: Sinmag Limited reduced and returned its capital in the amount of US\$1,224 thousand and the procedures were completed in November 2020.

TABLE 4**SINMAG EQUIPMENT CORPORATION****INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2020****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment (Note 1)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2020	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2020	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2020	Accumulated Repatriation of Investment Income as of December 31, 2020	Note
					Outward	Inward							
Sinmag Equipment (China) Co., Ltd. (Note 3)	Manufacturing and selling of bakery equipment	\$ 1,058,108 (US\$ 33,850)	b	\$ 349,938 (US\$ 10,594)	\$ -	\$ -	\$ 349,938 (US\$ 10,594)	\$ 362,176	100	\$ 363,595 (Note 2 b.(2))	\$ 1,791,328	\$ 3,931,274 (US\$ 128,351)	-
Wuxi New Order Control Co., Ltd.	Manufacturing and selling of control panel and electromechanical control system	4,961 (US\$ 150)	b	3,348 (US\$ 104)	-	-	3,348 (US\$ 104)	11,368	50	5,793 (Note 2 b.(2))	11,451	55,853 (US\$ 1,825)	-

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2020	Investment Amount Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by the Investment Commission, MOEA
\$353,286 (Note 4)	\$1,174,049	\$1,399,215

Note 1: The three methods of investing in mainland China are as follows:

- a. Direct investments in mainland China.
- b. Investment in mainland China through an existing company established in a third region (Lucky Union Limited and Sinmag Limited)
- c. Others.

Note 2: In the column of investment gain (loss)

- a. If the investment is still in preparation and there is no investment gain (loss), it will be specified.
- b. The basis for recognizing investment gain (loss) is as follows:
 - 1) Based on financial statements audited by an international accounting firm that has a business relationship with an accounting firm in the ROC.
 - 2) Based on financial statements audited by the accounting firm of the parent company in Taiwan.
 - 3) Others.

Note 3: Part of the amount reinvested in a third region.

Note 4: Repatriation of investments of \$3,987,127 thousand was not deducted from the amount.

Note 5: The share of profits (losses) of the investee includes the effect of realized and unrealized gross profit on intercompany transaction.

TABLE 5

SINMAG EQUIPMENT CORPORATION

**SIGNIFICANT TRANSACTIONS WITH INVESTEE COMPANIES IN MAINLAND CHINA, EITHER DIRECTLY OR INDIRECTLY THROUGH A THIRD PARTY, AND THEIR PRICES, PAYMENT TERMS, AND UNREALIZED GAINS OR LOSSES
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)**

- 1. The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
- 2. The amount and percentage of sales and the balance and percentage of the related payables at the end of the period:

Investee Company	Transaction Type	Purchase/Sale		Price	Transaction Details		Notes/Accounts Receivable (Payable)		Unrealized (Gain) Loss	Note
		Amount	%		Payment Terms	Comparison with General Transactions	Ending Balance	%		
Sinmag Equipment (China) Co., Ltd.	Sales			Cost with a margin	B/L 90 days	Note	\$ 5,369	4	\$ 3,016	-
	Purchase	\$ (41,303) 506,660	(6) 87	Cost with a margin	B/L 45 days	"	(70,488)	(76)	17,154	-

Note: The payment terms for non-related parties are negotiated on a case-by-case basis, which is 90 days from end of the month of sale or purchase of goods.

- 3. The amount of property transactions and the amount of the resultant gains or losses: None.
- 4. The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes: None.
- 5. The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds: None.
- 6. Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services: None.

TABLE 6**SINMAG EQUIPMENT CORPORATION****INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2020**

Name of Major Shareholder	Shares	
	Number of Shares Held	Shareholding Ratio
Sheng Chia Investment Co., Ltd.	3,015,545	6%

Note: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preference shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Company as of the last business day for the current quarter. The share capital in the financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

SINMAG EQUIPMENT CORPORATION

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STATEMENT 1**SINMAG EQUIPMENT CORPORATION****STATEMENT OF CASH****DECEMBER 31, 2020****(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Item	Description	Amount
Cash		
Petty cash		\$ 155
Cash in banks		
Checking accounts		11,787
Demand deposits		33,474
Foreign currency deposits	Including US\$270 thousand @28.48	<u>7,687</u>
		<u>\$ 53,103</u>

SINMAG EQUIPMENT CORPORATION**STATEMENT OF NOTES RECEIVABLE****DECEMBER 31, 2020****(In Thousands of New Taiwan Dollars)**

Client Name	Description	Amount
Unrelated parties		
Ling Sheng Food Co., Ltd.	Payments	\$ 2,988
Butter A Lee Bakery Co., Ltd.	Payments	1,330
K. K. Orchard Co., Ltd.	Payments	1,221
Shogol Enterprise Co., Ltd.	Payments	778
Hong Rui Zhen Industrial Co., Ltd.	Payments	776
Others (Note)	Payments	4,433
Less: Allowance for impairment loss		<u>-</u>
		<u>\$ 11,526</u>

Note: The amount from each individual client included in others does not exceed 5% of the account balance.

STATEMENT 3**SINMAG EQUIPMENT CORPORATION****STATEMENT OF TRADE RECEIVABLES****DECEMBER 31, 2020****(In Thousands of New Taiwan Dollars)**

Client Name	Description	Amount
Related parties		
LBC Bakery Equipment Inc.	Payments	\$ 41,635
Sinmag Bakery Equipment Sdn. Bhd.	Payments	7,042
Sinmag Equipment (Thailand) Co., Ltd.	Payments	6,607
Sinmag Equipment (China) Co., Ltd.	Payments	5,369
Others (Note)	Payments	<u>24</u>
		<u>\$ 60,677</u>
Unrelated parties		
Macadams International (PTY) Ltd.	Payments	\$ 30,110
Europam S.A.De C.V.	Payments	11,198
American Baking Systems, INC	Payments	9,021
PT. Sinergi Trikarya Perkasa	Payments	6,264
Presicarre Corporation	Payments	4,680
Others (Note)	Payments	<u>27,847</u>
		89,120
Less: Allowance for impairment loss		<u>(9,899)</u>
		<u>\$ 79,221</u>

Note: The amount from each individual client included in others does not exceed 5% of the account balance.

SINMAG EQUIPMENT CORPORATION**STATEMENT OF OTHER RECEIVABLES****DECEMBER 31, 2020****(In Thousands of New Taiwan Dollars)**

Item	Description	Amount
Unrelated parties		
Advances to employees	Advances to employees	\$ 120
Others		<u>66</u>
		<u>\$ 186</u>

SINMAG EQUIPMENT CORPORATION**STATEMENT OF INVENTORIES****DECEMBER 31, 2020****(In Thousands of New Taiwan Dollars)**

Item	Amount	
	Cost	Net Realizable Value
Raw materials	\$ 39,276	\$ 23,707
Work in progress	21,884	19,794
Finished goods	19,089	15,574
Merchandise	9,254	6,251
Inventory in transit	<u>987</u>	<u>987</u>
	<u>\$ 90,490</u>	<u>\$ 66,313</u>

Note: Allowance for loss on the decline in inventory value of supplies is recognized according to the extent of idleness and valuation at net realizable value.

SINMAG EQUIPMENT CORPORATION**STATEMENT OF PREPAYMENTS****DECEMBER 31, 2020****(In Thousands of New Taiwan Dollars)**

Item	Description	Amount
Prepayments	Exhibition booth fees	\$ 492
	Professional service expense	411
	Payments	252
	Maintenance expense	243
	Import expense	223
	Insurance expense	219
	Others	<u>311</u>
		<u>\$ 2,151</u>

SINMAG EQUIPMENT CORPORATION

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Investees	Balance, January 1, 2020		Additions in Investment		Decrease in Investment		Gain (Losses) on Investments Accounted for Using the Equity Method	Exchange Differences on Translating Foreign Operations	Balance, December 31, 2020			Market Value or Net Asset Value		Collateral	Remarks
	Shares	Amount	Shares	Amount	Shares	Amount			Shares	%	Amount	Unit Price (NT\$)	Total Amount		
Lucky Union Limited	-	\$2,220,273	-	\$ -	-	\$ (431,127)	\$ 365,344	\$ 830	-	100	\$2,155,320	-	\$2,155,320	Nil	Note 2
Sinmag Equipment (Thailand) Co., Ltd.	-	-	20,600,000	93,425	-	(1,386)	2,327	647	20,600,000	100	95,013	4.51	95,013	Nil	Note 3
Benchmark Service Co., Ltd.	-	-	100,000	479	-	-	30	(1)	100,000	100	508	5.08	508	Nil	Note 4
Less: Unrealized gain on transactions with subsidiaries		<u>(12,987)</u>		<u>(11,699)</u>		<u>12,987</u>	<u>-</u>	<u>-</u>			<u>(11,699)</u>		<u>-</u>		
		<u>\$2,207,286</u>		<u>\$ 82,205</u>		<u>\$ (419,526)</u>	<u>\$ 367,701</u>	<u>\$ 1,476</u>			<u>\$2,239,142</u>		<u>\$2,250,841</u>		

Note 1: Amount was calculated based on the audited financial statements for the year ended December 31, 2020

Note 2: The decrease of this year was due to cash dividends distributed by investees of \$(394,400) thousand and the proceeds from investee's capital reduction of \$(36,727) thousand.

Note 3: The increase of this year was mainly due to the acquisition of the investment of \$36,727 thousand through the structural reorganization and capital injection of \$56,698 thousand. The decrease of this year was due to cash dividends distributed by investees of \$(1,386) thousand.

Note 4: The increase of this year was due to capital injection of \$479 thousand.

SINMAG EQUIPMENT CORPORATION**STATEMENT OF CHANGES IN RIGHT-OF-USE ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)**

Item	Balance, January 1, 2020	Additions	Decrease	Balance, December 31, 2020
Buildings	<u>\$ 788</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 788</u>

SINMAG EQUIPMENT CORPORATION**STATEMENT OF CHANGES IN ACCUMULATED DEPRECIATION AND ACCUMULATED
IMPAIRMENT OF RIGHT-OF-USE ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)**

Item	Balance, January 1, 2020	Additions	Decrease	Balance, December 31, 2020
Buildings	<u>\$ 221</u>	<u>\$ 378</u>	<u>\$ -</u>	<u>\$ 599</u>

SINMAG EQUIPMENT CORPORATION**STATEMENT OF OTHER NON-CURRENT ASSETS****DECEMBER 31, 2020****(In Thousands of New Taiwan Dollars)**

Item	Description	Amount
Refundable deposits	Deposits for office rental, phone bills and security deposits on performance bonds	\$ 209
Overdue receivables		3,696
Less: Allowance for impairment loss		<u>(3,696)</u>
		<u>\$ 209</u>

SINMAG EQUIPMENT CORPORATION

STATEMENT OF SHORT-TERM LOANS

DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Type	Balance, End of Year	Contract Period	Range of Interest Rates (%)	Loan Commitments	Collateral	Remark
Secured loans						
Chang Hwa Bank	\$ -	2020.06.12-2021.06.30	-	\$ 140,000	Note 29	The Company's short-term borrowing limit (guarantee and credit) totaled \$451,200 thousand. As of December 31, 2020, the Company's unused balance of its short-term borrowings totaled \$306,200 thousand.
				1		
				8		
				0		
				,		
				0		
				0		
				0		
Unsecured loans						
Chang Hwa Bank	45,000	2020.06.12-2021.06.30	1.10	132,720	Nil	
E.SUN Bank	100,000	2020.07.28-2021.07.28	0.88	150,000	Nil	
E.SUN Bank	<u>-</u>	2020.07.03-2021.07.03	-	<u>28,480</u>	Nil	
	<u>\$ 145,000</u>			<u>\$ 451,200</u>		
				\$		
				=		
				1		
				1		
				3		
				=		
				3		
				0		
				1		

SINMAG EQUIPMENT CORPORATION**STATEMENT OF NOTES PAYABLE****DECEMBER 31, 2020****(In Thousands of New Taiwan Dollars)**

Vendor Name	Description	Amount
Related parties		
New Order Enterprise Co., Ltd.	Payments	\$ 475
San Neng Bakeware Corporation	Payments	<u>25</u>
		<u>\$ 500</u>
Unrelated parties		
Jong Dah Special Steel Corp.	Payments	\$ 1,579
Chao Sheng Elect & Mach. Co., Ltd.	Payments	1,350
Lian Jyi Steel Co., Ltd.	Payments	901
Ting An Food Machinery	Payments	793
Leader Baker Machinery Industry Company.	Payments	785
Others (Note)	Payments	<u>9,371</u>
		<u>\$ 14,779</u>

Note: The amount of each individual vendor in others does not exceed 5% of the account balance.

SINMAG EQUIPMENT CORPORATION**STATEMENT OF TRADE PAYABLES****DECEMBER 31, 2020****(In Thousands of New Taiwan Dollars)**

Vendor Name	Description	Amount
Related parties		
Sinmag Equipment (China) Co., Ltd.	Payments	\$ 70,488
Others (Note)	Payments	<u>70</u>
		<u>\$ 70,558</u>
Unrelated parties		
Leader Baker Machinery Industry Company	Payments	\$ 902
Ting An Food Machinery Co., Ltd.	Payments	614
Danyao Trading Co., Ltd.	Payments	605
Ting An Food Machinery	Payments	448
Spar Food Machinery Mfg. Co., Ltd.	Payments	441
Chao Sheng Elect & Mach. Co., Ltd.	Payments	415
Others (Note)	Payments	<u>3,303</u>
		<u>\$ 6,728</u>

Note: The amount of each individual vendor in others does not exceed 5% of the account balance.

SINMAG EQUIPMENT CORPORATION**STATEMENT OF CONTRACT LIABILITIES****DECEMBER 31, 2020****(In Thousands of New Taiwan Dollars)**

Item	Description	Amount
Contract liabilities	Advance receipts	<u>\$ 4,528</u>

SINMAG EQUIPMENT CORPORATION**STATEMENT OF LEASE LIABILITIES****DECEMBER 31, 2020****(In Thousands of New Taiwan Dollars)**

Item	Description	Lease Term	Discount Rate	Balance, December 31, 2020
Buildings	For use as place of business operation	2019.06.20- 2021.06.19	1.15%	<u>\$ 191</u>

SINMAG EQUIPMENT CORPORATION**STATEMENT OF NET REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)**

Item	Quantity (Pieces)	Amount
Sale of goods	718 thousand	\$ 717,497
Sales returns		(1,212)
Sales allowances		<u>(319)</u>
		715,966
Rendering of services		<u>20,694</u>
		<u>\$ 736,660</u>

SINMAG EQUIPMENT CORPORATION

STATEMENT OF COST OF REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Item	Amount
Raw materials, beginning of year	\$ 39,830
Add: Raw material purchased	73,930
Transferred from work in progress	69,343
Transferred from finished goods	13,807
Transferred from merchandise	4,624
Gain from physical count	19
Less: Cost of raw materials sold	(30,439)
Transferred to expenses	(3,244)
Scrapped	(664)
Raw materials, end of year	<u>(39,276)</u>
Raw materials used	127,930
Direct labor	17,023
Manufacturing expenses	<u>26,933</u>
Manufacturing cost	171,886
Work in process, beginning of year	21,587
Add: Work in progress purchased	6,408
Transferred from research and development	16
Less: Transferred to raw materials	(69,343)
Cost of work in progress sold	(5,343)
Work in progress, end of year	<u>(21,884)</u>
Cost of finished goods	103,327
Finished goods, beginning of year	16,067
Less: Transferred to raw materials	(13,807)
Transferred to merchandise	(10,523)
Finished goods, end of year	<u>(19,089)</u>
Cost of goods sold - finished goods	<u>75,975</u>
Merchandise (including inventory in transit), beginning of year	11,629
Add: Merchandise purchased	500,022
Transferred from finished goods	10,523
Less: Merchandise (including inventory in transit), end of year	(10,241)
Transferred to raw materials	(4,624)
Loss from physical count	(8)
Scrapped	<u>(17)</u>
Cost of merchandise sold	<u>507,284</u>
Cost of raw of materials and work in progress sold	35,782
Under-applied manufacturing overhead	416
Scrapped	681
Gain from physical count	(11)
Inventory write-downs	3,558
Revenue from sale of scraps	<u>(59)</u>
	<u>40,367</u>
Cost of goods sold	623,626
Service cost	<u>2,679</u>
Operating cost	<u>\$ 626,305</u>

SINMAG EQUIPMENT CORPORATION
STATEMENT OF OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Item	Selling and Marketing Expenses	General and Administrative Expenses	Research and Development Expenses	Expected Credit Loss
Payroll and related expense	\$ 28,368	\$ 27,359	\$ 5,300	\$ -
Remuneration of directors	-	4,948	-	-
Shipping fees	3,673	-	-	-
Insurance expense	2,704	2,375	426	-
Professional service fees	590	7,368	-	-
Expected credit loss	-	-	-	6,164
Others (Note)	<u>12,982</u>	<u>5,317</u>	<u>1,390</u>	<u>-</u>
	<u>\$ 48,317</u>	<u>\$ 47,367</u>	<u>\$ 7,116</u>	<u>\$ 6,164</u>

Note: The amount of each item in others does not exceed 5% of the account balance.

