

Security Code:
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SINMAG

Sinmag Equipment Corporation

2022 Annual Report

May 15,2023

This Annual Report is available at:<http://mops.twse.com.tw>

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

Notice to Reader:

For the convenience of readers, this report has been translated into English from the original Chinese version, prepared and used in the Republic of China. The English version has not been audited or reviewed by independent auditors. If there are any discrepancies between the English version and the original Chinese version, or any difference in the interpretation of the two versions, the Chinese-language report shall prevail.

I. Contact Information of Spokesperson and Deputy Spokesperson

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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 I. Letter to Shareholders

I. 2022 Business Report

(I). Implementation Results of Business Plan

2022 was a turbulent year. Both the changes in the overall economy and the development of international politics were extremely drastic. It has been almost an year since the outbreak of the Russo-Ukrainian War, and there is still no sign of ceasefire. The war caused world energy prices to increase and the food supply and demand to lose its balance. The inflation which started at the beginning of the year exacerbated, causing great damage to the consumption and assets of the general public. The US Federal Reserve began to raise interest rates to curb inflation, and central banks around the world followed suit. These incidents are enough to alter existing structures and cause long-term changes. Countries around the world have eased lockdown policies as the vaccination rate of COVID-19 increases. However, the Chinese Government insisted on the implementation of zero-COVID policy, and the strict lockdowns made businesspeople unable to visit clients, manufacturers unable to deliver orders, and the decrease of clients' willingness to open new stores, which affected the market development of China Sinmag. In December 2022, the State Council of the People's Republic of China announced the "Notice on Further Optimizing and Implementing the Prevention and Control Measures for COVID-19", which lowered the level of prevention and control of the pandemic, and further downgraded the COVID-19 virus from the Class A infectious disease prevention and control, which was the highest level of alert, at the end of December. However, the prolonged lockdowns had a significant impact on the sales in the Chinese market throughout the year. Fortunately, the situation in overseas markets is different. The pandemic and inflation have changed the consumption habits of the general public, and people have shifted from dining out to cooking at home. As a result, the business of supermarkets has greatly improved. Sinmag's overseas market has obtained good results by relying on the advantages of a wave of newly opened supermarkets in the United States and the economic recovery in other regions thanks to the slowdown of the pandemic.

In such a grim year, we see decline in terms of annual revenue and gross profit, but the loss is still acceptable and the operation of the Company remains normal, thanks to Sinmag's abundant accumulation throughout the years as well as the collective efforts of the entire team. The consolidated operating income of the Group in 2022 was NT\$3,936,519,000, a decrease of 8.34% from NT\$4,294,503,000 in 2021. The consolidated net profit after tax was NT\$336,569,000, a decrease of 34.03% from NT\$510,167,000 in 2021. The after tax earnings per share was NT\$6.70, a decrease of 34.06% from that of 2021.

1. The Company's operating results and sales of its main products are as follows:

(1) Comparison of operating results (combined profit and loss)

Unit: Thousand NT\$

	2022	2021	Increase (Decrease) Rate (%)
Operating Revenue	3,936,519	4,294,503	(8.34%)
Operating Costs	2,469,414	2,711,232	(8.92%)
Gross Profit	1,467,105	1,583,271	(7.34%)
Operating Expenses	914,278	890,857	2.63%
Operating Profit	552,827	692,414	(20.16%)
Non-operating Income and Expenses	73,868	9,852	649.78%
Profit Before Income Tax	626,695	702,266	(10.76%)
Profit After Income Tax	336,569	510,167	(34.03%)

(II). Revenue Forecast and Realization

The Company did not have a public financial forecasting for 2022.

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

Item		2022	2021	
Financial Structure Analysis	Debt-to-Asset Ratio	27.23%	34.77%	
	Long-Term Funds to Fixed Assets Ratio (%)	238.80%	228.74%	
Liquidity Analysis	Current Ratio	249.00%	175.11%	
	Quick Ratio	154.78%	104.73%	
Profitability Analysis	Return on Assets	9.66%	14.58%	
	Return on Shareholders' Equity	13.82%	21.84%	
	Ratio of Paid- In Capital	Operating Profit	110.05%	137.84%
		Pre-Tax income	124.76%	139.80%
	Profit Ratio	9.01%	12.09%	
Earnings per Share (NT\$)	6.70	10.16		

(IV). Research and Development

Sinmag is the industry leader. In terms of product development, in order to meet customers' all-round needs and continue to increase the added value of products, the Company continues to invest in product research and development and innovation, improves the production process and production technology, and strengthens management to cope with the growing market. In 2022, the Group invested a total of

NT\$143,872,000 in R&D for various process and technology development so as to continuously consolidate and expand the market share in China. The Group expects to continuously create new market and business opportunities.

II. Summary of the Company's Business Plan for 2023

(I). Operating Strategies

After the reopening of Mainland China in 2022, it is expected that it will help Sinmag Group to recover in China's baking equipment market. During the pandemic in the past three years, Sinmag's factory in Mainland China has successively invested in plant improvement, office renovation, production equipment and process improvement, etc. Facing the changes in the global situation, in addition to actively grasping the source of raw materials and implementing production process improvement to control costs, Sinmag's market development goals in 2023 are set to expand the market layout of each block, respond to the large market demands for economic recovery after the pandemic is over, strengthen the efficiency of sales management and after-sales service, and improve the overall competitiveness of Sinmag products with powerful production capabilities. The Company aims to consolidate the existing market, while continuing to expand new customers as well as the sales share in the global baking equipment market and widen the gap with competitors.