SINMAG EQUIPMENT CORPORATION

**STATEMENT OF LABOR, DEPRECIATION AND AMORTIZATION BY FUNCTION
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars)**

Nature \ Function	2020			2019		
	Classified as Cost of Revenue	Classified as Operating Expenses	Total	Classified as Cost of Revenue	Classified as Operating Expenses	Total
Employee benefits expenses						
Salary and bonus	\$ 25,011	\$ 61,027	\$ 86,038	\$ 28,896	\$ 89,274	\$ 118,170
Labor and health insurance	2,236	4,992	7,228	2,534	5,472	8,006
Pension	1,423	2,674	4,097	1,496	2,798	4,294
Remuneration of directors	-	4,948	4,948	-	7,758	7,758
Others	<u>1,003</u>	<u>1,047</u>	<u>2,050</u>	<u>1,041</u>	<u>1,323</u>	<u>2,364</u>
	<u>\$ 29,673</u>	<u>\$ 74,688</u>	<u>\$ 104,361</u>	<u>\$ 33,967</u>	<u>\$ 106,625</u>	<u>\$ 140,592</u>
Depreciation	<u>\$ 1,900</u>	<u>\$ 1,880</u>	<u>\$ 3,780</u>	<u>\$ 2,061</u>	<u>\$ 1,705</u>	<u>\$ 3,766</u>
Amortization	<u>\$ 11</u>	<u>\$ 177</u>	<u>\$ 188</u>	<u>\$ 32</u>	<u>\$ 216</u>	<u>\$ 248</u>

Note:

- For the years ended December 31, 2020 and 2019, the average numbers of the Company's employees were 90 and 94, respectively, and the numbers of directors who were not employees were 6 in both years.
- For the year ended December 31, 2020, the Company's average employee benefits was \$1,183 thousand. (The total amount of employee benefits of current year - The total amount of remuneration of directors ÷ The numbers of employees of current year - The numbers of directors who were not employees)

For the year ended December 31, 2019, the Company's average employee benefits was \$1,509 thousand. (The total amount of employee benefits of prior year - The total amount of remuneration of directors ÷ The numbers of employees of prior year - The numbers of directors who were not employees)

- For the year ended December 31, 2020, the Company's average salaries was \$1,024 thousand. (The total amount of salary expenses of current year ÷ The numbers of employees of current year - The numbers of directors who were not employees)

For the year ended December 31, 2019, the Company's average salaries was \$1,343 thousand. (The total amount of salary expenses of prior year ÷ The numbers of employees of prior year - The numbers of directors who were not employees)

c. The percentage change in the average salary expenses was (24) %. (The total amount of average salary expenses of current year - The total amount of average salary expenses of prior year ÷ The total amount of average salary expenses of prior year)

d. Remuneration policies

1) Employees' compensation policy

- The Company's compensation of employees mainly includes basic salary (including salary, job bonus, other welfare allowances, etc.), incentive bonus and year-end bonus, etc.
- Salary refers to salary market conditions, company's operating conditions and organizational structure, and sets salary payment standards according to market salary conditions, overall economic and industrial climate changes, and government laws and regulations.
- Employees' salary compensation is determined based on their academic experience, professional knowledge and technology, professional seniority experience and personal performance, and should not be based on their age, gender, race, religion, political stance, marital status, and union.
- Bonuses are issued based on the Company's operating performance and employees' personal performance.
- The salary standard for no work experience complies with government regulations.

2) Directors and managers' salary remuneration policy

- Regularly review the Company's directors and managers' performance evaluation and remuneration policies, systems, standards and structures to ensure that the Company's remuneration arrangements comply with relevant laws and regulations that are sufficient to attract outstanding talents.
- The performance evaluation and remuneration of directors and managers should refer to the usual level of payment in the same industry, and consider the results of individual performance evaluation, the time invested, the responsibilities assumed, the situation of achieving personal goals, the performance of other positions, the Company's salary and remuneration for people in the same position in recent years, the Company's short-term and long-term business goals and the Company's financial status to evaluate the rationality of the relationship between personal performance and company's operating performance and future risks.
- Directors and managers should not be guided to engage in behaviors that exceed the Company's risk appetite in pursuit of salary remuneration.
- The proportion of the short-term performance of directors and senior managers and the payment timing of the variable salary shall be determined in consideration of the characteristics of the industry and the nature of the Company's business.
- The content and amount of remuneration for directors and managers should be determined in consideration of its rationality. The decision on remuneration for directors and managers should not deviate significantly from financial performance.

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies that are required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2020 are all the same as those included in the consolidated financial statements of parent and subsidiary companies prepared in conformity with the International Financial Reporting Standard No. 10 “Consolidated Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Thus, we did not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

SINMAG EQUIPMENT CORPORATION

By:

HSIEH, SHUN-HO
Chairman

March 26, 2021

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Sinmag Equipment Corporation

Opinion

We have audited the accompanying consolidated financial statements of Sinmag Equipment Corporation (the “Company”) and its subsidiaries (collectively referred to as the “Group”), which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of other auditors (refer to the other matter paragraph), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter of the Group's consolidated financial statements for the year ended December 31, 2020 is stated as follows:

Occurrence of Sales Revenue

The Group has thousands of customers whose overall operating revenue accounted for 27% of the total consolidated operating revenue. Due to the impact of novel coronavirus pneumonia for the year ended December 31, 2020, the Group's overall consolidated operating revenue has declined compared with last year; however, operating revenue from some major customers has increased, which resulted in a significant impact on the financial performance of the Group. Therefore, we deemed the occurrence of sales revenue from major customers with negative correlation between the growth volatility and the Group's overall operating revenue as a key audit matter. The accounting policies related to revenue recognition are referred to in Note 4 to the consolidated financial statements.

The following audit procedures were performed in response to the abovementioned key audit matter:

1. We understood the design and implementation of the internal controls related to the recognition of sales revenue, and designed the appropriate audit procedures on internal controls related to the occurrence of sales revenue, in order to confirm and evaluate the effectiveness of the design and implementation of the Group's internal controls.
2. We selected samples of sales transactions, and reviewed sales orders, bills of lading or signed documents, invoices and receipts, in order to confirm the occurrence of sales revenue.
3. We compared the changes in sales revenue, gross profit margin, trade receivables turnover days and credit conditions of the abovementioned major customers between the current and previous year, and evaluated the reasonableness of the changes.

Other Matter

We did not audit the financial statements of LBC Bakery Equipment Inc., a subsidiary included in the consolidated financial statements of the Group, but such financial statements were prepared using a different financial reporting framework and audited by other auditors in accordance with auditing standards generally accepted in the United States of America. We have applied audit procedures on the conversion adjustments to the financial statements of LBC Bakery Equipment Inc., which conform to the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our opinion, insofar as it relates to the amounts included for LBC Bakery Equipment Inc. prior to these conversion adjustments, is based solely on the report of other auditors and additional audit procedures to meet the relevant requirements of the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. The total assets of LBC Bakery Equipment Inc. constituted 11% (NT\$374,476 thousand) and 12% (NT\$400,460 thousand), of the consolidated total assets as of December 31, 2020 and 2019, respectively, and total revenue constituted 16% (NT\$530,416 thousand) and 12% (NT\$519,262 thousand), of the consolidated total revenue for the years then ended, respectively.

We have also audited the parent company only financial statements of Sinmag Equipment Corporation as of and for the years ended December 31, 2020 and 2019 on which we have issued an unmodified opinion with other matter paragraph.

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 International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of 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.

From 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 for the year ended December 31, 2020 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 audits resulting in this independent auditors' report are Chiang-Hsun Chen and Chao-Mei Chen.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 26, 2021

Notice to Readers

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

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

SINMAG EQUIPMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

ASSETS	2020		2019	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 773,628	22	\$ 797,975	24
Financial assets at amortized cost - current (Notes 4, 7, 8 and 30)	1,329	-	47,679	1
Notes receivable (Notes 4, 9 and 22)	17,240	-	20,353	1
Trade receivables (Notes 4, 9 and 22)	477,393	14	484,490	15
Trade receivables from related parties (Notes 4, 22 and 29)	432	-	168	-
Other receivables (Notes 4 and 9)	19,320	1	12,507	-
Current tax assets (Notes 4 and 24)	1,988	-	2,460	-
Inventories (Notes 4 and 10)	624,587	18	631,628	19
Prepayments (Note 16)	<u>23,266</u>	<u>1</u>	<u>25,066</u>	<u>1</u>
Total current assets	<u>1,939,183</u>	<u>56</u>	<u>2,022,326</u>	<u>61</u>
NON-CURRENT ASSETS				
Financial assets at amortized cost - non-current (Notes 4, 7, 8 and 30)	218,197	7	64	-
Property, plant and equipment (Notes 4, 12 and 30)	1,020,344	30	1,065,760	32
Right-of-use assets (Notes 4, 13 and 30)	102,716	3	106,040	3
Goodwill (Notes 4 and 14)	3,254	-	3,254	-
Other intangible assets (Notes 4 and 15)	3,332	-	2,179	-
Deferred tax assets (Notes 4 and 24)	44,994	1	43,869	2
Other non-current assets (Notes 4 and 16)	<u>114,715</u>	<u>3</u>	<u>57,955</u>	<u>2</u>
Total non-current assets	<u>1,507,552</u>	<u>44</u>	<u>1,279,121</u>	<u>39</u>
TOTAL	<u>\$ 3,446,735</u>	<u>100</u>	<u>\$ 3,301,447</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 17)	\$ 202,119	6	\$ 113,391	3
Contract liabilities - current (Notes 4 and 22)	82,558	2	85,545	3
Notes payable	14,879	-	20,878	1
Notes payable to related parties (Note 29)	500	-	339	-
Trade payables	265,898	8	243,259	7
Trade payables to related parties (Note 29)	6,053	-	6,976	-
Other payables (Notes 18 and 26)	242,497	7	288,970	9
Current tax liabilities (Notes 4 and 24)	169,814	5	78,527	2
Provisions - current (Notes 4 and 19)	24,332	1	24,875	1
Lease liabilities - current (Notes 4 and 13)	2,033	-	3,330	-
Current portion of long-term borrowings and bonds payable (Notes 17 and 30)	<u>4,155</u>	<u>-</u>	<u>5,906</u>	<u>-</u>
Total current liabilities	<u>1,014,838</u>	<u>29</u>	<u>871,996</u>	<u>26</u>
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 17 and 30)	21,346	1	81,866	2
Deferred tax liabilities (Notes 4 and 24)	58,643	2	87,888	3
Lease liabilities - non-current (Notes 4 and 13)	18,967	-	19,667	1
Net defined benefit liabilities - non-current (Notes 4 and 20)	<u>916</u>	<u>-</u>	<u>4,652</u>	<u>-</u>
Total non-current liabilities	<u>99,872</u>	<u>3</u>	<u>194,073</u>	<u>6</u>
Total liabilities	<u>1,114,710</u>	<u>32</u>	<u>1,066,069</u>	<u>32</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4 and 21)				
Share capital				
Ordinary shares	<u>502,302</u>	<u>15</u>	<u>502,302</u>	<u>15</u>
Capital surplus	<u>75,738</u>	<u>2</u>	<u>75,738</u>	<u>2</u>
Retained earnings				
Legal reserve	552,755	16	502,418	16
Special reserve	160,753	5	101,655	3
Unappropriated earnings	<u>1,136,995</u>	<u>33</u>	<u>1,155,573</u>	<u>35</u>
Total retained earnings	<u>1,850,503</u>	<u>54</u>	<u>1,759,646</u>	<u>54</u>
Other equity	<u>(159,572)</u>	<u>(5)</u>	<u>(160,753)</u>	<u>(5)</u>
Total equity attributable to owners of the Company	2,268,971	66	2,176,933	66
NON-CONTROLLING INTERESTS (Notes 4 and 21)	<u>63,054</u>	<u>2</u>	<u>58,445</u>	<u>2</u>
Total equity	<u>2,332,025</u>	<u>68</u>	<u>2,235,378</u>	<u>68</u>
TOTAL	<u>\$ 3,446,735</u>	<u>100</u>	<u>\$ 3,301,447</u>	<u>100</u>

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

(With Deloitte & Touche auditors' report dated March 26, 2021)

SINMAG EQUIPMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 22 and 29)				
Sales	\$ 3,279,795	99	\$ 4,144,379	100
Service revenue	<u>20,694</u>	<u>1</u>	<u>20,249</u>	<u>-</u>
Total operating revenue	<u>3,300,489</u>	<u>100</u>	<u>4,164,628</u>	<u>100</u>
OPERATING COSTS				
Cost of goods sold (Notes 10, 23 and 29)	(1,958,071)	(59)	(2,456,411)	(59)
Service cost	<u>(2,679)</u>	<u>-</u>	<u>(2,692)</u>	<u>-</u>
Total operating costs	<u>(1,960,750)</u>	<u>(59)</u>	<u>(2,459,103)</u>	<u>(59)</u>
GROSS PROFIT	<u>1,339,739</u>	<u>41</u>	<u>1,705,525</u>	<u>41</u>
OPERATING EXPENSES (Notes 23 and 29)				
Selling and marketing expenses	(477,779)	(15)	(599,383)	(14)
General and administrative expenses	(233,280)	(7)	(282,668)	(7)
Research and development expenses	(136,663)	(4)	(161,088)	(4)
Expected credit loss (Notes 4 and 9)	<u>(3,176)</u>	<u>-</u>	<u>(306)</u>	<u>-</u>
Total operating expenses	<u>(850,898)</u>	<u>(26)</u>	<u>(1,043,445)</u>	<u>(25)</u>
PROFIT FROM OPERATIONS	<u>488,841</u>	<u>15</u>	<u>662,080</u>	<u>16</u>
NON-OPERATING INCOME AND EXPENSES (Notes 4 and 23)				
Interest income	16,086	-	16,674	-
Other income	6,052	-	10,624	-
Other gains and losses	(12,909)	-	5,394	-
Finance costs	<u>(5,280)</u>	<u>-</u>	<u>(7,221)</u>	<u>-</u>
Total non-operating income and expenses	<u>3,949</u>	<u>-</u>	<u>25,471</u>	<u>-</u>
PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS	492,790	15	687,551	16
INCOME TAX EXPENSE (Notes 4 and 24)	<u>(139,244)</u>	<u>(4)</u>	<u>(172,049)</u>	<u>(4)</u>
NET PROFIT FOR THE YEAR	<u>353,546</u>	<u>11</u>	<u>515,502</u>	<u>12</u>