1. Sales in China Market

- (1) After the price adjustment in 2021, although the prices of raw materials still fluctuate, in order to respond to the changes and development of major customers in the market and the price competition strategy of other companies within the industry, Sinmag has once again improved the quality of products, strengthened the marketing efforts of the sales network, and provided swift after-sales services to seize territories in the market and sales share.
- (2) Responding to the changes in the market and cooperating with the customers' innovation and transformation, the Company provides appropriate supporting equipment and uses the achievements of successful transformation of major customers in the market to expand their influence and attract new customers. The following trends have been observed in the changes of the market:
 - A. "Baking+" is becoming more and more popular: The demand for baked goods in cities of second-tier or above has changed from a single food industry to a fashion and social industry. The development of new formats such as "baking + tea beverages", "baking + coffee" and "baking + light food" has transformed the baking industry into a new leisure space.
 - B. The rise of combination of online and offline sales: Thanks to the popularity of e-commerce and food delivery platforms, coupled with the popularity of social media platforms, physical stores combining with the sales of products endorsed

by online influencers have become a new type of sales model, and some well-known Chinese bakery brands have also come to the fore.

- C. The trend of baked goods becoming full meals is obvious: In the past, baked goods were regarded as snacks or supplementary food for a long time, but now they are an important part of the breakfast consumption of urban young people. With the popularity of Western food, the proportion of baked goods being part of full meals is gradually increasing.
- D. Continuous industrial upgrading: For an extended period of time, bakery stores have been operating in a highly decentralized and extensive manner, which is not conducive to the development of the industry scale. But in recent years, with the listing of several bakery-related industries in Mainland China, the capital in the market has begun to pay attention to bakery-related industries and invested in some well-known chain brands.

2. Overseas Market

In 2023, the overseas market faces unstable factors such as exchange rate fluctuations and prolonged wars, and the sales layout faces greater challenges.

Basically, the layout of the previous year will continue, including:

- (1) Optimize the product sales mix and eliminate products with low gross profit, and promote the sales of new products.
- (2) Advise customer orders to make long-term planning, and use planned production to shorten the delivery time of overseas orders.
- (3) Increase the number of agents, directly dispatch business representatives in some regions, and directly contact major customers overseas to replace agents with poor sales results.
- (4) Strengthen professional training on sales and after-sales service for subsidiaries and agents, improve workflow efficiency, and improve the level of pre-sales and after-sales services for customers.
- (5) Implement sales planning for products which have not yet entered the market, facilitate product adjustments and certification applications required for sales, and assist agents in promoting sales to the market based on their opinions and market feedback.

(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 2023, other than sticking to the original China market share and sales volume, and will continue to expand in the United States, India, Southeast Asia and other markets. The Company's sales volume is still expected to show a growing trend.

(III). Production and Sales Strategies

1. Continue to adjust product structure and sales mix, integrate equipment specifications and models for lean production to reduce costs and improve production efficiency, replace products with low gross profit and sales, and promote the sales of equipment products for mass production.
2. Enhance and improve equipment performance and quality according to customers' feedback. Strengthen the promotion of upgraded equipment to improve customer experience in using products.
3. Regularly arrange and strengthen the management and training of the sales team, improve the management and efficiency of sales tasks and processes, understand and provide assistance for business requirements, expand market coverage and efficiency of customer visits, and improve levels of sales services.
4. Strengthen the management and training of the after-sales service engineering team, improve the efficiency of engineering projects and the timeliness of engineering services, maintenance capabilities and service attitudes, as well as the level of after-sales services.
5. For major and important customers, establish a project department team at the headquarters, cooperate with the engineering team at the headquarters to improve the overall service function, and directly serve key customers. From the sales of equipment to customers, installation, use, maintenance and inspection, engineering maintenance, personnel training to other after-sales services, Sinmag provides one-stop contacts, creates exclusive services for major customers, and increases the added value of sales.

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

According to a survey conducted by Euromonitor in 2021, the per capita consumption of baked goods in Mainland China is only 7.3 kilograms. Comparing with 24.8 kilograms in Japan, a country which also mainly consumes rice and noodles, the bakery market in Mainland China still has a lot of room for growth. In recent years, Chinese-style bakery has begun to become popular in the Mainland China market. Chinese-style pastries such as Luxihe and Hutouju have won the favor of venture capital funds. Western-style bakery brands such as Daddy Sweety and Xiongmao Dangao have also received venture capital investment. In the downturn of the impact of the COVID-19 pandemic and the general environment, these brands still maintain a certain degree of enthusiasm from consumers. In the past few years, there have been continuous listings of raw materials and client companies in the bakery industry in Mainland China. Namchow, Ligao, Hi-Road, Anqi for raw materials and Toly Bread, inm, and Ganso for customers demonstrate that the prospects for the bakery retail market in Mainland China are promising. In May 2022, the Annual Shareholders' Meeting of Sinmag

approved the application for listing in Mainland China, and in December, it completed the submission of application to be listed on ChiNext of the Shenzhen Stock Exchange. With 39 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 services, 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 Mainland Chinese market, continue to enter the U.S. market, and moderately adjust its sales strategy in Southeast Asia and other markets, to maintain its leading position in the market. Therefore, entering the capital market in Mainland China can provide more efficient financing channels for the Company's future working capital and capital expenditure needs more effectively, and is also conducive to optimizing the financing flexibility for the Group. The funds raised can be used to expand and transform production lines and equipment, strengthen new product research and development, increase production capacity, introduce outstanding talents, and improve the Company's innovation and development capabilities to enhance market competitiveness. Meanwhile, local listing helps to enhance the Company's image, cement the position of being the leading brand for the Company, and recreate the brand value. It is helpful for the Company in expanding the Group's business development prospects.

Sinmag is about to celebrate its 40th anniversary, and will face the challenges of changes in the market with a brand-new corporate culture of "integrity, excellence, innovation, and mutual benefit", and will not fear the rapid changes in the economy and the unpredictable environment. The Company abides by the core value of its sustainable development, achieves flexible adjustment based on market trends, reduces the risk of economic fluctuations, enhances international competitiveness, and builds a macro and stable structure.