(Continued)

SINMAG EQUIPMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
(Notes 4, 20, 21 and 24)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	\$ 1,335	-	\$ (4,390)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	(267)	-	878	-
	<u>1,068</u>	<u>-</u>	<u>(3,512)</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	(966)	-	(75,529)	(2)
Income tax relating to items that may be reclassified subsequently to profit or loss	(295)	-	14,775	1
	<u>(1,261)</u>	<u>-</u>	<u>(60,754)</u>	<u>(1)</u>
Other comprehensive loss for the year, net of income tax	<u>(193)</u>	<u>-</u>	<u>(64,266)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 353,353</u>	<u>11</u>	<u>\$ 451,236</u>	<u>11</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	\$ 340,940	10	\$ 503,361	12
Non-controlling interests	<u>12,606</u>	<u>1</u>	<u>12,141</u>	<u>-</u>
	<u>\$ 353,546</u>	<u>11</u>	<u>\$ 515,502</u>	<u>12</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$ 343,189	11	\$ 440,751	11
Non-controlling interests	<u>10,164</u>	<u>-</u>	<u>10,485</u>	<u>-</u>
	<u>\$ 353,353</u>	<u>11</u>	<u>\$ 451,236</u>	<u>11</u>
EARNINGS PER SHARE (Note 25)				
From continuing operations				
Basic	<u>\$ 6.79</u>		<u>\$ 10.02</u>	
Diluted	<u>\$ 6.77</u>		<u>\$ 9.98</u>	

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

(With Deloitte & Touche auditors' report dated March 26, 2021)

(Concluded)

SINMAG EQUIPMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company						Other Equity Exchange Differences on Translating the Financial Statements of Foreign Operations	Non-controlling Interests	Total Equity
	Share Capital	Capital Surplus	Retained Earnings			Total			
			Legal Reserve	Special Reserve	Unappropriated Earnings				
BALANCE AT JANUARY 1, 2019	\$ 502,302	\$ 75,738	\$ 455,057	\$ 84,646	\$ 1,046,591	\$ (101,655)	\$ 2,062,679	\$ 55,796	\$ 2,118,475
Appropriation of 2018 earnings (Note 21)									
Legal reserve	-	-	47,361	-	(47,361)	-	-	-	-
Special reserve	-	-	-	17,009	(17,009)	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(326,497)	-	(326,497)	-	(326,497)
Net profit for the year ended December 31, 2019	-	-	-	-	503,361	-	503,361	12,141	515,502
Other comprehensive loss for the year ended December 31, 2019, net of income tax	-	-	-	-	(3,512)	(59,098)	(62,610)	(1,656)	(64,266)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	499,849	(59,098)	440,751	10,485	451,236
Cash dividends distributed by subsidiaries (Note 21)	-	-	-	-	-	-	-	(7,836)	(7,836)
BALANCE AT DECEMBER 31, 2019	502,302	75,738	502,418	101,655	1,155,573	(160,753)	2,176,933	58,445	2,235,378
Appropriation of 2019 earnings (Note 21)									
Legal reserve	-	-	50,337	-	(50,337)	-	-	-	-
Special reserve	-	-	-	59,098	(59,098)	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(251,151)	-	(251,151)	-	(251,151)
Net profit for the year ended December 31, 2020	-	-	-	-	340,940	-	340,940	12,606	353,546
Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	-	1,068	1,181	2,249	(2,442)	(193)
Total comprehensive income for the year ended December 31, 2020	-	-	-	-	342,008	1,181	343,189	10,164	353,353
Cash dividends distributed by subsidiaries (Note 21)	-	-	-	-	-	-	-	(5,555)	(5,555)
BALANCE AT DECEMBER 31, 2020	\$ 502,302	\$ 75,738	\$ 552,755	\$ 160,753	\$ 1,136,995	\$ (159,572)	\$ 2,268,971	\$ 63,054	\$ 2,332,025

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

(With Deloitte & Touche auditors' report dated March 26, 2021)

SINMAG EQUIPMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 492,790	\$ 687,551
Adjustments for:		
Expected credit loss recognized on receivables	3,176	306
Depreciation expenses	81,434	69,125
Amortization expenses	1,139	1,257
Write-downs of inventories	11,364	6,326
Finance costs	5,280	7,221
Recognition of provisions	23,675	23,996
Interest income	(16,086)	(16,674)
Loss on disposal of property, plant and equipment	2,222	8,256
Net loss on foreign currency exchange	2,549	4,124
Changes in operating assets and liabilities		
Notes receivable	2,869	33,459
Trade receivables	(1,722)	111,627
Trade receivables from related parties	(257)	194
Other receivables	(4,422)	6,987
Inventories	(2,809)	10,762
Prepayments	1,786	447
Notes payable	(5,999)	(6,688)
Notes payable from related parties	161	(634)
Trade payables	19,059	(5,192)
Trade payables from related parties	(985)	(2,421)
Other payables	(31,580)	5,696
Contract liabilities - current	(3,700)	6,019
Provisions	(24,118)	(23,532)
Net defined benefit liabilities	(2,401)	(2,647)
Cash generated from operations	553,425	925,565
Interest received	7,511	16,634
Income tax paid	(80,243)	(200,172)
Net cash generated from operating activities	<u>480,693</u>	<u>742,027</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at amortized cost	(514,735)	(49,440)
Proceeds from sale of financial assets at amortized cost	346,535	9,144
Purchase of financial assets at fair value through profit or loss	(85,100)	-
Proceeds from sale of financial assets at fair value through profit or loss	85,100	-
Payments for property, plant and equipment	(36,296)	(287,551)
Proceeds from disposal of property, plant and equipment	596	6,420
Payments for intangible assets	(2,233)	(564)
Increase in other non-current assets	(59,153)	(15,100)
		(Continued)

SINMAG EQUIPMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020	2019
Decrease in other non-current assets	\$ 13	\$ 456
Interest received	<u>6,269</u>	<u>-</u>
Net cash used in investing activities	<u>(259,004)</u>	<u>(336,635)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	751,336	583,391
Repayments of short-term borrowings	(663,391)	(620,000)
Repayments of long-term borrowings	(60,354)	(6,196)
Repayment of the principal portion of lease liabilities	(3,900)	(2,693)
Dividends paid to owners of the Company	(251,151)	(326,497)
Interests paid	(5,227)	(7,213)
Dividends paid to non-controlling interests	<u>(5,555)</u>	<u>(7,836)</u>
Net cash used in financing activities	<u>(238,242)</u>	<u>(387,044)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(7,794)</u>	<u>(27,571)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(24,347)	(9,223)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>797,975</u>	<u>807,198</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 773,628</u>	<u>\$ 797,975</u>

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

(With Deloitte & Touche auditors' report dated March 26, 2021)

(Concluded)

SINMAG EQUIPMENT CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Sinmag Equipment Corporation (the “Company”) was incorporated in the Republic of China (ROC) in September 1983, and the paid-in capital was \$502,302 thousand as of December 31, 2020. The Company is primarily engaged in the following businesses:

- a. Wholesale of machinery;
- b. Retail sale of machinery and equipment;
- c. Machinery and equipment manufacturing;
- d. International trade; and
- e. All businesses that are not prohibited or restricted by law, except those that are subject to special approval.

The Company’s shares have been listed on the mainboard of the Taipei Exchange (TPEX) since December 2007.

The consolidated financial statements are presented in the Company’s functional currency, the New Taiwan dollar.

2. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on March 18, 2021.

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

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

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

- b. The IFRSs endorsed by the FSC for application starting from 2021

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”	Effective immediately upon promulgation by the IASB
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”	January 1, 2021
Amendment to IFRS 16 “Covid-19 - Related Rent Concessions”	June 1, 2020

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

New IFRSs	Effective Date Announced by IASB (Note 1)
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 2)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 3)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 6)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 7)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 4)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 5)

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

Note 2: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 3: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 4: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 5: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

Note 6: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 7: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

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

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

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

Current assets include:

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

Current liabilities include:

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

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

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e., its subsidiaries).

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective dates of acquisitions up to the effective dates of disposals, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

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

e. Foreign currencies

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

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

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

For the purpose of presenting the consolidated financial statements, the functional currencies of the Company and its foreign operations (including subsidiaries, associates, joint ventures and branches in other countries that use currencies which are different from the currency of the Company) are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income (attributed to the owners of the Company and non-controlling interests as appropriate).

f. Inventories

Inventories consist of raw materials, work in progress, finished goods and merchandise and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at weighted-average cost.

g. Property, plant and equipment

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

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

Except for freehold land which is not depreciated, the depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

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

h. Goodwill

Goodwill arising from the acquisition of a business is measured at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units or groups of cash-generating units (referred to as "cash-generating units") that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently whenever there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then pro rata to the other assets of the unit based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. Any impairment loss recognized for goodwill is not reversed in subsequent periods.

If goodwill has been allocated to a cash-generating unit and the Group disposes of an operation within that unit, the goodwill associated with the operation which is disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal and is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

i. Intangible assets

1) Intangible assets acquired separately

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

2) Derecognition of intangible assets

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

j. Impairment of property, plant and equipment, right-of-use assets and intangible assets other than goodwill

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

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

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

k. Financial instruments

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

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

1) Financial assets

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

a) Measurement categories

Financial assets are classified as financial assets at amortized cost.

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

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

Subsequent to initial recognition, financial assets at amortized cost (including cash and cash equivalents, financial assets at amortized cost, receivables (including related parties and excluding tax refund receivables) and refundable deposits), are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

- i. Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit adjusted effective interest rate to the amortized cost of such financial assets; and
- ii. Financial assets that are not credit impaired on purchase or origination but have subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

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

b) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses (ECLs) on financial assets at amortized cost (including trade receivables).

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

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

For internal credit risk management purposes, the Group determines that the following situations indicate that a financial asset is in default (without taking into account any collateral held by the Group):

- i. Internal or external information shows that the debtor is unlikely to pay its creditors.
- ii. When a financial asset's aging is more than 300 days (depending on individual circumstances) unless the Group has reasonable and corroborative information to support a more lagged default criterion.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and the carrying amounts of such financial assets are not reduced.

c) Derecognition of financial assets

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

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

2) Financial liabilities

a) Subsequent measurement

All financial liabilities are measured at amortized cost using the effective interest method except for situations where interest recognized for short-term payables is considered immaterial.

b) Derecognition of financial liabilities

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

1. Provisions

Provisions are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Warranties

Provisions for the expected cost of warranty obligations to assure that products comply with agreed-upon specifications are recognized on the date of sale of the relevant products at the best estimate by the management of the Company of the expenditures required to settle the Group's obligations.

m. Revenue recognition

The Group identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

1) Revenue from the sale of goods

Revenue from the sale of goods comes from sales of bakery equipment. Sales of bakery equipment are recognized as revenue when the goods are delivered to the customer because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. Trade receivables are recognized concurrently. The transaction price received is recognized as a contract liability until the goods have been delivered to the customer.

The Group does not recognize revenue on materials delivered to subcontractors because this delivery does not involve a transfer of control.

2) Revenue from the rendering of services

Revenue from the rendering of services comes from the maintenance services of equipment.

As the Group provides maintenance services, customers simultaneously receive and consume the benefits provided by the Group's performance. Consequently, the related revenue is recognized when services are rendered.

n. Leasing

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

For a contract that contains a lease component and non-lease components, the Group allocates the consideration in the contract to each component on the basis of the relative stand-alone price and accounts for each component separately.

The Group as lessee

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

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

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

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

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

o. Borrowing costs

All of borrowing costs are recognized in profit or loss in the period in which they are incurred.

p. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

Defined benefit costs (including service cost, net interest and remeasurement) under defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost) and net interest on the net defined benefit liabilities (assets) are recognized as employee benefits expense in the period in which they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

q. Taxation

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

1) Current tax

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

According to the Income Tax Law in the ROC, an additional tax on unappropriated earnings is provided for in the year the shareholders approve to retain earnings.

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

2) Deferred tax

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

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

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

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

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred taxes for the year

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The Group considers the economic implications of the COVID-19 when making its critical accounting estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

The management evaluated that major accounting policies, estimates and basic assumptions applied by the Group had no significant uncertainty.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2020	2019
Cash on hand	\$ 4,209	\$ 4,541
Checking accounts	75,607	119,847
Demand deposits	562,502	666,535
Cash equivalents		
Time deposits with original maturities of less than 3 months	<u>131,310</u>	<u>7,052</u>
	<u>\$ 773,628</u>	<u>\$ 797,975</u>

The market rate intervals of cash in the bank at the end of the year were as follows:

	December 31	
	2020	2019
Bank balance (including time deposits)	0.0001%-3%	0.001%-3.14%

7. FINANCIAL ASSETS AT AMORTIZED COST

	December 31	
	2020	2019
<u>Current</u>		
Foreign investments		
Financial products (Note a)	\$ -	\$ 43,051
Time deposits with original maturities over 3 months from the date of acquisition (Note b)	959	\$ 4,402
Restricted assets - bank deposits	<u>370</u>	<u>226</u>
	<u>\$ 1,329</u>	<u>\$ 47,679</u>
<u>Non-current</u>		
Domestic investments		
Restricted assets - time deposits with original maturities over 3 months from the date of acquisition (Note b)	\$ 115	\$ 64
Foreign investments		
Time deposits with original maturities over 3 months from the date of acquisition (Note b)	<u>218,082</u>	<u>-</u>
	<u>\$ 218,197</u>	<u>\$ 64</u>

- A contract for the short-term financial products was signed between the Group and the bank. The financial products are mainly linked to the three-month Shanghai Interbank Offered Rate. According to the terms of the contract, such financial products are redeemable at any time.
- The ranges of interest rates for time deposits with original maturities of more than 3 months were approximately 0.70%-6.50% and 1.045%-7.40% per annum as of December 31, 2020 and 2019, respectively.

- c. Refer to Note 8 for information relating to the credit risk management and impairment of investments in financial assets at amortized cost.
- d. Refer to Note 30 for information relating to investments in financial assets at amortized cost pledged as security.

8. CREDIT RISK MANAGEMENT FOR INVESTMENTS IN DEBT INSTRUMENTS

Financial Assets at Amortized Cost

	December 31	
	2020	2019
Gross carrying amount	\$ 219,526	\$ 47,743
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>
	<u>\$ 219,526</u>	<u>\$ 47,743</u>

The Group only invests in debt instruments that are rated the equivalent of investment grade or higher and have low credit risk for the purpose of impairment assessment. The credit rating information is supplied by independent rating agencies. The Group's exposure and the external credit ratings are continuously monitored. The Group reviews changes in bond yields and other public information and makes an assessment whether there has been a significant increase in credit risk since the last period to the reporting date.

In order to minimize credit risk, the Group has tasked its credit management committee to develop and maintain a credit risk grading framework to categorize exposures according to degree of risk of default. The credit rating information may be obtained from independent rating agencies where available and, if not available, the credit management committee uses other publicly available financial information to rate the debtors.

The Group considers the historical default rates of each credit rating supplied by external rating agencies, the current financial condition of debtors, and industry forecast to estimate 12-month or lifetime expected credit losses. As of December 31, 2020 and 2019, the Group evaluated the expected credit loss rates of its debt instrument investments as 0%.

9. NOTES RECEIVABLE, TRADE RECEIVABLES, OVERDUE RECEIVABLES AND OTHER RECEIVABLES

	December 31	
	2020	2019
<u>Notes receivable</u>		
At amortized cost	\$ 17,330	\$ 20,446
Less: Allowance for impairment loss	<u>(90)</u>	<u>(93)</u>
	<u>\$ 17,240</u>	<u>\$ 20,353</u>

(Continued)

	December 31	
	2020	2019
<u>Trade receivables</u>		
At amortized cost	\$ 512,395	\$ 519,323
Less: Allowance for impairment loss	<u>(35,002)</u>	<u>(34,833)</u>
	<u>\$ 477,393</u>	<u>\$ 484,490</u>
<u>Overdue receivables</u>		
At amortized cost	\$ 5,552	\$ 3,585
Less: Allowance for impairment loss	<u>(5,552)</u>	<u>(3,585)</u>
	<u>\$ -</u>	<u>\$ -</u>
<u>Other receivables</u>		
Tax refund receivables	\$ 5,338	\$ 137
Others	<u>13,982</u>	<u>12,370</u>
	<u>\$ 19,320</u>	<u>\$ 12,507</u>
		(Concluded)

a. Notes receivable

The average credit period for notes receivable is 60-120 days. In order to minimize credit risk, the management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Group's credit risk was significantly reduced.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated by reference to the past default experience of the debtor, the debtor's current financial position and the general economic conditions of the industry in which the debtors operate.

The following table details the loss allowance of notes receivable based on the Group's past default experience of the debtor:

December 31, 2020

	December 31	
	2020	2019
Expected credit loss rate	0%-1.55%	0%-1.49%
Gross carrying amount	\$ 17,330	\$ 20,446
Loss allowance (Lifetime ECLs)	<u>(90)</u>	<u>(93)</u>
Amortized cost	<u>\$ 17,240</u>	<u>\$ 20,353</u>

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

	For the Year Ended December 31	
	2020	2019
Balance at January 1	\$ 93	\$ 94
Foreign exchange gains and losses	<u>(3)</u>	<u>(1)</u>
Balance at December 31	<u>\$ 90</u>	<u>\$ 93</u>

b. Trade receivables

The average credit period of sales of goods was 60-150 days. No interest was charged on trade receivables that were past due. In order to minimize credit risk, the management of the Group has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Group's credit risk was significantly reduced.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecasted direction of economic conditions at the reporting date. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due days from the invoice date status is not further distinguished according to the Group's different customer base.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For trade receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of trade receivables based on the Group's provision matrix.

December 31, 2020

	Up to 60 Days	61 to 120 Days	121 to 180 Days	181 to 240 Days	241 to 300 Days	301 Days Above	Total
Expected credit loss rate	0%-13.48%	0.38%-24.49%	1.31%-52.54%	6.90%-80.48%	11.24%-100%	17.02%-100%	
Gross carrying amount	\$ 357,494	\$ 99,800	\$ 33,261	\$ 9,090	\$ 3,704	\$ 9,046	\$ 512,395
Loss allowance (Lifetime ECLs)	<u>(17,285)</u>	<u>(5,461)</u>	<u>(2,487)</u>	<u>(865)</u>	<u>(2,913)</u>	<u>(5,991)</u>	<u>(35,002)</u>
Amortized cost	<u>\$ 340,209</u>	<u>\$ 94,339</u>	<u>\$ 30,774</u>	<u>\$ 8,225</u>	<u>\$ 791</u>	<u>\$ 3,055</u>	<u>\$ 477,393</u>

December 31, 2019

	Up to 60 Days	61 to 120 Days	121 to 180 Days	181 to 240 Days	241 to 300 Days	301 Days Above	Total
Expected credit loss rate	0.31%-9.8%	0.87%-14.78%	4.6%-27.29%	9.62%-49.61%	12.08%-100%	23.72%-100%	
Gross carrying amount	\$ 330,049	\$ 127,890	\$ 39,186	\$ 12,075	\$ 4,076	\$ 6,047	\$ 519,323
Loss allowance (Lifetime ECLs)	<u>(15,828)</u>	<u>(6,242)</u>	<u>(3,251)</u>	<u>(2,022)</u>	<u>(3,042)</u>	<u>(4,448)</u>	<u>(34,833)</u>
Amortized cost	<u>\$ 314,221</u>	<u>\$ 121,648</u>	<u>\$ 35,935</u>	<u>\$ 10,053</u>	<u>\$ 1,034</u>	<u>\$ 1,599</u>	<u>\$ 484,490</u>

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

	For the Year Ended December 31	
	2020	2019
Balance at January 1	\$ 34,833	\$ 34,328
Add: Net remeasurement of loss allowance	326	1,709
Add: Amounts recovered	-	388
Less: Amounts written off	(182)	(757)
Foreign exchange gains and losses	<u>25</u>	<u>(835)</u>
Balance at December 31	<u>\$ 35,002</u>	<u>\$ 34,833</u>

c. Overdue receivables

The Group measures the loss allowance for overdue receivables at an amount equal to lifetime ECLs. The expected credit losses on overdue receivables are estimated by reference to the past default experience of the debtor, the debtor's current financial position and the general economic conditions of the industry in which the debtors operate. As of December 31, 2020 and 2019, the rate of expected credit loss of overdue receivables was 100%.

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

	For the Year Ended December 31	
	2020	2019
Balance at January 1	\$ 3,585	\$ 5,112
Add: Net remeasurement of loss allowance	2,850	-
Less: Net remeasurement of loss allowance	-	(1,403)
Less: Amounts written off	(906)	-
Foreign exchange gains and losses	<u>23</u>	<u>(124)</u>
Balance at December 31	<u>\$ 5,552</u>	<u>\$ 3,585</u>

d. Other receivables

Other receivables consist of tax refund receivables, advances to employees, etc. The Group adopted a policy of only dealing with entities that have good credit ratings and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. Credit rating information is obtained from its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored.

The Group considers the current financial condition of debtors in order to assess whether there has been a significant increase in credit risk on other receivables since initial recognition and measures the expected credit loss. As of December 31, 2020 and 2019, the rate of expected credit loss of other receivables was 0%.

10. INVENTORIES

	December 31	
	2020	2019
Merchandise	\$ 85,289	\$ 117,648
Finished goods	128,866	127,879
Work in progress	184,032	161,877
Raw materials	200,521	206,661
Inventory in transit	<u>25,879</u>	<u>17,563</u>
	<u>\$ 624,587</u>	<u>\$ 631,628</u>

The nature of the cost of goods sold was as follows:

	For the Year Ended December 31	
	2020	2019
Cost of inventories sold	\$ 1,946,707	\$ 2,450,085
Inventory write-downs	<u>11,364</u>	<u>6,326</u>
	<u>\$ 1,958,071</u>	<u>\$ 2,456,411</u>

11. SUBSIDIARIES

Subsidiaries Included in the Consolidated Financial Statements

Investor	Investee	Nature of Activities	Proportion of Ownership (%)		Remark
			December 31		
			2020	2019	
Sinmag Equipment Corporation	Lucky Union Limited	Holding company	100.00	100.00	-
	Sinmag Equipment (Thailand) Co., Ltd. (Note 1)	Selling of bakery equipment	100.00	-	Main operating risk is exchange rate risk
	Benchmark Service Co., Ltd. (Note 2)	Maintenance service	100.00	-	Main operating risk is exchange rate risk
Lucky Union Limited Sinmag Limited	Sinmag Limited	Holding company	100.00	100.00	-
	Sinmag Equipment (China) Co., Ltd.	Manufacturing and selling of bakery equipment	100.00	100.00	Main operating risk is political risk, exchange rate risk and interest rate risk
	Wuxi New Order Control Co., Ltd.	Manufacturing and selling of control panel and electromechanical control system	50.00	50.00	Main operating risk is political risk, exchange rate risk and interest rate risk
	Sinmag Bakery Equipment Sdn. Bhd.	Selling of bakery equipment	100.00	100.00	Main operating risk is exchange rate risk
	LBC Bakery Equipment Inc.	Selling of bakery equipment	82.82	82.82	Main operating risk is exchange rate risk
	Sinmag Bakery Machine India Private Limited	Manufacturing and selling of bakery equipment	100.00	100.00	Main operating risk is exchange rate risk
	Sinmag Equipment (Thailand) Co., Ltd. (Note 1)	Selling of bakery equipment	-	100.00	Main operating risk is exchange rate risk

Note 1: After undertaking structural reorganization in June 2020, the Company directly held 100% equity of Sinmag Equipment (Thailand) Co., Ltd.

Note 2: In June 2020, Benchmark Service Co., Ltd. was incorporated in Thailand, and there was no significant operating revenue generated as of December 31, 2020.

12. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Machinery and Equipment	Transportation Equipment	Office Equipment	Other Equipment	Property under Construction	Total
<u>Cost</u>								
Balance at January 1, 2020	\$ 95,721	\$ 986,709	\$ 347,854	\$ 14,916	\$ 59,503	\$ 96,632	\$ -	\$ 1,601,335
Additions	-	862	2,687	1,882	4,167	10,761	-	20,359
Disposals	-	(201)	(6,664)	(299)	(4,183)	(5,457)	-	(16,804)
Effects of foreign currency exchange differences	(1,191)	7,775	4,648	111	(1,275)	1,463	-	11,531
Reclassification (Note 1)	-	-	7,178	-	-	551	-	7,729
Balance at December 31, 2020	<u>\$ 94,530</u>	<u>\$ 995,145</u>	<u>\$ 355,703</u>	<u>\$ 16,610</u>	<u>\$ 58,212</u>	<u>\$ 103,950</u>	<u>\$ -</u>	<u>\$ 1,624,150</u>
<u>Accumulated depreciation</u>								
Balance at January 1, 2020	\$ -	\$ 189,684	\$ 226,735	\$ 10,768	\$ 43,067	\$ 65,321	\$ -	\$ 535,575
Disposals	-	(99)	(5,528)	(178)	(3,740)	(4,441)	-	(13,986)
Depreciation expenses	-	37,135	24,955	1,472	5,826	6,512	-	75,900
Effect of foreign currency exchange differences	-	2,861	3,151	68	(788)	1,025	-	6,317
Balance at December 31, 2020	<u>\$ -</u>	<u>\$ 229,581</u>	<u>\$ 249,313</u>	<u>\$ 12,130</u>	<u>\$ 44,365</u>	<u>\$ 68,417</u>	<u>\$ -</u>	<u>\$ 603,806</u>
Carrying amounts at December 31, 2020	<u>\$ 94,530</u>	<u>\$ 765,564</u>	<u>\$ 106,390</u>	<u>\$ 4,480</u>	<u>\$ 13,847</u>	<u>\$ 35,533</u>	<u>\$ -</u>	<u>\$ 1,020,344</u>
<u>Cost</u>								
Balance at January 1, 2019	\$ 99,375	\$ 606,420	\$ 378,308	\$ 14,766	\$ 57,005	\$ 84,788	\$ 124,599	\$ 1,365,261
Additions	-	1,260	12,599	571	9,798	11,978	283,721	319,927
Disposals	(3,070)	(4,408)	(30,908)	-	(5,822)	(2,244)	-	(46,452)
Effects of foreign currency exchange differences	(584)	(33,494)	(12,630)	(421)	(1,571)	(3,689)	-	(52,389)
Reclassification (Notes 1 and 2)	-	416,931	485	-	93	5,799	(408,320)	14,988
Balance at December 31, 2019	<u>\$ 95,721</u>	<u>\$ 986,709</u>	<u>\$ 347,854</u>	<u>\$ 14,916</u>	<u>\$ 59,503</u>	<u>\$ 96,632</u>	<u>\$ -</u>	<u>\$ 1,601,335</u>
<u>Accumulated depreciation</u>								
Balance at January 1, 2019	\$ -	\$ 177,437	\$ 228,427	\$ 9,639	\$ 42,184	\$ 63,645	\$ -	\$ 521,332
Disposals	-	(3,362)	(20,834)	-	(5,611)	(1,969)	-	(31,776)
Depreciation expenses	-	21,878	27,264	1,421	7,700	6,269	-	64,532
Effect of foreign currency exchange differences	-	(6,269)	(8,122)	(292)	(1,206)	(2,624)	-	(18,513)
Balance at December 31, 2019	<u>\$ -</u>	<u>\$ 189,684</u>	<u>\$ 226,735</u>	<u>\$ 10,768</u>	<u>\$ 43,067</u>	<u>\$ 65,321</u>	<u>\$ -</u>	<u>\$ 535,575</u>
Carrying amounts at December 31, 2019	<u>\$ 95,721</u>	<u>\$ 797,025</u>	<u>\$ 121,119</u>	<u>\$ 4,148</u>	<u>\$ 16,436</u>	<u>\$ 31,311</u>	<u>\$ -</u>	<u>\$ 1,065,760</u>

Note 1: Reclassified from other non-current assets - prepayments for equipment and inventories to property, plant and equipment.

Note 2: Reclassified from property under construction to buildings.

The property, plant and equipment used by the Group are not leased under operating leases.

No impairment assessment was performed for the year ended December 31, 2020 and 2019 as there was no indication of impairment.

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

Buildings	3-50 years
Machinery and equipment	3-10 years
Transportation equipment	4-5 years
Office equipment	3-10 years
Other equipment	3-10 years

The significant part of the Group's buildings include main buildings, mechanical and electrical power equipment and construction system etc., and are depreciated over their estimated useful lives of 20 to 50 years, 10 to 15 years and 3 to 20 years, respectively.

Property, plant and equipment pledged as collateral for bank borrowings are set out in Note 30.

13. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2020	2019
<u>Carrying amounts</u>		
Land	\$ 87,168	\$ 88,591
Buildings	<u>15,548</u>	<u>17,449</u>
	<u>\$ 102,716</u>	<u>\$ 106,040</u>
	For the Year Ended December 31	
	2020	2019
Additions to right-of-use assets	<u>\$ 1,684</u>	<u>\$ 4,774</u>
Depreciation charge for right-of-use assets		
Land	\$ 1,815	\$ 1,901
Buildings	<u>3,719</u>	<u>2,692</u>
	<u>\$ 5,534</u>	<u>\$ 4,593</u>

Except for the aforementioned additions and recognized depreciation, the Group did not have significant sublease or impairment of right-of-use assets for the years ended December 31, 2020 and 2019.