Chairman: Hsieh, Shun-Ho

General Manager: Hsieh, Shun-Ho

Accounting Manager: Chen, Yi-Wen

Chapter II. Company Profile

I. Date of Incorporation:

Sep. 27, 1983

II. Company History:

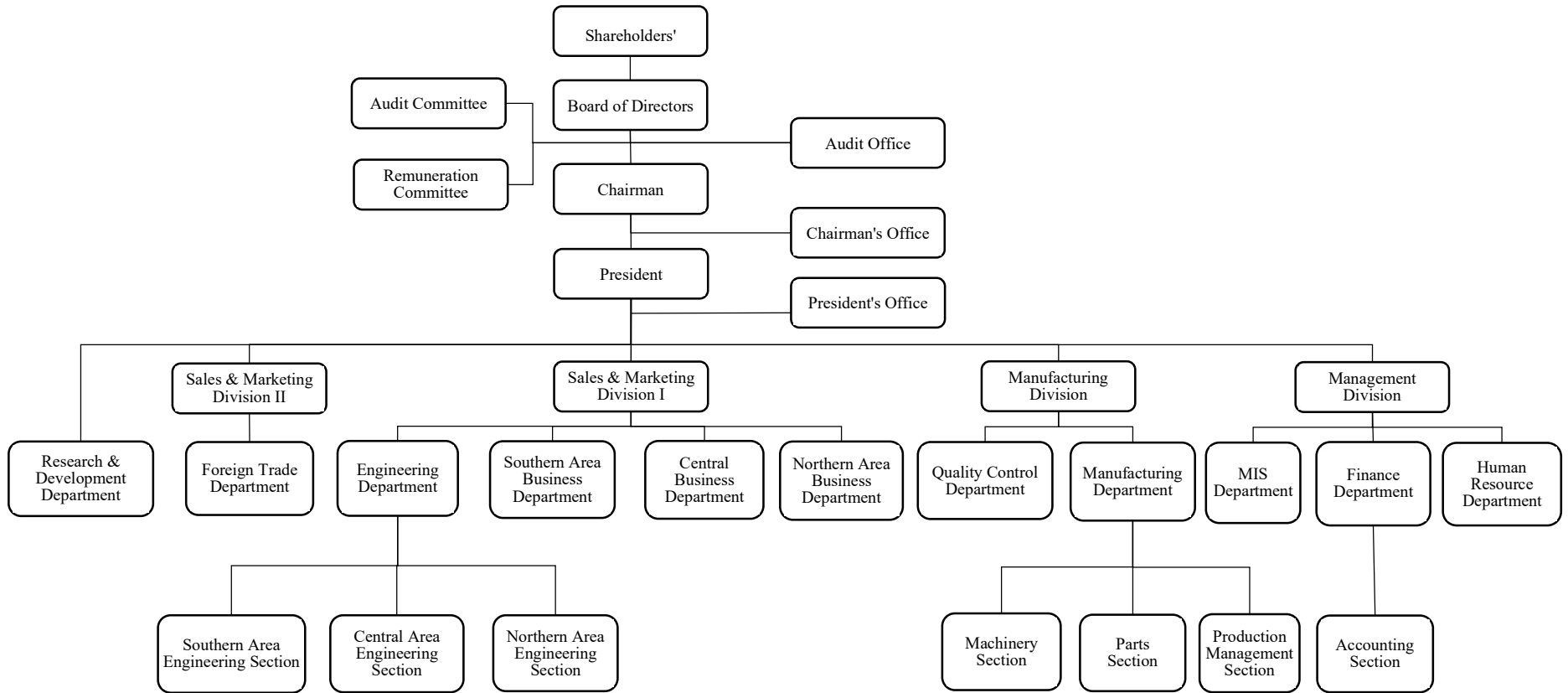
Year	Important chronicle
September 1983	The Company was incorporated with international trade and importing baking equipment and raw materials as principal activities. The paid-in capital was NT\$4 million.
December 2003	Reinvested in Sinmag Equipment (Wuxi) Co., Ltd. and Wuxi Themag Bakery Equipment 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	
August 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.
December 2007	
February 2008	
July 2008	Reinvested in Wuxi Nichmag Seiki Co., Ltd. and Lipang Mixing Equipment (Wuxi) Co., Ltd. in mainland China.
December 2008	
March 2009	The Company's stock was officially listed at the Taipei Exchange (TPEX) in December 10.
May 2009	Reinvested in Sinmag Holding Limited in Hong Kong. Reinvested in LBC Bakery Equipment Inc. in the US.
November 2009	Reinvested in Wuxi Sinco Refrigeration Equipment Co., Ltd. in mainland China.
September 2013	
March 2014	Reinvested in Sinmag Bakery Machine India Private Limited in India. 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.

	Reinvested in Sinmag Equipment (Thailand) Co., Ltd. in Thailand
	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	The Group's investment structure was adjusted. 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.
August 2021	Benchmark Service Co., Ltd. in Thailand completed the liquidation and deregistration.
February 2022	Reinvested in Ximai Enterprises Management (Wuxi) Co., Ltd. in China.
May 2022	After adjusting the investment structure of the Group, SINMAG BAKERY EQUIPMENT SDN.BHD is directly invested in SINMAG BAKERY EQUIPMENT (CHINA) CO., LTD. , SINMAG EQUIPMENT (THAILAND) CO., LTD., and LBC BAKERY EQUIPMENT INC.
June 2022	The third-tier subsidiary in Mainland China, Sinmag Equipment (China) Co., Ltd., was renamed Sinmag Equipment (China) Co., Ltd.
June 2022	The Group's investment structure was adjusted and invested directly by Xinmai Machinery (China) Co.,Ltd., which was directly invested in Wuxi Omai Mechanical and Electrical Control Co., Ltd.

Chapter III. Corporate Governance Report

I. Organization

(I). Organization Chart



(II). Department Functions:

Department	Functions
Chairman's Office	<ol style="list-style-type: none">1. Preparation for the convening of the board of directors and related matters.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.
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.4. Research and improvement plans for existing products.