Right-of-use assets pledged as collateral for bank borrowings are set out in Note 30.

b. Lease liabilities

	December 31	
	2020	2019
<u>Carrying amounts</u>		
Current	<u>\$ 2,033</u>	<u>\$ 3,330</u>
Non-current	<u>\$ 18,967</u>	<u>\$ 19,667</u>

Range of discount rate for lease liabilities was as follows:

	December 31	
	2020	2019
Land	4.57%	4.57%
Buildings	1.15%-5.30%	1.15%-5.30%

c. Material lease-in activities and terms

The Group leases certain land use rights and buildings for the use of offices, dormitories, warehouses and parking lots with lease terms of 2 to 99 years. The Group does not have bargain purchase options to acquire the land use rights and buildings at the end of the lease terms. In addition, the Group is prohibited from subleasing or transferring all or any portion of the underlying assets without the lessor's consent.

d. Other lease information

	For the Year Ended December 31	
	2020	2019
Expenses relating to short-term leases	<u>\$ 7,253</u>	<u>\$ 13,235</u>
Expenses relating to low-value asset leases	<u>\$ 388</u>	<u>\$ 329</u>
Total cash outflow for leases	<u>\$ (11,121)</u>	<u>\$ (17,682)</u>

The Group leases certain buildings which qualify as short-term leases, and certain office equipment which qualify as low-value asset leases. The Group has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

All lease commitments (the Group as a lessee) with lease terms commencing after the balance sheet dates are as follows:

	December 31	
	2020	2019
Lease commitments	<u>\$ 349</u>	<u>\$ -</u>

14. GOODWILL

	For the Year Ended December 31	
	2020	2019
<u>Cost</u>		
Balance at January 1	\$ 3,254	\$ 3,254
Additions (deductions)	<u>-</u>	<u>-</u>
Balance at December 31	<u>\$ 3,254</u>	<u>\$ 3,254</u>

15. OTHER INTANGIBLE ASSETS

	Computer Software
<u>Cost</u>	
Balance at January 1, 2020	\$ 15,779
Additions	2,233
Effect of foreign currency exchange differences	<u>267</u>
Balance at December 31, 2020	<u>\$ 18,279</u>

(Continued)

**Computer
Software**

Accumulated amortization and impairment

Balance at January 1, 2020	\$ 13,600
Amortization expenses	1,139
Effect of foreign currency exchange differences	<u>208</u>
Balance at December 31, 2020	<u>\$ 14,947</u>
Carrying amount at December 31, 2020	<u>\$ 3,332</u>

Cost

Balance at January 1, 2019	\$ 15,723
Additions	564
Effect of foreign currency exchange differences	<u>(508)</u>
Balance at December 31, 2019	<u>\$ 15,779</u>

Accumulated amortization and impairment

Balance at January 1, 2019	\$ 12,776
Amortization expenses	1,257
Effect of foreign currency exchange differences	<u>(433)</u>
Balance at December 31, 2019	<u>\$ 13,600</u>
Carrying amount at December 31, 2019	<u>\$ 2,179</u> (Concluded)

Computer software is amortized on a straight-line basis over its estimated useful life of 3 to 5 years.

16. OTHER ASSETS

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>Current</u>		
Other prepayments		
Prepayments for purchase	\$ 9,395	\$ 4,202
Prepaid expenses	<u>13,871</u>	<u>20,864</u>
	<u>\$ 23,266</u>	<u>\$ 25,066</u>
<u>Non-current</u>		
Other assets		
Refundable deposits (Note)	\$ 10,258	\$ 14,292
Prepayments for equipment	95,645	30,446
Prepayments - non-current	<u>8,812</u>	<u>13,217</u>
	<u>\$ 114,715</u>	<u>\$ 57,955</u>

Note: The Group only invests in debt instruments that are rated the equivalent of investment grade or higher and have low credit risk for the purpose of impairment assessment. The credit rating information is supplied by independent rating agencies. The Group's exposure and the external credit ratings are continuously monitored. The Group reviews changes in bond yields and other public information and makes an assessment whether there has been a significant increase in credit risk since the last period to the reporting date.

In order to minimize credit risk, the Group has tasked its credit management committee to develop and maintain a credit risk grading framework to categorize exposures according to degree of risk of default. The credit rating information may be obtained from independent rating agencies where available and, if not available, the credit management committee uses other publicly available financial information to rate the debtors.

The Group considers the historical default rates of each credit rating supplied by external rating agencies, the current financial condition of debtors, and industry forecast to estimate 12-month or lifetime expected credit losses. As of December 31, 2020 and 2019, the Group evaluated the expected credit loss rates of its debt instrument investments as 0%.

17. BORROWINGS

a. Short-term borrowings

	December 31	
	2020	2019
<u>Unsecured borrowings</u>		
Line of credit borrowings	\$ 202,119	\$ 113,391

The range of weighted average effective interest rates on line of credit borrowings was 0.88%-1.26% and 1.15%-2.64% per annum as of December 31, 2020 and 2019, respectively.

b. Long-term borrowings

	December 31	
	2020	2019
<u>Secured borrowings (see Note 30)</u>		
Bank loans - Banner Bank	\$ -	\$ 57,052
Bank loans - UOB	25,501	30,720
Less: Current portion	<u>(4,155)</u>	<u>(5,906)</u>
Long-term borrowings	\$ 21,346	\$ 81,866

The long-term borrowings from Banner Bank in the amount of \$68,933 thousand (US\$2,100 thousand) are secured by the Group's freehold land and buildings (see Note 30) and will be repayable on September 1, 2025. On October 1, 2015, the Group started to pay interests and principal monthly, in a total of 120 installments, consisting of US\$12 thousand for each of the first 119 installments and the remaining US\$1,569 thousand for the 120th installment). The Group repaid full amount of its debt early in August 2020. As of December 31, 2019, the Group used \$57,052 thousand (US\$1,903 thousand) of its long-term borrowing facilities, with an annual effective interest rate of 4.82%. The purpose of this bank borrowing facility was for the acquisition of land, plant and equipment.

The long-term borrowings from UOB in the amount of \$39,435 thousand (MYR6,000 thousand) are secured by the Group's right-of-use assets and buildings (see Note 30) and will be repayable on May 5, 2022. As of December 31, 2020 and 2019, the Group used \$25,501 thousand (MYR3,756 thousand) and \$30,720 thousand (MYR4,368 thousand) of its long-term borrowing facilities, with an interest rate equivalent to the bank's effective interest rates of 3.74%-4.86% and 4.86%-5.12%, respectively. On June 5, 2017, the Group started to pay interests and principal monthly, in a total of 60 installments. The purpose of this bank borrowing facility was for the acquisition of land use right and plant.

18. OTHER PAYABLES

	December 31	
	2020	2019
Payables for salaries or bonuses	\$ 132,843	\$ 159,537
Payables for professional service fees	4,378	2,731
Payables for employee welfare fund	3,778	8,261
Accrued interest payable	138	85
Payables for business tax	22,005	21,499
Prepayments for equipment (see Note 26)	16,834	32,771
Others	<u>62,521</u>	<u>64,086</u>
	<u>\$ 242,497</u>	<u>\$ 288,970</u>

19. PROVISIONS

	December 31	
	2020	2019
<u>Current</u>		
Warranties	<u>\$ 24,332</u>	<u>\$ 24,875</u>
	For the Year Ended December 31	
	2020	2019
Balance at January 1	\$ 24,875	\$ 25,261
Additional provisions recognized	23,675	23,996
Amount used	(24,118)	(23,532)
Effect of foreign currency exchange differences	<u>(100)</u>	<u>(850)</u>
Balance at December 31	<u>\$ 24,332</u>	<u>\$ 24,875</u>

The provision for warranty claims represents the present value of management's best estimate of the future outflow of economic benefits that will be required under the Group's obligations for warranties in sale of goods contracts. The estimate had been made on the basis of historical warranty trends and may vary as a result of new materials, altered manufacturing processes or other events affecting product quality.

20. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Company of the Group adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

The employees of the Group's subsidiaries in mainland China, Malaysia, U.S.A., India and Thailand are members of a state-managed retirement benefit plan operated by the local governments. The subsidiaries are required to contribute specified percentages of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

b. Defined benefit plans

The defined benefit plans adopted by the Company of the Group in accordance with the Labor Standards Law is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contributes amounts equal to 6.57% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Group assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Group has no right to influence the investment policy and strategy.

The amounts included in the consolidated balance sheets in respect of the Group's defined benefit plans were as follows:

	December 31	
	2020	2019
Present value of defined benefit obligation	\$ 58,241	\$ 57,029
Fair value of plan assets	<u>(57,325)</u>	<u>(52,377)</u>
Deficit (surplus)	916	4,652
Asset ceiling	<u>-</u>	<u>-</u>
Net defined benefit liabilities	<u>\$ 916</u>	<u>\$ 4,652</u>

Movements in net defined benefit liabilities were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2019	<u>\$ 56,195</u>	<u>\$ (53,286)</u>	<u>\$ 2,909</u>
Service cost			
Current service cost	329	-	329
Net interest expense (income)	<u>514</u>	<u>(500)</u>	<u>14</u>
Recognized in profit or loss	<u>843</u>	<u>(500)</u>	<u>343</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(1,774)	(1,774)
Actuarial loss - changes in demographic assumptions	500	-	500
Actuarial loss - changes in financial assumptions	1,414	-	1,414
Actuarial loss - experience adjustments	<u>4,250</u>	<u>-</u>	<u>4,250</u>
Recognized in other comprehensive income	<u>6,164</u>	<u>(1,774)</u>	<u>4,390</u>
Contributions from the employer	<u>-</u>	<u>(2,990)</u>	<u>(2,990)</u>
Benefits paid	<u>(6,173)</u>	<u>6,173</u>	<u>-</u>
Balance at December 31, 2019	<u>\$ 57,029</u>	<u>\$ (52,377)</u>	<u>\$ 4,652</u>
Balance at January 1, 2020	<u>\$ 57,029</u>	<u>\$ (52,377)</u>	<u>\$ 4,652</u>
Service cost			
Current service cost	336	-	336
Net interest expense (income)	<u>428</u>	<u>(404)</u>	<u>24</u>
Recognized in profit or loss	<u>764</u>	<u>(404)</u>	<u>360</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(1,783)	(1,783)
Actuarial loss - changes in demographic assumptions	47	-	47
Actuarial loss - changes in financial assumptions	1,325	-	1,325
Actuarial (gain) - experience adjustments	<u>(924)</u>	<u>-</u>	<u>(924)</u>
Recognized in other comprehensive income	<u>448</u>	<u>(1,783)</u>	<u>(1,335)</u>
Contributions from the employer	<u>-</u>	<u>(2,761)</u>	<u>(2,761)</u>
Benefits paid	<u>-</u>	<u>-</u>	<u>-</u>
Balance at December 31, 2020	<u>\$ 58,241</u>	<u>\$ (57,325)</u>	<u>\$ 916</u>

Through the defined benefit plans under the Labor Standards Law, the Group is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plans' debt investments.

- 3) **Salary risk:** The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2020	2019
Discount rate(s)	0.500%	0.750%
Expected rate(s) of salary increase	2.500%	2.500%

If possible reasonable changes in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	December 31	
	2020	2019
Discount rate(s)		
0.25% increase	\$ (1,325)	\$ (1,421)
0.25% decrease	\$ 1,373	\$ 1,475
Expected rate(s) of salary increase		
0.25% increase	\$ 1,324	\$ 1,426
0.25% decrease	\$ (1,285)	\$ (1,381)

The sensitivity analysis presented above may not be representative of the actual changes in the present value of the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2020	2019
Expected contributions to the plans for the next year	\$ 2,717	\$ 2,856
Average duration of the defined benefit obligation	9.2 years	10 years

21. EQUITY

a. Share capital

Ordinary shares

	December 31	
	2020	2019
Number of shares authorized (in thousands)	60,000	60,000
Shares authorized	\$ 600,000	\$ 600,000
Number of shares issued and fully paid (in thousands)	50,230	50,230
Shares issued	\$ 502,302	\$ 502,302

The Company reserved 2,100 thousand ordinary shares authorized for employee share options.

b. Capital surplus

	December 31	
	2020	2019
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital*		
Arising from issuance of ordinary shares	\$ 74,811	\$ 74,811
Arising from the difference between consideration received and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	<u>927</u>	<u>927</u>
	<u>\$ 75,738</u>	<u>\$ 75,738</u>

* Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and to once a year).

c. Retained earnings and dividends policy

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

As the Company is in the growing stage, in determining the Company's dividend distribution policy, the Company's board of directors considers the current and future investment environment, capital needs for future expansions, domestic and international competition and capital budget, and also takes into account stockholder's benefits and the balance between dividend distributions and the Company's long-term financial plans. A dividend distribution plan is proposed annually by the board of directors and passed for resolution in the shareholders' meeting.

The Company shall, considering financial, operational and managerial factors, distribute no less than 20% of unappropriated earnings to stockholders as dividends and bonuses, in the form of cash or stock dividends, whilst cash dividends should not be lower than 20% of total bonuses to shareholders. For the policies on the distribution of compensation of employees and remuneration of directors, refer to compensation of employees and remuneration of directors in Note 23(g).

Under Article 237 of the Company Law, an appropriation of 10% of the amount of net income plus the items other than net income are included in the unappropriated earnings to a legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset deficits. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

Items referred to under Rule No. 1010012865 issued by the FSC and in the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Company.

The appropriations of earnings for 2019 and 2018 which were approved in the shareholders' meetings on June 20, 2020 and June 14, 2019, respectively, were as follows:

	Appropriation of Earnings	
	For the Year Ended December 31	
	2019	2018
Legal reserve	\$ 50,337	\$ 47,361
Special reserve	\$ 59,098	\$ 17,009
Cash dividends	\$ 251,151	\$ 326,497
Cash dividends per share (NT\$)	\$ 5	\$ 6.5

The appropriation of earnings for 2020 had been proposed by the Company's board of directors on March 18, 2021. The appropriation and dividends per share were as follows:

	For the Year Ended December 31, 2020
Legal reserve	\$ 34,201
Special reserve	\$ (1,181)
Cash dividends	\$ 341,063
Cash dividends per share (NT\$)	\$ 6.79

The appropriation of earnings for 2020 is subject to the resolution of the shareholders in their meeting to be held on June 18, 2021.

d. Special reserve

	December 31	
	2020	2019
Appropriation in respect of:		
Debit to other equity items	\$ 106,420	\$ 47,322
First-time adoption of IFRSs	54,333	54,333
	<u>\$ 160,753</u>	<u>\$ 101,655</u>

e. Other equity items

Exchange differences on the translation of the financial statements of foreign operations

	For the Year Ended December 31	
	2020	2019
Balance at January 1	\$ (160,753)	\$ (101,655)
Recognized for the year		
Exchange differences on the translation of the financial statements of foreign operations	1,476	(73,873)
Related income tax	(295)	14,775
Other comprehensive income recognized for the year	<u>1,181</u>	<u>(59,098)</u>
Balance at December 31	<u>\$ (159,572)</u>	<u>\$ (160,753)</u>

f. Non-controlling interests

	For the Year Ended December 31	
	2020	2019
Balance at January 1	\$ 58,445	\$ 55,796
Share in profit for the year	12,606	12,141
Other comprehensive income during the year		
Exchange differences on the translation of the financial statements of foreign operations	(2,442)	(1,656)
Cash dividend	<u>(5,555)</u>	<u>(7,836)</u>
Balance at December 31	<u>\$ 63,054</u>	<u>\$ 58,445</u>

22. REVENUE

	For the Year Ended December 31	
	2020	2019
Revenue from contracts with customers		
Revenue from the sale of goods	\$ 3,279,795	\$ 4,144,379
Revenue from the rendering of services	<u>20,694</u>	<u>20,249</u>
	<u>\$ 3,300,489</u>	<u>\$ 4,164,628</u>

a. Contract information

1) Revenue from the sale of goods

The main operating revenue of the Group was from sales of bakery equipment. Goods are sold at their respective fixed amounts as agreed in the contracts.

2) Revenue from the rendering of services

Revenue from the rendering of services comes from providing the maintenance services of equipment.

b. Contract balances

	December 31, 2020	December 31, 2019	January 1, 2019
Notes receivable (see Note 9)	\$ 17,240	\$ 20,353	\$ 53,816
Trade receivables (see Note 9)	477,393	484,490	611,712
Trade receivables from related parties (see Note 29)	<u>432</u>	<u>168</u>	<u>368</u>
	<u>\$ 495,065</u>	<u>\$ 505,011</u>	<u>\$ 665,896</u>
Contract liabilities			
Sale of goods	<u>\$ 82,558</u>	<u>\$ 85,545</u>	<u>\$ 82,284</u>

Revenue recognized in the current year that was included in the contract liability balance at the beginning of the year is as follows:

	For the Year Ended December 31	
	2020	2019
From contract liabilities at the start of the year		
Sale of goods	<u>\$ 83,401</u>	<u>\$ 67,924</u>

c. Disaggregation of revenue

Refer to Note 34 for information about disaggregation of revenue.