Department	Functions
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). Information on Directors

Information on Directors (I)

May 15, 2023

Title	Nationality or place of registration	Name	Gender Age	Date elected	Term (years)	Date first elected	Shareholding when elected		Current shareholding		Spouse & minor shareholding		Shareholding by nominees		Major experience (academic)	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
							Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relation	
Chairman	R.O.C.	Shun-Ho Hsieh	Male 71-80	2022.5.31	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 President, Sinmag Equipment (China) Co., Ltd.	Chairman and President, Sinmag Equipment Corporation Chairman, 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 Chairman, Ximai Enterprises Management (Wuxi) Co., Ltd. Chairman, Sinmag Limited Chairman, Lucky Union Limited	Director	Ming-Ching Hsieh	Father and son	(Note 3)
Director	R.O.C.	Yao-Tsung Wu	Male 71-80	2022.5.31	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	Supervisor, Sinmag Fitting Corporation Director, Tehmag Foods Corporation Director, Wuxi New	None	None	None	None

Title	Nationality or place of registration	Name	Gender Age	Date elected	Term (years)	Date first elected	Shareholding when elected		Current shareholding		Spouse & minor shareholding		Shareholding by nominees		Major experience (academic)	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
							Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relation	
														Supervisor, Sinmag Equipment (China) Co., Ltd. Chairman, Taiwan Lunchun Association	Order Control Co., Ltd. Director, Zeelandia Bakery Ingredients (Wuxi) Co., Ltd. Director, Yangyu Foods Corporation Supervisor, Kingcraft Industrial Corp., Ltd. Director, Taiwan Lunchun Association Director, Bliss & Wisdom Senior High School Chairman, Purity New Materials Co., Ltd. Director, Taipei City Bliss & Wisdom Buddhism Foundation Chairman, AMRITA Translation Foundation Zoom Foods (HK) Co., Ltd. Director Director, Tehmag Foods USA Corporation Director, PT. Tehmag Foods Corporation Indonesia					
Director	R.O.C.	Jui-Jung Chang	Male 61-70	2022.5.31	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 41-50	2022.5.31	3 years	2016.6.6	2,112,980	4.21%	2,112,980	4.21%	90,382	0.18%	0	0%	Bachelor of Economics, Fu Jen Catholic University	Director, Kingcraft Industrial Corp., Ltd. Director and Vice	Chairman and President	Shun-Ho Hsieh	Father and son	None

Title	Nationality or place of registration	Name	Gender Age	Date elected	Term (years)	Date first elected	Shareholding when elected		Current shareholding		Spouse & minor shareholding		Shareholding by nominees		Major experience (academic)	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
							Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relation	
														Master of Financial Management, Azusa Pacific University - Master of Senior Management, Peking University Chairman's Special Assistant, Sinmag Equipment Corporation Chairman, Wuxi New Order Control Co., Ltd. Director and Vice President of the Management Division, Sinmag Equipment Corporation	President, LBC Bakery Equipment Inc. Director, Sheng Chia Investment Co., Ltd. Director, Sinmag Equipment (Thailand) Co., Ltd. Director, Sinmag Equipment (China) Co., Ltd. President and Vice President of Management Department, Sinmag Equipment (China) Co., Ltd. Director, Wuxi New Order Control Co., Ltd. Independent Director, Thomas Dynamic Material (Jiangsu) Co., Ltd.					
Director	R.O.C.	Yung-Chen Chen (Note 1)	Male 51-60	2019.6.14	3 years	2019.6.14	0	0%	0	0%	Not applicable	0%	Not applicable	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 Director, Sinmag Equipment (China) Co., Ltd. Supervisor, Ximai Enterprises Management (Wuxi) Co., Ltd.	None	None	None	None
Director	R.O.C.	Shu-Chuan Hsiao (Note 2)	Female 51-60	2022.5.31	3 years	2022.5.31	123,813	0.25%	123,813	0.25%	3,876	0.01%	0	0%	Department of Industrial Engineering and Management, Lughwa University of Science and Technology Associate/Special	Vice president, Sinmag Equipment Corporation	None	None	None	None

Title	Nationality or place of registration	Name	Gender Age	Date elected	Term (years)	Date first elected	Shareholding when elected		Current shareholding		Spouse & minor shareholding		Shareholding by nominees		Major experience (academic)	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
							Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relation	
														Assistant to the Chairman, Sinmag Equipment Corporation						
Director	R.O.C.	Yu-Chuan Chang	Male 61-70	2022.5.31	3 years	2019.6.14	11,517	0.02%	11,517	0.02%	0	0%	0	0%	Mechanical Engineering of China Junior College of Technology Plant Manager, Chongjia Enterprise Co., Ltd.	Director and President, Sinmag Fitting Corporation Chairman, Kingcraft Industrial Corp., Ltd.	None	None	None	None
Independent Director	R.O.C.	Shih-Hung Chan	Male 71-80	2022.5.31	3 years	2005.6.25	0	0%	0	0%	0	0%	0	0%	- Ph.D. in Mechanical Engineering, University of California, Berkeley Dean, University of Wisconsin Milwaukee Research Engineer, Argonne National Laboratory - Chairman, New Energy Association of Taiwan President, Yuan Ze University Chair Professor of Far East Energy, Yuan Ze University University Professor, Yuan Ze University Science and Technology Advisory Committee, Office of the President Republic of China (Taiwan)	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
Independent Director	R.O.C.	Huei-Wang Huang	Male 61-70	2022.5.31	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 Professional	Representative, Broad Think Tank Co., Ltd. Representative/Corporate Appraiser/FRM@, Broad Think Tank Corporate Appraiser Co., Ltd.	None	None	None	None

Title	Nationality or place of registration	Name	Gender Age	Date elected	Term (years)	Date first elected	Shareholding when elected		Current shareholding		Spouse & minor shareholding		Shareholding by nominees		Major experience (academic)	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
							Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relation	
														Corporate Management Consultant (Unit) Chief Consultant/Corporate Appraiser Chief Representative, Shanghai Representative Office of Grand Cathay Securities Co., Ltd. Deputy Manager, Securities & Finance Department of China Development Industrial Bank						
Independent Director	R.O.C.	San-Chien Tu	Male 71-80	2022.5.31	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 Lecturer, 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: 1. Director Yung-Chen Chen was dismissed on May 31, 2022.

Note: 2. Director Shu-Chuan Hsiao was appointed on May 31, 2022.

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:

- 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.
- 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.

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

Information on Directors (II)

1. Disclosure of the professional qualifications of directors and supervisors and the information on independence of independent directors:

May 15, 2023

Qualification Name	Professional qualifications and experience	Independence criteria	Number of other public companies where the individual concurrently serves as an independent director
Shun-Ho Hsieh	<p>As one of the founders of Sinmag Group, Mr. Shun-Ho Hsieh, the Chairman and President of the Company, 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.</p> <p>By his rich experience and professionalism, he has insight into the future development prospects and niches of the industry, and 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.</p> <p>Accordingly, he has operational planning and operational/managerial practices relating to financial accounting, business and marketing.</p>	<ol style="list-style-type: none"> 1. The President of the Company and is a director with the status of manager. 2. A director of the Company's affiliate. 3. One of the top ten natural-person shareholders of the Company. 4. A director of another company controlled by the same person holding a majority of the Company's Director seats or voting shares of the Company. 5. A director of specific companies with which the Company has financial or business dealings. 6. A relative within the second degree of kinship of the Company's top 10 natural-person shareholders. 7. The rest of the qualifications all comply with the provisions of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies". 	0

Qualification Name	Professional qualifications and experience	Independence criteria	Number of other public companies where the individual concurrently serves as an independent director
Yao-Tsung Wu	He once served as Vice Chairman of Tehmag Foods Corporation, provided services for more than 40 years in the food-related industry, specialised in the operation and strategic management of the food industry, and was able to give opinions on the management of the operation strategy to the Board of Directors in a timely manner and share the trends and views of the food industry. He has the ability to conduct marketing and the industry knowledge.	<ol style="list-style-type: none"> 1. A director of the Company's affiliate. 2. One of the top ten natural-person shareholders of the Company. 3. A director of another company controlled by the same person holding a majority of the Company's Director seats or voting shares of the Company. 4. The rest of the qualifications all comply with the provisions of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies". 	0
Jui-Jung Chang	He holds a Master's degree in Business Administration from the University of Asia and is currently Chairman of the San Neng Group Holdings Co., Ltd. He has over 40 years of service in the food-related industry, with extensive industry experience and ability in corporate governance, operational judgment, marketing and industry knowledge, and the ability to timely put forward relevant corporate governance and operational management opinions and policies to require the operating team to formulate strategies for implementation.	The qualifications all comply with the provisions of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies".	0

Qualification Name	Professional qualifications and experience	Independence criteria	Number of other public companies where the individual concurrently serves as an independent director
Ming-Ching Hsieh	<p>He holds a dual master's degrees - Department of Financial Management of Azusa Pacific University, and Department of Senior Management of Peking University. He served as the Chairman's Special Assistant of the Company in 2003 and became the Vice President of the Group's Management Office in 2016. On April 11, 2022, he was reassigned to the position of President of the subsidiary Sinmag Equipment (China) Co., Ltd., and was responsible for executing the Group's strategies formulated by the Board of Directors, the Financial Management and Chairman's Office, and supervising and managing the operation of the Group. Mr. Ming-Ching Hsieh has served in the Company for more than 18 years, specializing in strategic management and financial planning of the food industry. He, as the manager, conducts strategic communications and interactions with all directors in relation to business management in the Board of Directors, and puts forward relevant business management opinions. He has the business and industry knowledge capabilities, corporate governance, accounting information and financial analysis capabilities.</p>	<ol style="list-style-type: none"> 1. The President of the Company's affiliate. 2. A director of the Company's affiliate. 3. One of the top ten natural-person shareholders of the Company. 4. A director holding a 5% of total issued shares of the Company or holding the top five shares - Sheng Chia Investment Co., Ltd. 5. A director of another company controlled by the same person holding a majority of the Company's Director seats or voting shares of the Company. 6. A director of specific companies with which the Company has financial or business dealings. 7. A relative within the second degree of kinship of the Company's top 10 natural-person shareholders. 8. The rest of the qualifications all comply with the provisions of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies". 	0

Qualification Name	Professional qualifications and experience	Independence criteria	Number of other public companies where the individual concurrently serves as an independent director
Shu-Chuan Hsiao	She joined the Company in 1986 and served in various positions for more than 30 years, among which he served as Assistant Manager, the Special Assistant to the Chairman from 2015, and was promoted to Vice President on March 15, 2022. She has rich experience and specializes in operation management, and has capability in marketing, corporate governance, financial analysis and industry knowledge. The Company will continue to rely on the expertise of Ms. Shu-Chuan Hsiao to make various major decisions in the Company's Board of Directors with other directors.	<ol style="list-style-type: none"> 1. The Vice President of the Company and has the status of a managerial officer. 2. A lineal relative within the third degree of kinship of a managerial officer of the Company. 3. The rest of the qualifications all comply with the provisions of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies". 	0
Yu-Chuan Chang	As the President of Sinmag Fitting Corporation and the Chairman of Kingcraft Industrial Corp., Ltd., he is committed to the successful operation of pipe manufacturing in the food related industry and has operational management experience. In terms of operational management, he is able to provide industry analysis and integration, risk management, and management decision-making opinions. Therefore, the Company can rely on his industry management service experience and vision of different industries to provide diversified opinions on business management in a timely manner, so that the Company can be more diversified in the thinking of business management strategies to enhance the supervision and management quality of the Board of Directors.	<ol style="list-style-type: none"> 1. A director of another company controlled by the same person holding a majority of the Company's Director seats or voting shares of the Company. 2. The rest of the qualifications all comply with the provisions of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies". 	0