23. NET PROFIT FROM CONTINUING OPERATIONS

a. Interest income

	For the Year Ended December 31	
	2020	2019
Interest income		
Bank deposits	\$ 4,160	\$ 2,414
Financial assets at FVTPL	6,269	-
Financial products	<u>5,657</u>	<u>14,260</u>
	<u>\$ 16,086</u>	<u>\$ 16,674</u>

b. Other income

	For the Year Ended December 31	
	2020	2019
Others	<u>\$ 6,052</u>	<u>\$ 10,624</u>

c. Other gains and losses

	For the Year Ended December 31	
	2020	2019
Loss on disposal of property, plant and equipment	\$ (2,222)	\$ (8,256)
Net foreign exchange (losses) gains	(8,620)	14,601
Others	<u>(2,067)</u>	<u>(951)</u>
	<u>\$ (12,909)</u>	<u>\$ 5,394</u>

d. Finance costs

	For the Year Ended December 31	
	2020	2019
Interest on bank loans	\$ 4,333	\$ 6,237
Interest on lease liabilities	<u>947</u>	<u>984</u>
	<u>\$ 5,280</u>	<u>\$ 7,221</u>

e. Depreciation and amortization

	For the Year Ended December 31	
	2020	2019
An analysis of depreciation by function		
Operating costs	\$ 43,920	\$ 37,070
Operating expenses	<u>37,514</u>	<u>32,055</u>
	<u>\$ 81,434</u>	<u>\$ 69,125</u>
An analysis of amortization by function		
Operating costs	\$ 31	\$ 53
Selling and marketing expenses	255	265
General and administrative expenses	270	404
Research and development expenses	<u>583</u>	<u>535</u>
	<u>\$ 1,139</u>	<u>\$ 1,257</u>

f. Employee benefits expense

	For the Year Ended December 31	
	2020	2019
Short-term benefits	<u>\$ 786,288</u>	<u>\$ 939,246</u>
Post-employment benefits		
Defined contribution plans	53,896	85,720
Defined benefit plans (see Note 20)	<u>360</u>	<u>343</u>
	<u>54,256</u>	<u>86,063</u>
Total employee benefits expense	<u>\$ 840,544</u>	<u>\$ 1,025,309</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 315,131	\$ 399,487
Operating expenses	<u>525,413</u>	<u>625,822</u>
	<u>\$ 840,544</u>	<u>\$ 1,025,309</u>

g. Compensation of employees and remuneration of directors

According to the Articles of Incorporation of the Company, the Company accrues compensation of employees and remuneration of directors at rates of 2%-10% and no higher than 5%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors. The compensation of employees and remuneration of directors for the years ended December 31, 2020 and 2019, which have been approved by the Company's board of directors on March 18, 2021 and March 12, 2020, respectively, were as follows:

Accrual rate

	For the Year Ended December 31	
	2020	2019
Compensation of employees	2.94%	3.00%
Remuneration of directors	1.29%	1.37%

Amount

	For the Year Ended December 31	
	2020	2019
	Cash	Cash
Compensation of employees	\$ 11,245	\$ 17,052
Remuneration of directors	4,948	7,758

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

There is no difference between the actual amounts of compensation of employees and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2019 and 2018.

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

h. Gains or losses on foreign currency exchange

	For the Year Ended December 31	
	2020	2019
Foreign exchange gains	\$ 40,353	\$ 45,703
Foreign exchange losses	<u>(48,973)</u>	<u>(31,102)</u>
Net foreign exchange (losses) gains	<u>\$ (8,620)</u>	<u>\$ 14,601</u>

24. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

Major components of income tax expense were as follows:

	For the Year Ended December 31	
	2020	2019
Current tax		
In respect of the current year	\$ 255,587	\$ 279,741
Income tax on unappropriated earnings	6,963	4,417
Adjustments for prior years	5,695	(6,841)
Withholding tax credits from overseas profits of the current year	(43,802)	(30,511)
Tax deduction	<u>(53,938)</u>	<u>(73,131)</u>
	<u>170,505</u>	<u>173,675</u>
Deferred tax		
In respect of the current year	<u>(31,261)</u>	<u>(1,626)</u>
Income tax expense recognized in profit or loss	<u>\$ 139,244</u>	<u>\$ 172,049</u>

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

	For the Year Ended December 31	
	2020	2019
Profit before tax from continuing operations	\$ 492,790	\$ 687,551
Income tax expense calculated at the statutory rate (20%)	\$ 98,558	\$ 137,510
Unrecognized deductible temporary differences - share of (profit) loss of subsidiaries accounted for using the equity method	(14,570)	(45,243)
Nondeductible expenses in determining taxable income	(1,438)	2,388
Tax-exempt income	-	(149)
Repatriation of subsidiary's tax earnings	45,034	47,576
Income tax on unappropriated earnings	6,963	4,417
Withholding tax credits from overseas profits	(43,802)	(30,511)
Effect of different tax rates of entities in the Group operating in other jurisdictions	42,804	62,902
Adjustments for prior years' tax	<u>5,695</u>	<u>(6,841)</u>
Income tax expense recognized in profit or loss	\$ 139,244	\$ 172,049

The applicable tax rate used by subsidiaries in China is 25%. Tax rates used by other entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

Under the corporate income tax law in mainland China, Sinmag Equipment (China) Co., Ltd. qualified as a high tech enterprise from November 2018 to 2020, resulting in a 15% corporate income tax rate.

Under the Preferential Income Tax Policies for Small and Low-Profit Enterprises in mainland China, Wuxi New Order Control Co., Ltd. applied an income tax rate of 20% on taxable income that constituted 25% of its revenue at less than RMB1,000 thousand, and 50% of its revenue at more than RMB1,000 thousand but less than RMB3,000 thousand.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2020	2019
<u>Current tax</u>	\$ -	\$ -
<u>Deferred tax</u>		
In respect of the current year		
Translation of foreign operations	295	(14,775)
Remeasurement of defined benefit plans	<u>267</u>	<u>(878)</u>
Total income tax recognized in other comprehensive income	\$ 562	\$ (15,653)

c. Current tax assets and liabilities

	December 31	
	2020	2019
Current tax assets		
Tax refund receivable	\$ 1,988	\$ 2,460
Current tax liabilities		
Income tax payable	\$ 169,814	\$ 78,527

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2020

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehen- sive Income	Exchange Differences	Closing Balance
<u>Deferred tax assets</u>					
Temporary differences					
Allowance for impairment loss	\$ 1,358	\$ 1,208	\$ -	\$ (10)	\$ 2,556
Unrealized loss on inventories	5,372	711	-	(63)	6,020
Unrealized gain on transactions with subsidiaries	2,597	(257)	-	-	2,340
Provisions	2,128	(115)	-	(99)	1,914
Defined benefit obligations	4,265	-	(267)	-	3,998
Exchange differences on translating the financial statements of foreign operations	24,969	-	(295)	-	24,674
Others	<u>3,180</u>	<u>469</u>	<u>-</u>	<u>(157)</u>	<u>3,492</u>
	<u>\$ 43,869</u>	<u>\$ 2,016</u>	<u>\$ (562)</u>	<u>\$ (329)</u>	<u>\$ 44,994</u>
<u>Deferred tax liabilities</u>					
Temporary differences					
Share of profit or loss of subsidiaries accounted for using the equity method	\$ 82,473	\$(28,670)	\$ -	\$ -	\$ 53,803
Pensions	4,251	480	-	-	4,731
Others	<u>1,164</u>	<u>(1,055)</u>	<u>-</u>	<u>-</u>	<u>109</u>
	<u>\$ 87,888</u>	<u>\$(29,245)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 58,643</u>

For the year ended December 31, 2019

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehen- sive Income	Exchange Differences	Closing Balance
<u>Deferred tax assets</u>					
Temporary differences					
Allowance for impairment loss	\$ 1,478	\$ (114)	\$ -	\$ (6)	\$ 1,358
Unrealized loss on inventories	4,622	781	-	(31)	5,372
Unrealized gain on transactions with subsidiaries	2,286	311	-	-	2,597
Provisions	2,136	43	-	(51)	2,128
Defined benefit obligations	3,387	-	878	-	4,265
Exchange differences on translating the financial statements of foreign operations	10,194	-	14,775	-	24,969
Others	<u>2,053</u>	<u>1,195</u>	<u>-</u>	<u>(68)</u>	<u>3,180</u>
	<u>\$ 26,156</u>	<u>\$ 2,216</u>	<u>\$ 15,653</u>	<u>\$ (156)</u>	<u>\$ 43,869</u>

Deferred tax liabilities

Temporary differences					
Share of profit or loss of subsidiaries accounted for using the equity method	\$ 83,373	\$ (900)	\$ -	\$ -	\$ 82,473
Pensions	3,722	529	-	-	4,251
Others	<u>203</u>	<u>961</u>	<u>-</u>	<u>-</u>	<u>1,164</u>
	<u>\$ 87,298</u>	<u>\$ 590</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 87,888</u>

- e. The aggregate amount of temporary differences associated with investments for which deferred tax liabilities have not been recognized

As of December 31, 2020 and 2019, the taxable temporary differences associated with investments in subsidiaries and branches for which no deferred tax liabilities have been recognized were \$1,040,006 thousand and \$967,157 thousand, respectively.

- f. Income tax assessments

The Company's tax returns through 2018 have been assessed by the tax authorities, and the Group had no litigation or claim regarding tax assessments as of December 31, 2020.

25. EARNINGS PER SHARE

Unit: NT\$ Per Share

	For the Year Ended December 31	
	2020	2019
Basic earnings per share		
From continuing operations	\$ <u>6.79</u>	\$ <u>10.02</u>
Diluted earnings per share		
From continuing operations	\$ <u>6.77</u>	\$ <u>9.98</u>

The earnings and weighted average number of ordinary shares outstanding used in the computation of earnings per share were as follows:

Net profit for the year

	For the Year Ended December 31	
	2020	2019
Profit for the year attributable to owners of the Company	\$ 340,940	\$ 503,361
Effect of potentially dilutive ordinary shares		
Employees' compensation	<u>-</u>	<u>-</u>
Earnings used in the computation of diluted earnings per share	\$ <u>340,940</u>	\$ <u>503,361</u>

Weighted average number of ordinary shares outstanding (in thousands of shares):

	For the Year Ended December 31	
	2020	2019
Weighted average number of ordinary shares used in the computation of basic earnings per share	50,230	50,230
Effect of potentially dilutive ordinary shares		
Employees' compensation	<u>166</u>	<u>182</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>50,396</u>	<u>50,412</u>

The Group may settle the compensation of employees in cash or shares; therefore, the Group assumed that the entire amount of the compensation will be settled in shares, and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

26. CASH FLOW INFORMATION

a. Non-cash transactions

In addition to those disclosed in other notes, the Group entered into the following non-cash investing activities which were not reflected in the consolidated statements of cash flows for the years ended December 31, 2020 and 2019:

The Group acquired property, plant and equipment that had not yet paid in the amounts of \$16,834 thousand and \$32,771 thousand, which were recorded as other payables during the years ended December 31, 2020 and 2019, respectively.

b. Changes in liabilities arising from financing activities

For the year ended December 31, 2020

	Opening Balance	Cash Flows		Non-cash Changes			Closing Balance
		Increase (Decrease) in Principal	Finance Costs	New Leases	Finance Costs	Exchange Differences on Translating the Financial Statements	
Long-term borrowings and current portion of long-term borrowings	\$ 87,772	\$ (60,354)	\$ -	\$ -	\$ -	\$ (1,917)	\$ 25,501
Short-term borrowings	113,391	87,945	-	-	-	783	202,119
Lease liabilities	22,997	(3,900)	(947)	1,684	947	219	21,000
	<u>\$ 224,160</u>	<u>\$ 23,691</u>	<u>\$ (947)</u>	<u>\$ 1,684</u>	<u>\$ 947</u>	<u>\$ (915)</u>	<u>\$ 248,620</u>

For the year ended December 31, 2019

	Opening Balance	Cash Flows		Non-cash Changes			Closing Balance
		Increase (Decrease) in Principal	Finance Costs	New Leases	Finance Costs	Exchange Differences on Translating the Financial Statements	
Long-term borrowings and current portion of long-term borrowings	\$ 95,736	\$ (6,196)	\$ -	\$ -	\$ -	\$ (1,768)	\$ 87,772
Short-term borrowings	150,000	(36,609)	-	-	-	-	113,391
Lease liabilities	21,404	(2,693)	(984)	4,774	984	(488)	22,997
	<u>\$ 267,140</u>	<u>\$ (45,498)</u>	<u>\$ (984)</u>	<u>\$ 4,774</u>	<u>\$ 984</u>	<u>\$ (2,256)</u>	<u>\$ 224,160</u>

27. CAPITAL MANAGEMENT

The Group manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Group consists of net debt (borrowings offset by cash and cash equivalents) and equity of the Group (comprising issued capital, reserves, retained earnings and other equity).

The Group is not subject to any externally imposed capital requirements.

Key management personnel of the Group review the capital structure on an annual basis. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Group may adjust the amount of dividends paid to shareholders, the number of new shares issued, and the amount of new debt issued or existing debt redeemed.

28. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments not measured at fair value

The management of the Group considered that the carrying amounts of financial assets and financial liabilities not measured at fair value approximate their fair values.

b. Categories of financial instruments

	December 31	
	2020	2019
<u>Financial assets</u>		
Amortized cost (1)	\$ 1,512,459	\$ 1,377,391
<u>Financial liabilities</u>		
Amortized cost (2)	598,821	572,288

1) The balances include financial assets at amortized cost, which comprise cash and cash equivalents, financial assets at amortized cost, receivables (including related parties and excluding tax refund receivables) and refundable deposits.

2) The balances include financial liabilities measured at amortized cost, which comprise short-term borrowings, long-term borrowings and payables (including related parties and excluding payables for salaries or bonuses, payables for employees' welfare fund and payables for business tax).

c. Financial risk management objectives and policies

The Group's major financial instruments include cash and cash equivalents, receivables, debt instruments, payables and short-term, long-term borrowings and lease liabilities. Risks on the financial instruments include market risk (such as currency risk and interest rate risk), credit risk and liquidity risk.

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below) and interest rates (see (b) below).

a) Foreign currency risk

The Group had foreign currency denominated sales and purchases, which exposed the Group to foreign currency risk. The Group assesses the net risk position of non-functional currency denominated sales and purchases periodically and adjusts its non-functional cash position on the basis of its assessment.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) and of the derivatives exposed to foreign currency risk at the end of the reporting period are set out in Note 32.

Sensitivity analysis

The Group was mainly exposed to exchange fluctuations of the USD.

The following table details the Group's sensitivity to a 1% increase and decrease in the functional currency against the relevant foreign currency. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rates is 1%. The sensitivity analysis included only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates. A positive number below indicates an increase in pre-tax profit associated with the functional currency weakening 1% against the relevant currency. For a 1% strengthening of the functional currency against the relevant currency, there would be an equal and opposite impact on pre-tax profit, and the balances below would be negative.

	USD Impact	
	For the Year Ended December 31	
	2020	2019
Profit or loss	\$ 1,272	\$ 2,416

This was mainly attributable to the exposure outstanding on USD cash and cash equivalents, receivables, short-term borrowings and payables which were not hedged at the end of the reporting period.

The Group's sensitivity to the USD decreased during the current year mainly due to a decrease in USD denominated receivables.

b) Interest rate risk

The Group was exposed to interest rate risk because its deposits and bank loans are at both fixed and floating interest rates.