Qualification Name	Professional qualifications and experience	Independence criteria	Number of other public companies where the individual concurrently serves as an independent director
Shih-Hung Chan (Independent Director)	As the Convenor of the Audit Committee of the Company, he holds a PhD in Mechanical Engineering from the University of California Berkeley. He holds the Emeritus Professor of Yuan Ze University, Honorary President of New Energy Association of Taiwan, and Member of the Advisory Committee, College of Chemistry, University of California, Berkeley, USA. He has professional knowledge and practical experience in electronics and machinery. He has the professional qualifications, ambitious international outlook and operational management experience necessary for the development of the Company's industry. During his tenure, he has made many suggestions on corporate governance and operational development. He has not been under any conditions stipulated in Article 30 of the Company Act.	In accordance with the Company's Articles of Association and the "Corporate Governance Best Practice Principles", the election of the Company's directors will adopt a candidate nomination system. At the time of the nomination and selection of the members of the Board of Directors, the Company has obtained written statements, work experience, current work certificates from each director, and verified the kinship forms provided, so as to confirm the independence of the spouse and his/her relatives within the third degree of kinship from the Company; it also verified that, in the two years prior to his/her election and during his/her term of office, the independent directors complied with the qualification requirements set forth in the "Regulations	0

Qualification Name	Professional qualifications and experience	Independence criteria	Number of other public companies where the individual concurrently serves as an independent director
Huei-Wang Huang (Independent Director)	<p>As a Member of the Company's Audit Committee, he holds a Bachelor's Degree in Business Administration at College of Law and Commerce of the National Chung Hsing University and a Member of Fintech Seminar at the University of California, Berkeley, USA.</p> <p>He once worked as the Principal Consultant/Corporate Appraiser, Professional Actuary Management Consulting Co., Ltd., the Chief Representative, Shanghai Representative Office of Grand Cathay Securities Co., Ltd., and is currently the Representative, Broad Think Tank Co., Ltd.</p> <p>He specializes in investment management with analytical capabilities in corporate governance, accounting information and finance. Therefore, he can improve the quality of corporate governance and the audit supervision function of the Board of Directors, and there is no circumstances in the subparagraphs of Article 30 of the Company Act.</p>	<p>Governing Appointment of Independent Directors and Compliance Matters for Public Companies" approved by the Financial Supervisory Commission and Article 14-2 of the Securities and Exchange Act, and that the independent directors have fully participated in the power to make decisions and express opinions in accordance Article 14-3 of the Securities and Exchange Act, so as to independently to exercise the relevant powers.</p>	0

Qualification Name	Professional qualifications and experience	Independence criteria	Number of other public companies where the individual concurrently serves as an independent director
San-Chien Tu (Independent Director)	<p>He is a member of the Company's Audit Committee, a Bachelor of Accounting from National Chengchi University, and a Master of Accounting from Louisiana State University, USA. Previously, he served as Chairman of the Board and Partner of Deloitte & Touche. He is currently the Director, Pang Kuei & Co., CPA. He also serves as an independent director of Lin Bioscience, Inc., an independent director of Dah Chung Bills Finance Corp., and an independent director of Tehmag Foods Corporation.</p> <p>He is familiar with accounting and tax-related laws and has corporate governance expertise. He can put forward accounting tax planning and corporate governance advice to the Board of Directors of the Company in a timely manner, and also can improve the quality of corporate governance of the Board of Directors of the Company and the supervision function of the Audit Committee. In addition, none of the circumstances in the subparagraphs of Article 30 of the Company Act apply.</p>		3

2. Diversity and Independence of the Board of Directors:

(1) Diversity of the Board of Directors

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, culture, etc.; the ratio of women directors is recommended to reach one-third of the total number of directors.
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 goals of corporate governance, the Board of Directors on the whole shall possess the ability to make operational judgments, ability to perform accounting and financial analysis, ability to conduct management administration, ability to conduct crisis management, knowledge of the industry, an international market perspective, ability to lead, and ability to make policy decisions.

All members of the Board of Directors of the Company are in compliance with the diversity background requirements, have the necessary knowledge, skills and education to perform their duties (see the aforementioned directors' education and experience). They also have abundant expertise in accounting, finance, commerce, law, marketing or industrial science and technology, etc.

The Company's Board of Directors has a total of 9 seats, including 3 independent directors (accounting for 33.3%), of which two independent directors have been in office for 3 to 6 years; one independent director has been in office for more than 9 years. However, it is considered that he is equipped with the professionalism required for the Company's industrial development, insightful international perspectives and practical experience in operation and management, which are of great help to the Company's decision-making, and he will continue to serve as an independent director of the Company. There are 8 male directors (accounting for 88.9%) and 1 female director (accounting for 11.1%). The age ranges of directors are as follows: 4 directors of 71-80 years old (44.5%, Shun-Ho Hsieh, Yao-Tsung Wu, Shih-Hung Chan, San Chien Tu), 3 directors of 61-70 years old (33.3%, Yu-Chuan Chang, Jui-Jung Chang, Huei-Wang Huang), 1 director of 51-60 years old (11.1%, Shu-Chuan Hsiao), and 1 director of 41-50 years old (11.1%, Ming-Ching Hsieh).

The specific management objectives and achievements of the Company's diversity policy are as follows:

Management objectives	Achievement
There is at least one female director in the Board of Directors	Achieved
The directors who concurrently serves as managerial officers of the Company shall not exceed one-third of the total number of directors.	Achieved

The diversity of Board of Directors is shown in the following table:

Diversified core capabilities Name	Basic composition						Expertise										
	Nationality	Gender	An employee of the Company	Age				Length of service as independent directors		Operational judgment	Business management	Accounting and financial analysis	Crisis management	Industry knowledge	International market insight	Leadership	Decision-making
				41 - 50	51 - 60	61 - 70	71 - 80	Less than 3 years	Over 3 years								
Director Shun-Ho Hsieh	R.O.C.	Male	V			V				V	V	V	V	V	V	V	V
Director Yao-Tsung Wu	R.O.C.	Male				V				V	V		V	V	V	V	V
Director Ming-Ching Hsieh	R.O.C.	Male	V							V	V	V	V	V	V	V	V
Director Yu-Chuan Chang	R.O.C.	Male			V					V	V		V		V	V	V
Director Shu-Chuan Hsiao	R.O.C.	Female	V	V						V	V		V	V	V	V	V
Director Jui-Jung Chang	R.O.C.	Male			V					V	V		V	V	V	V	V
Independent Director Huei-Wang Huang	R.O.C.	Male			V			V		V	V	V			V	V	V
Independent Director Shih-Hung Chan	R.O.C.	Male				V			V	V	V		V	V	V	V	V
Independent Director San-Chien Tu	R.O.C.	Male				V		V		V	V	V			V	V	V

(2) Independence of the Board of Directors:

Among the 9 directors of the Company, Shun-Ho Hsieh and Ming-Ching Hsieh are related to each other within the second degree of kinship, which is in compliance with the independence requirement of Article 26-3 of the Securities and Exchange Act that not more than half of the directors being spouses or relatives within the second degree

of kinship. There are 3 independent directors of the Company, accounting for 33.3% of all 9 directors.