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	December 31	
	2020	2019
Fair value interest rate risk		
Financial assets	\$ 350,466	\$ 54,569
Financial liabilities	166,000	193,440
Cash flow interest rate risk		
Financial assets	562,872	666,761
Financial liabilities	82,620	30,720

Sensitivity analysis

The sensitivity analysis below was determined based on the Group's exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of each liability outstanding at the end of the reporting period was outstanding for the whole year. A 25 basis points increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 25 basis points higher/lower and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2020 and 2019 would have increased/decreased by \$1,201 thousand and \$1,590 thousand, respectively, which was mainly attributable to the Group's exposure to interest rates on its variable-rate bank deposits.

The Group's sensitivity to the interest rate decreased during the current year mainly due to a decrease in floating interest rate bank deposits, and an increase in floating interest rate short-term borrowings.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. As at the end of the reporting period, the Group's maximum exposure to credit risk, which would cause a financial loss to the Group due to the failure of counterparties to discharge an obligation, could arise from the carrying amount of the respective recognized financial assets as stated in the balance sheets.

The Group adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group rated its major customers based on the information supplied by independent rating agencies where available and, if not available, other publicly available financial information and its own trading records. The Group's exposure and the credit ratings of its counterparties are continuously monitored. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

The Group continually evaluated its counterparties' financial status, and, if necessary, requested a guarantee deposit as a term of transaction to lower its exposure to the credit risk.

The Group's concentration of credit risk by geographical locations was mainly in mainland China, which accounted for 40% and 39% of the total trade receivables as of December 31, 2020 and 2019, respectively.

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

For the Group, bank loans are an important resource of liquidity to the Group. Refer to section (b) below for more information about unused amounts of financing facilities at December 31, 2020 and 2019.

a) Liquidity and interest risk rate table for non-derivative financial liabilities

The following table shows the Group's remaining contractual maturities for its non-derivative financial liabilities with agreed repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

December 31, 2020

	Within 3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Short-term borrowings	\$ 203,149	\$ 2,486	\$ -	\$ -
Non-interest bearing liabilities	365,339	5,862	-	-
Lease liabilities	1,781	1,112	5,848	26,629
Long-term borrowings	<u>1,344</u>	<u>3,957</u>	<u>21,683</u>	<u>-</u>
	<u>\$ 571,613</u>	<u>\$ 13,417</u>	<u>\$ 27,531</u>	<u>\$ 26,629</u>

Additional information about the maturity analysis for lease liabilities:

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
Lease liabilities	<u>\$ 2,893</u>	<u>\$ 5,848</u>	<u>\$ 5,121</u>	<u>\$ 5,121</u>	<u>\$ 5,121</u>	<u>\$ 11,266</u>

December 31, 2019

	Within 3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Short-term borrowings	\$ 113,397	\$ -	\$ -	\$ -
Non-interest bearing liabilities	357,384	13,741	-	-
Lease liabilities	1,771	2,483	6,567	27,199
Long-term borrowings	<u>2,535</u>	<u>7,527</u>	<u>45,400</u>	<u>49,916</u>
	<u>\$ 475,087</u>	<u>\$ 23,751</u>	<u>\$ 51,967</u>	<u>\$ 77,115</u>

Additional information about the maturity analysis for lease liabilities:

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
Lease liabilities	<u>\$ 4,254</u>	<u>\$ 6,567</u>	<u>\$ 5,037</u>	<u>\$ 5,037</u>	<u>\$ 5,037</u>	<u>\$ 12,088</u>

b) Financing facilities

	December 31	
	2020	2019
Unsecured bank loan facilities, reviewed annually and payable on demand:		
Amount used	\$ 202,119	\$ 113,391
Amount unused	<u>864,419</u>	<u>516,709</u>
	<u>\$ 1,066,538</u>	<u>\$ 630,100</u>
Secured bank loan facilities:		
Amount used	\$ 25,501	\$ 87,772
Amount unused	<u>140,000</u>	<u>204,575</u>
	<u>\$ 165,501</u>	<u>\$ 292,347</u>

29. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Besides information disclosed elsewhere in the other notes, details of transactions between the Group and other related parties are disclosed below.

a. Related party name and categories

Related Party Name	Related Party Category
Zeelandia Bakery Ingredients (Wuxi) Co., Ltd.	Associate
Tehmag Foods Corporation	Associate
San Neng Bake Ware (Wuxi) Co., Ltd.	Associate
San Neng Bakeware Corporation	Associate
New Order Enterprise Co., Ltd.	Associate
Wuxi Champs Food Co., Ltd. (Note)	Associate
Auto Control Co., Ltd.	Associate
Wuxi Temma Paper Cup Co., Ltd.	Associate
Tehmag Foods Corporation Sdn. Bhd.	Associate
Squires Kitchen Sugarcraft (Wuxi) Limited	Associate
San Neng Japan Bakeware Corporation	Associate

Note: Since July 2019, it was no longer a related party.

b. Sales of goods

Line Item	Related Party Category/Name	For the Year Ended December 31	
		2020	2019
Sales	Associates	<u>\$ 838</u>	<u>\$ 1,457</u>

The sales prices to related parties were negotiated case by case, and the collection terms to related parties were 60 days or 90 days within receiving the bills of lading. The sales prices to third parties were determined in accordance with mutual agreements, and the collection terms from third parties were 90 days.

c. Purchases of goods

Related Party Category/Name	For the Year Ended December 31	
	2020	2019
Associates	\$ 40,651	\$ 48,518

The purchases prices from related parties was determined based on their costs with a margin. The payment terms to related parties were 30 days to 120 days or 45 days within receiving the bill of lading. The prices and payment terms were determined in accordance with mutual agreements, and the payment terms to third parties were 90 days.

d. Receivables from related parties (excluding loans to related parties)

Line Item	Related Party Category/Name	December 31	
		2020	2019
Trade receivables	Associates	\$ 432	\$ 168

The outstanding trade receivables from related parties are unsecured. As of December 31, 2020 and 2019, all receivables from related parties were not past due. And for the years ended December 31, 2020 and 2019, no impairment losses were recognized for trade receivables from related parties.

e. Payables to related parties (excluding loans from related parties)

Line Item	Related Party Category/Name	December 31	
		2020	2019
Notes payable	Associates	\$ 500	\$ 339
Trade payable	Associates	\$ 6,053	\$ 6,976

The outstanding trade payables from related parties are unsecured.

f. Other transactions with related parties

Line Item	Related Party Category/Name	For the Year Ended December 31	
		2020	2019
Selling and marketing expenses - other expenses	Associates	\$ 11	\$ 7
General and administrative expenses - other expenses	Associates	\$ 5	\$ 1
Research and development expenses - other expenses	Associates	\$ -	\$ 6

g. Compensation of key management personnel

	For the Year Ended December 31	
	2020	2019
Short-term employee benefits	\$ 45,884	\$ 57,629
Post-employment benefits	903	997
	\$ 46,787	\$ 58,626

The remuneration of directors and key executives was determined by the remuneration committee based on the performance of individuals and market trends.

30. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank loans, taxpayer accounts and the tariffs of imported raw materials guarantees:

	December 31	
	2020	2019
Financial assets at amortized cost - current		
Taxpayer accounts	\$ <u>370</u>	\$ <u>226</u>
Financial assets at amortized cost - non-current		
Pledged time deposits	\$ <u>115</u>	\$ <u>64</u>
Others		
Right-of-use assets	\$ 19,554	\$ 20,478
Freehold land	58,715	82,521
Buildings, net	<u>72,302</u>	<u>152,577</u>
	\$ <u>150,571</u>	\$ <u>255,576</u>

31. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

a. Unrecognized commitments were as follows:

	December 31	
	2020	2019
Acquisition of property, plant and equipment	\$ <u>41,784</u>	\$ <u>7,687</u>

b. Due to the impact of the COVID-19 pandemic, the Group's operating revenue substantially declined from January to May 2020. With the easing of the epidemic and loosening of government policies, the Group expects that operations will gradually return to normal, and there is no major impact to the Group's ability to continue as going concerns, impairment of assets and financial risks.

32. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Group's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies and the related exchange rates between foreign currencies and respective functional currencies were as follows:

December 31, 2020

	Foreign Currency (In Thousands)	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 5,102	28.48 (USD:NTD)	\$ 145,314
USD	4,801	6.51 (USD:RMB)	136,742
USD	47	4.20 (USD:MYR)	<u>1,349</u>
			<u>\$ 283,405</u>
<u>Financial liabilities</u>			
Monetary items			
USD	2,495	28.48 (USD:NTD)	\$ 71,068
USD	2,472	6.51 (USD:RMB)	70,416
USD	265	4.20 (USD:MYR)	7,548
USD	250	29.80 (USD:THB)	<u>7,129</u>
			<u>\$ 156,161</u>

December 31, 2019

	Foreign Currency (In Thousands)	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 7,437	29.98 (USD:NTD)	\$ 222,967
USD	9,565	6.96 (USD:RMB)	286,745
USD	47	4.26 (USD:MYR)	<u>1,420</u>
			<u>\$ 511,132</u>
<u>Financial liabilities</u>			
Monetary items			
USD	7,853	29.98 (USD:NTD)	\$ 235,447
USD	598	6.96 (USD:RMB)	17,930
USD	233	4.26 (USD:MYR)	6,993
USD	307	29.69 (USD:THB)	<u>9,204</u>
			<u>\$ 269,574</u>

For the years ended December 31, 2020 and 2019, realized and unrealized net foreign exchange gains (losses) were \$(8,620) thousand and \$14,601 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the group in the Group.

33. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions:

- 1) Financing provided to others (none)
- 2) Endorsements/guarantees provided (Table 1)
- 3) Marketable securities held (excluding investments in subsidiaries, associates and joint ventures) (none)
- 4) Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital (none)
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital (none)
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital (none)
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 2)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (none)
- 9) Trading in derivative instruments (none)
- 10) Intercompany relationships and significant intercompany transactions (Table 3)

b. Information on investees (Table 4)

c. Information on investments in mainland China

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the year, repatriations of investment income, and limit on the amount of investment in the mainland China area (Table 5)
- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses (Table 6):
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the year
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the year

- c) The amount of property transactions and the amount of the resultant gains or losses
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the year and the purposes
 - e) The highest balance, the ending balance, the interest rate range, and total current period interest with respect to financing of funds
 - f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services
- d. When subsidiaries hold shares of the parent, the names of the subsidiaries and the shareholdings, amounts, and reasons shall be separately presented: None
- e. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 7)
- f. Disclosure of the affiliates
- 1) Disclosures on the notes appended to the consolidated financial statements of the affiliates are as follows:

No.	Items	Reference
1	The names of subordinate companies, a description of their relationship with the controlling company, the nature of their business, and the controlling company's shareholding or capital contribution ratio in each company.	Note 11, Tables 4 and 5
2	Increases, decreases, or changes in the subordinate companies included in the current consolidated financial statements of the affiliates.	Note 11
3	The names and shareholding or capital contribution ratios of subordinate companies not listed in the current consolidated financial statements for affiliates and the reasons why they are not included in the consolidated statements.	None
4	The adjustment method and treatment adopted if the opening and closing dates of the subordinate company's accounting year are different from those of the controlling company.	None
5	An explanation of any differences in accounting policies between the subordinate companies and the controlling company. The method and substance of adjustments adopted in the event of any non-conformity with the Generally Accepted Accounting Principles of the Republic of China.	None
6	Special operational risks of overseas subordinate companies, such as exchange rate fluctuations.	Note 11
7	Statutory or contractual restrictions on distribution of earnings by the various affiliates.	Note
8	Amortization methods and period for consolidated borrowings (loans).	None
9	Other matters of significance or explanations that would contribute to the fair presentation of the consolidated financial statements of the affiliates.	None

2) Disclosures on the notes for subordinate company affiliates are as follows:

No.	Items	Reference
1	Transactions that have been eliminated between the controlling company and subordinate companies or between subordinate companies.	Table 3
2	Information regarding financing, endorsements, and guarantees.	Table 1
3	Information regarding trading in derivative products.	None
4	Significant contingent matters.	None
5	Significant subsequent events.	None
6	Names of bills and securities held, and their quantities, cost, market value (or net par value if a bill or security does not have a market value), shareholding or capital contribution ratio, description of any pledges, and the highest amount of shareholding or capital contribution during the period.	Tables 4 and 5
7	Other matters of significance or explanations that would contribute to a fair presentation of the consolidated financial statements of the affiliates.	None

Note: As set forth in the Articles, Sinmag Equipment (China) Co., Ltd. and Wuxi New Order Control Co., Ltd. shall allocate reserve funds, expansion funds and welfare funds for employees after payment of taxes, respectively. The reserve funds are accrued at rates of no less than 10% of net profit before income tax. When the accumulated withdrawal amount reaches 50% of the registered capital, it could be withdrawn. The proportion of allocation shall be decided by the board of directors.

34. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. Specifically, the Group's reportable segments under IFRS 8 "Operating Segments" were as follows:

- Manufacturing and selling of bakery equipment segment
- Manufacturing and selling of control panels and electromechanical control system segment

The manufacturing and selling of bakery equipment segment includes a number of direct sales operations in various cities, each of which is considered a separate operating segment by the chief operating decision maker. For financial statement presentation purposes, these individual operating segments have been aggregated into a single operating segment taking into account the following factors:

- The nature of the products and production processes is similar;
- The pricing strategy of the products is similar;

a. Segment revenue and results

The following was an analysis of the Group's revenue and results from continuing operations by reportable segments:

	Segment Revenue		Segment Profit or Loss	
	For the Year Ended December 31		For the Year Ended December 31	
	2020	2019	2020	2019
Manufacturing and selling of bakery equipment segment	\$ 4,166,441	\$ 5,219,579	\$ 607,075	\$ 811,197
Manufacturing and selling of control panel and electromechanical control system segment	87,730	109,898	(71,447)	(90,491)
Eliminations	(953,682)	(1,164,849)	-	-
Continuing operations	<u>\$ 3,300,489</u>	<u>\$ 4,164,628</u>	535,628	720,706
Interest income			16,086	16,674
Other income			6,052	10,624
Other gains and losses			(12,909)	5,394
Compensation of key management personnel			(46,787)	(58,626)
Finance costs			<u>(5,280)</u>	<u>(7,221)</u>
Profit before tax (continuing operations)			<u>\$ 492,790</u>	<u>\$ 687,551</u>

Segment profit represents the profit before tax earned by each segment without allocation of central administration costs and directors' salaries, interest income, other income, other gains and losses, finance costs and income tax expense. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

b. Segment total assets and liabilities

	December 31	
	2020	2019
<u>Segment assets</u>		
Continuing operations		
Manufacturing and selling of bakery equipment segment	\$ 3,146,971	\$ 3,179,569
Manufacturing and selling of control panel and electromechanical control system segment	33,256	27,806
Unallocated assets	<u>266,508</u>	<u>94,072</u>
Consolidated total assets	<u>\$ 3,446,735</u>	<u>\$ 3,301,447</u>
<u>Segment liabilities</u>		
Continuing operations		
Manufacturing and selling of bakery equipment segment	\$ 641,417	\$ 679,849
Manufacturing and selling of control panel and electromechanical control system segment	17,216	18,642
Unallocated liabilities	<u>456,077</u>	<u>367,578</u>
Consolidated total liabilities	<u>\$ 1,114,710</u>	<u>\$ 1,066,069</u>

For the purpose of monitoring segment performance and allocating resources between segments:

- 1) All assets were allocated to reportable segments other than financial assets at amortized cost, and current and deferred tax assets. Goodwill was allocated to reportable segments. Assets used jointly by reportable segments were allocated on the basis of the revenue earned by individual reportable segments; and
- 2) All liabilities were allocated to reportable segments other than borrowings, other financial liabilities, current and deferred tax liabilities. Liabilities for which reportable segments are jointly liable were allocated in proportion to segment assets.

c. Other segment information

	Depreciation and amortization		Non-current Assets (Note)	
	For the Year Ended		For the Year Ended	
	December 31		December 31	
	2020	2019	2020	2019
Manufacturing and selling of bakery equipment segment	\$ 82,338	\$ 67,646	\$ 24,021	\$ 322,755
Manufacturing and selling of control panel and electromechanical control system segment	<u>235</u>	<u>2,736</u>	<u>255</u>	<u>2,510</u>
	<u>\$ 82,573</u>	<u>\$ 70,382</u>	<u>\$ 24,276</u>	<u>\$ 325,265</u>

Note: Non-current assets include property, plant and equipment, other intangible assets and right-of-use assets.

d. Revenue from major products and services

The following is an analysis of the Group's revenue from continuing operations from its major products and services.