The Board of Directors of the Company guides the Company's strategy, supervisory management and accountability to the Company and its shareholders. In all operations and arrangements of the corporate governance system, the board of directors exercises its functions and powers in accordance with laws and regulations, the Articles of Incorporation or the resolutions of the shareholders' meeting, etc. The Board of Directors of the Company emphasizes the function of independent operation and transparency, and the directors and independent directors are independent individuals and exercise their powers independently. The three independent directors have also complied with the relevant statutory provisions, combined with the powers of the Audit Committee to review the management and control of the Company's existing or potential risks, etc., to ensure the supervision of the effective implementation of the Company's internal controls, the independence and selection (dismissal) of certified public accountants, and the fair presentation and preparation of financial statements. In addition, in accordance with the "Procedures for Election of Directors" of the Company, the cumulative voting system and the candidate nomination system for the election of directors and independent directors shall be adopted to encourage the participation of shareholders. Shareholders holding a certain number of shares or more shall submit a list of candidates. The qualification conditions for such candidates and the confirmation of whether or not there is any violation of the provisions of Article 30 of the Company Act shall be reviewed and announced in accordance with the law to protect the rights and interests of shareholders, so as to avoid the nomination rights being monopolized or too excessive in order to maintain independence.

The Company has established a performance assessment system for the Board of Directors, which performs an internal self-assessment of the Board of Directors and a self-assessment of the members of the Board of Directors once a year. The performance assessment of the Board of Directors includes five major aspects: (1) participation in the operation of the Company, (2) quality of decisions made by the Board of Directors, (3) composition and structure of the Board of Directors, (4) selection and continuing training of directors, and (5) internal control. The self-assessment of the members of the Board of Directors includes six major aspects: (1) mastery of the objectives and tasks of the Company, (2) recognition of directors' duties, (3) participation in the operation of the Company, (4) operation and communication of internal relations, (5)

professionalism and continuous training of directors, and (6) internal control. The results of the aforementioned self-assessment shall be reported to the Board of Directors.

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

May 15, 2023

Title	Nationality	Name	Gender	Date elected	Shareholding		Spouse & minor shareholding		Shareholding by nominees		Experience (education)	Other position concurrently held at other companies	Managers who are spouses or within the second degree of kinship			Remarks
					Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relation	
President	R.O.C.	Shun-Ho Hsieh	Male	2022.5	2,211,267	4.40%	1,000,564	1.99%	0	0	High School President, Sheng Chia Industrial Co., Ltd. CEO, Sinmag Equipment Corporation President, Sinmag Equipment (China) Co., Ltd.	Chairman and President, Sinmag Equipment Corporation Chairman, 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 Ximai Enterprises Management (Wuxi) Co., Ltd. Chairman	Director	Ming-Ching Hsieh	Father and son	(Note 5)

Title	Nationality	Name	Gender	Date elected	Shareholding		Spouse & minor shareholding		Shareholding by nominees		Experience (education)	Other position concurrently held at other companies	Managers who are spouses or within the second degree of kinship			Remarks
					Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relation	
Vice President	R.O.C.	Shu-Chuan Hsiao (Note 1)	Female	2022.03	123,813	0.25%	3,876	0.01%	0	0%	Department of Industrial Engineering and Management, Lughwa University of Science and Technology Associate Manager, Sinmag Equipment Corporation Chairman's Special Assistant, Sinmag Equipment Corporation	None	None	None	None	None
Sales & Marketing Division I Director	R.O.C.	Chih-Hsien Chen	Male	2015.11	0	0%	0	0%	0	0%	Bachelor of Business, National Taiwan University Vice President of Sales & Marketing Division, Sinmag Equipment Corporation	None	None	None	None	None
Chief Financial Officer	R.O.C.	Yu-Tung Huang (Note 2)	Female	2005.05	11,361	0.02%	Not applicable	0%	Not applicable	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

Title	Nationality	Name	Gender	Date elected	Shareholding		Spouse & minor shareholding		Shareholding by nominees		Experience (education)	Other position concurrently held at other companies	Managers who are spouses or within the second degree of kinship			Remarks
					Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relation	
Manager of Finance Department	R.O.C.	Yi-Wen Chen (Note 3)	Female	2022.08	0	0%	0	0%	0	0%	Bachelor of Finance, National Taiwan University Associate Manager, Deloitte & Touche	None	None	None	None	None
Director, R&D Department	R.O.C.	Shiu-Tu Chen	Male	2019.05	0	0%	0	0%	0	0%	Long Yan Elementary School Plant Manager, Sheng Chia Industry Co., Ltd.	None	None	None	None	None
Manager, Manufacturing Department	R.O.C.	Tsai-Wang Huang	Male	2009.05	0	0%	0	0%	0	0%	National Tung-Shih Senior High School	None	None	None	None	None
Manager, Engineering Department	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, Quaxun Technology Co., Ltd.	None	None	None	None	None

Title	Nationality	Name	Gender	Date elected	Shareholding		Spouse & minor shareholding		Shareholding by nominees		Experience (education)	Other position concurrently held at other companies	Managers who are spouses or within the second degree of kinship			Remarks
					Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relation	
Manager, Human Resources Department	R.O.C.	Zhi-Wei Hong (Note 4)	Male	2020.05	0	0%	Not applicable	0%	Not applicable	0%	Master of Technology Application and Human Resource Development, National Taiwan Normal University - Director of Management Division, Ying Guan Da Co., Ltd. Inventec Corporation Manager, Talent Management Department	Manager of Human Resources Department, Sinmag Equipment (China) Co., Ltd.	None	None	None	None

Note: 1. Shu-Chuan Hsiao, the Vice President of the President's Office, took office on March 15, 2022.