	For the Year Ended December 31	
	2020	2019
Bakery equipment products	\$ 3,279,795	\$ 4,144,379
Services	<u>20,694</u>	<u>20,249</u>
	<u>\$ 3,300,489</u>	<u>\$ 4,164,628</u>

e. Geographical information

The Group operates in three principal geographical areas - Taiwan, China and the United States.

The Group's revenue from continuing operations from external customers by location of operations and information about its non-current assets by location of assets are detailed below.

	Revenue from External Customers		Non-current Assets	
	For the Year Ended December 31		December 31	
	2020	2019	2020	2019
Taiwan	\$ 395,134	\$ 599,769	\$ 109,330	\$ 112,944
China	2,203,644	2,818,849	1,134,909	930,553
United States	530,416	519,262	102,408	113,127
Others	<u>171,295</u>	<u>226,748</u>	<u>115,911</u>	<u>78,628</u>
	<u>\$ 3,300,489</u>	<u>\$ 4,164,628</u>	<u>\$ 1,462,558</u>	<u>\$ 1,235,252</u>

Non-current assets exclude deferred tax assets.

f. Information about major customers

No single customer contributed 10% or more to the Group's revenue for both 2020 and 2019.

TABLE 1

SINMAG EQUIPMENT CORPORATION AND SUBSIDIARIES

**ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

No.	Endorser/Guarantor	Endorsee/Guarantee		Limit on Endorsement/ Guarantee Given on Behalf of Each Party (Note 2)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period (Note 3)	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 1)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China	Note
		Name	Relationship (Note 5)											
0	Sinmag Equipment Corporation	Sinmag Bakery Equipment Sdn. Bhd.	(b)	Net value 50% \$ 1,134,486	\$ 40,737 (RM 6,000)	\$ 40,737 (RM 6,000)	\$ 25,501 (RM 3,756)	\$ -	2	Net value 50% \$ 1,134,486	Y	-	-	-

Note 1: The total amount of the guarantees provided by Sinmag Equipment Corporation to subsidiaries shall not exceed 50% of Sinmag Equipment Corporation’s net worth based on its most recent audited financial statements.

Note 2: The total amount of the guarantees provided by Sinmag Equipment Corporation to individual subsidiaries shall not exceed 50% of Sinmag Equipment Corporation’s net worth based on its most recent audited financial statements.

Note 3: Balances and transactions between the Company and its subsidiaries, which are related parties of the Group, have been eliminated on consolidation.

Note 4: The maximum amount endorsed/guaranteed during the period, limits on endorsement/guarantee given on behalf of each party and actual amount borrowed converted at the spot exchange rate as of December 31, 2020.

- Note 5: Relationships between the endorser/guarantor and the party being endorsed/guaranteed are as follows:
- a. A company that the Company has business relationship with.
 - b. The Company directly or indirectly holds over 50% ownership of the investee company.
 - c. A company that directly or indirectly holds over 50% ownership of the Company.
 - d. In between companies where over 90% of voting shares are directly or indirectly held by the Company.
 - e. The Company is required to provide guarantees or endorsements for the construction project based on the construction contract.
 - f. Shareholder of the investee provides endorsements/guarantees to the Company in proportion to their shareholding percentages.
 - g. Collateral performance guarantees from companies in the same industry that entered into pre-construction home sales agreements in accordance with the Consumer Protection Act.

TABLE 2**SINMAG EQUIPMENT CORPORATION AND SUBSIDIARIES**

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)**

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transactions		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
Sinmag Equipment Corporation	Sinmag Equipment (China) Co., Ltd.	Subsidiary	Purchase	\$ 506,660	87	B/L 45 days	Note 1	Note 2	\$ (70,488)	(76)	Note 3
Sinmag Equipment (China) Co., Ltd.	Sinmag Equipment Corporation	Parent company	(Sale)	(506,660)	(19)	B/L 45 days	"	"	70,488	22	"
LBC Bakery Equipment Inc.	Sinmag Equipment Corporation	Parent company	Purchase	226,842	87	B/L 180 days	"	"	(41,635)	(80)	"
Sinmag Equipment Corporation	LBC Bakery Equipment Inc.	Subsidiary	(Sale)	(226,842)	(31)	B/L 180 days	"	"	41,635	27	"

Note 1: Unit prices for related parties were determined based on their costs with a margin, unit prices for non-related parties were determined in accordance with mutual agreements.

Note 2: Open account of 90 days for non-related parties.

Note 3: Balances and transactions between the Company and its subsidiaries, which are related parties of the Group, have been eliminated on consolidation.

TABLE 3**SINMAG EQUIPMENT CORPORATION AND SUBSIDIARIES****INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2020****(In Thousands of New Taiwan Dollars)**

No.	Investee Company	Counterparty	Relationship	Transaction Details			
				Financial Statement Account	Amount (Note 1)	Payment Terms	% of Total Sales or Assets (Note 2)
0	Sinmag Equipment Corporation	Sinmag Equipment (China) Co., Ltd. Sinmag Bakery Equipment Sdn. Bhd.	From parent to subsidiary	Sales	\$ 41,303	Cost with a margin, B/L 90 days	1
			From parent to subsidiary	Sales	37,724	Cost with a margin, B/L 60 days	1
		Sinmag Equipment (Thailand) Co., Ltd.	From parent to subsidiary	Guarantees provided	40,737	-	1
				Sales	35,657	Cost with a margin, B/L 90 days	1
				Issuance of ordinary shares for cash	56,698	-	3
				Capitalization of profits	23,245	-	1
		LBC Bakery Equipment Inc.	From parent to subsidiary	Sales	226,842	Cost with a margin, B/L 180 days	7
				Trade receivables	41,635	-	1
		Sinmag Limited	From parent to subsidiary	Investments accounted for using the equity method	36,727	Structural reorganization	1
1	Lucky Union Limited	Sinmag Equipment Corporation	From subsidiary to parent	Surplus repatriation	394,400	-	11
				Investments accounted for using the equity method	36,727	Capital reduction	1
2	Sinmag Limited	Lucky Union Limited	Between subsidiaries	Surplus repatriation	394,400	-	11
				Investments accounted for using the equity method	36,727	Capital reduction	1
3	Sinmag Equipment (China) Co., Ltd.	Sinmag Limited Sinmag Equipment Corporation	Between subsidiaries	Surplus repatriation	432,470	-	13
			From subsidiary to parent	Sales	506,660	Cost with a margin, B/L 45 days	15
				Trade receivables	70,488	-	2
4	Wuxi New Order Control Co., Ltd.	Sinmag Equipment (China) Co., Ltd.	Between subsidiaries	Sales	87,730	Negotiated case by case, monthly payment: 30 days	3
				Trade receivables	12,228	-	-
5	LBC Bakery Equipment Inc.	Sinmag Equipment (China) Co., Ltd.	Between subsidiaries	Sales	17,684	Negotiated case by case, monthly payment: 60 days	1

Business relationships between parent and subsidiaries:

Sinmag Equipment Corporation, Sinmag Equipment (China) Co., Ltd., Sinmag Bakery Equipment Sdn. Bhd., Wuxi New Order Control Co., Ltd., LBC Bakery Equipment Inc., Sinmag Bakery Machine India Private Limited and Sinmag Equipment (Thailand) Co., Ltd. are mainly engaged in the manufacturing and selling of bakery equipment, control panels and electromechanical control systems. Lucky Union Limited and Sinmag Limited are holding companies. Benchmark Service Co., Ltd. is mainly engaged in the maintenance service.

Note 1: The above table discloses only one-way transaction information. Balances and transactions between the Company and its subsidiaries, which are related parties of the Group, have been eliminated on consolidation.

Note 2: The calculation of the percentage of the transaction accounts for total consolidated revenues or total assets. For the assets and liabilities, they are calculated by the ending balance divided by the consolidated total assets. For profit or loss, they are calculated by the accumulated amount at the end of period divided by the consolidated total revenue.

Note 3: The above table discloses only the amounts of important transactions that exceed NT\$10,000 thousand.

TABLE 4**SINMAG EQUIPMENT CORPORATION AND SUBSIDIARIES****INFORMATION ON INVESTEEES****FOR THE YEAR ENDED DECEMBER 31, 2020****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2020				Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2020	December 31, 2019	Number of Shares	%	Carrying Amount	Net Worth Per Share			
Sinmag Equipment Corporation	Lucky Union Limited	Samoa	Holding company	\$ 392,587	\$ 429,314	-	100.00	\$ 2,145,662	\$ -	\$ 365,344	\$ 365,344	Notes 2, 3 and 7
	Sinmag Equipment (Thailand) Co., Ltd.	Thailand	Selling of bakery equipment.	93,425	-	20,600,000	100.00	92,972	4.51	3,467	2,327	Notes 2, 3 and 5
	Benchmark Service Co., Ltd.	Thailand	Maintenance service	479	-	100,000	100.00	508	5.08	30	30	Notes 2, 3 and 6
Lucky Union Limited	Sinmag Limited	Samoa	Holding company	407,839	444,566	-	100.00	2,151,600	-	365,716	365,716	Notes 2, 3 and 8
Sinmag Limited	Sinmag Bakery Equipment Sdn. Bhd.	Malaysia	Selling of bakery equipment.	12,340	12,340	300,000	100.00	96,774	322.58	5,463	5,463	Notes 2, 3
	LBC Bakery Equipment Inc.	United States	Selling of bakery equipment.	17,241	17,241	882,000	82.82	233,726	265.00	40,280	33,003	Notes 1, 2 and 3
	Sinmag Bakery Machine India Private Limited	India	Manufacturing and selling of bakery equipment.	54,748	54,748	-	100.00	2,303	-	(2,760)	(2,760)	Notes 2, 3
	Sinmag Equipment (Thailand) Co., Ltd.	Thailand	Selling of bakery equipment.	-	18,199	-	-	-	-	3,467	1,140	Notes 2, 3 and 5

Note 1: The share of profits (losses) of the investee includes the effect of unrealized gross profit on intercompany transactions.

Note 2: The share of profit (loss) was recognized according to the audited financial statements of the investees for the same year.

Note 3: Balances and transactions between the Company and its subsidiaries, which are related parties of the Group, have been eliminated on consolidation.

Note 4: For information on investments in mainland China, refer to Table 5

Note 5: After undertaking structural reorganization in June 2020, the Company directly held 100% equity of Sinmag Equipment (Thailand) Co., Ltd.

Note 6: In June 2020, Benchmark Service Co., Ltd. was incorporated in Thailand, and there was no significant operating revenue generated as of December 31, 2020.

Note 7: Lucky Union Limited reduced and returned its capital in the amount of US\$1,224 thousand and the procedures were completed in November 2020.

Note 8: Sinmag Limited reduced and returned its capital in the amount of US\$1,224 thousand and the procedures were completed in November 2020.

Note 9: Except for Note 5, the table above shows that the highest amount of shareholding or capital contribution ratio is equal to the shareholding or capital contribution ratio at the end of the year. No collateral was provided on these investments.

TABLE 5**SINMAG EQUIPMENT CORPORATION AND SUBSIDIARIES**
**INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment (Note 1)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2020	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2020	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2020	Accumulated Repatriation of Investment Income as of December 31, 2020
					Outward	Inward						
Sinmag Equipment (China) Co., Ltd. (Note 3)	Manufacturing and selling of bakery equipment	\$ 1,058,108 (US\$ 33,850)	b	\$ 349,938 (US\$ 10,594)	\$ -	\$ -	\$ 349,938 (US\$ 10,594)	\$ 362,176	100	\$ 363,595 (Note 2 b.(2))	\$ 1,791,328	\$ 3,931,274 (US\$ 128,351)
Wuxi New Order Control Co., Ltd.	Manufacturing and selling of control panels and electromechanical control system	4,961 (US\$ 150)	"	3,348 (US\$ 104)	-	-	3,348 (US\$ 104)	11,368	50	5,793 (Note 2 b.(2))	11,451	55,853 (US\$ 1,825)

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2020	Investment Amount Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
\$353,286 (Note 4)	\$1,174,049	\$1,399,215

Note 1: The three methods of investing in mainland China are as follows:

- Direct investments in mainland China.
- Investment in mainland China through an existing company established in a third region (Lucky Union Limited and Sinmag Limited)
- Others.

Note 2: In the column of investment gain (loss)

- If the investment is still in preparation and there is no investment gain (loss), it will be specified.
- The basis for recognizing investment gain (loss) is as follows:
 - Based on financial statements audited by an international accounting firm that has a business relationship with an accounting firm in the ROC.
 - Based on financial statements audited by the accounting firm of the parent company in Taiwan.
 - The investees' financial statements have not been audited for the same year.

(Continued)

Note 3: Part of the amount reinvested in a third region.

Note 4: Repatriation of investments of \$3,987,127 thousand was not deducted from the amount.

Note 5: The share of profits (losses) of the investee includes the effect of unrealized gross profit on intercompany transactions. Balances and transactions between the Company and its subsidiaries, which are related parties of the Group, have been eliminated on consolidation.

Note 6: The table above shows that the highest amount of shareholding or capital contribution ratio is equal to the shareholding or capital contribution ratio at the end of the year. No collateral was held on these investments.

(Concluded)

SINMAG EQUIPMENT CORPORATION AND SUBSIDIARIES

**SIGNIFICANT TRANSACTIONS WITH INVESTEE COMPANIES IN MAINLAND CHINA, EITHER DIRECTLY OR INDIRECTLY THROUGH A THIRD PARTY, AND THEIR PRICES, PAYMENT TERMS, AND UNREALIZED GAINS OR LOSSES
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)**

1. The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
2. The amount and percentage of sales and the balance and percentage of the related payables at the end of the period:

Investee Company	Transaction Type	Purchase/Sale		Price	Transaction Details		Notes/Accounts Receivable (Payable)		Unrealized (Gain) Loss	Note
		Amount	%		Payment Terms	Comparison with General Transactions	Ending Balance	%		
Sinmag Equipment (China) Co., Ltd.	Sales Purchase	\$ (41,303) 506,660	(6) 87	Cost with a margin Cost with a margin	B/L 90 days B/L 45 days	Note 1 "	\$ 5,369 (70,488)	4 (76)	\$ 3,016 17,154	Note 2 "

Note 1: The payment terms for non-related parties are negotiated on a case-by-case basis, which is 90 days from end of the month of sale or purchase of goods.

Note 2: Balances and transactions between the Company and its subsidiaries, which are related parties of the Group, have been eliminated on consolidation.

3. The amount of property transactions and the amount of the resultant gains or losses: None.
4. The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes: None.
5. The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds: None.
6. Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services: None.

TABLE 7**SINMAG EQUIPMENT CORPORATION****INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2020**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Sheng Chia Investment Co., Ltd.	3,015,545	6

Note: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preference shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Company as of the last business day for the current quarter. The share capital in the consolidated financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

Sinmag Equipment Corporation

Chairman, Shun-Ho Hsieh