Note: 2. Yu-Tung Huang, the Chief Financial Officer, resigned on July 31, 2022.

Note: 3. Yi-Wen Chen, the Manager of Finance Department, took office on August 12, 2022.

Note: 4. Transferred to the subsidiary Sinmag Equipment (China) Co., Ltd. On February 1, 2022.

Note: 5. 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 (2022) to Directors, Independent Directors, President, and Vice Presidents:

1. Remuneration to Directors and Independent Directors

Unit: NT\$ Thousand

Title	Name	Remuneration to directors								Total amount of A, B, C and D and percentage of net income after tax		Relevant remuneration received by directors who are also employees								Total amount of seven items A, B, C, D, E, F and G and the proportion to net income after tax		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				
Chairman	Shun-Ho Hsieh																						
Director	Yao-Tsung Wu																						
Director	Ming-Ching Hsieh																						
Director	Yung-Chen Chen (Note 1)	360	360	0	0	4,419	4,419	235	235	5,014 1.49%	5,014 1.49%	5,016	13,385	73	73	3,002	0	3,002	0	13,105 3.89%	21,474 6.38%	None	
Director	Shu-Chuan Hsiao (Note 2)																						
Director	Yu-Chuan Chang																						
Director	Jui-Jung Chang																						
Independent Director	Shih-Hung Chan																						
Independent Director	Huei-Wang Huang	180	180	0	0	2,340	2,340	120	120	2,640 0.78%	2,640 0.78%	0	0	0	0	0	0	0	0	2,640 0.78%	2,640 0.78%	None	
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 and, in addition to paying remunerations for general directors, taking into account their responsibilities, risks and working time, different reasonable remunerations may be awarded.

(2) In addition to the disclosures in the above table, remuneration received for services rendered by directors of the Company in the most recent year (e.g., acting as advisers to non-affiliated employees of the parent company/all companies/reinvestment undertakings in the financial statements, etc.):None.

Note: 1. Director Yung-Chen Chen was dismissed on May 31, 2022.

Note: 2. Director Shu-Chuan Hsiao was appointed on May 31, 2022.

Range of Remuneration for Directors

Remuneration level distance paid to all directors of the company	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The Company	All companies in the financial report ^H	The Company	All companies in the consolidated financial statements I
Under \$1,000,000	Yao-Tsung Wu Ming-Ching Hsieh Yung-Chen Chen Shu-Chuan Hsiao Yu-Chuan Chang Jui-Jung Chang Shih-Hung Chan Huei-Wang Huang San-Chien Tu	Yao-Tsung Wu Ming-Ching Hsieh Yung-Chen Chen Shu-Chuan Hsiao 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
\$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	Shu-Chuan Hsiao	Ming-Ching Hsieh Yung-Chen Chen Shu-Chuan Hsiao
\$3,500,000 (inclusive) - \$5,000,000 (exclusive)	0	0	0	0
\$5,000,000 (inclusive) - \$10,000,000 (exclusive)	0	0	Shun-Ho Hsieh	0
\$10,000,000 (inclusive) - \$15,000,000 (exclusive)	0	0	0	Shun-Ho Hsieh
\$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	10	10	10	10

2. Remuneration to the President and Vice Presidents

Unit: NT\$ Thousand

Title	Name	Salary (A)		Severance pay and pension (B)		Bonuses and allowances (C)		Employee compensation (D)(Note)				Total amount of A, B, C and D and percentage of net income after tax (%)		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 financial report	The Company	All companies in the financial report	The Company		All companies in the financial report		The Company	All companies in the financial report	
								Cash	Stock	Cash	Stock			
President	Shun-Ho Hsieh													
Vice President	Shu-Chuan Hsiao (Note 1)	4,525	7,527	73	0	644	644	3,002	0	3,002	0	8,244 2.45%	11,173 3.32%	None

Note: 1. Shu-Chuan Hsiao, the Vice President of the President's Office, took office on March 15, 2022.

Range of Remuneration for President and Vice Presidents

Pay to all general managers and vice general managers of the company	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)	Shu-Chuan Hsiao	Shu-Chuan Hsiao
\$3,500,000 (inclusive) - \$5,000,000 (exclusive)	0	0
\$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	2	2

3. Remuneration to Managerial Officers

May 15, 2023/Unit: NT\$thousand

	Title	Name	Stock	Cash	Total	The ratio of total amount to net income (%)
Managerial personnel	President	Shun-Ho Hsieh	0	5,352	5,352	1.59%
	Vice President	Shu-Chuan Hsiao (Note 1)				
	Director, Sales & Marketing Division I	Chih-Hsien Chen				
	Chief Financial Officer	Yu-Tung Huang (Note 2)				
	Manager of Finance Department	Yi-Wen Chen (Note 3)				
	Director, R&D Department	Shiu-Tu Chen				
	Manager, Manufacturing Department	Tsai-Wang Huang				
	Manager, Engineering Department	Tai-Sheng Wang				
	Manager, Audit Office	Shu-Yuan Li				
	Manager, Human Resources Department	Zhi-Wei Hong (Note 4)				

Note: 1. Shu-Chuan Hsiao, the Vice President of the President's Office, took office on March 15, 2022.

Note: 2. Yu-Tung Huang, the Chief Financial Officer, resigned on July 31, 2022.

Note: 3. Yi-Wen Chen, the Manager of Finance Department, took office on August 12, 2022.

Note: 4. Transferred to the subsidiary Sinmag Equipment (China) Co., Ltd. On February 1, 2022.

(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	2022		2021	
	The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements
Director	4.67%	7.16%	5.20%	5.83%
President and Vice President	2.45%	3.32%	3.76%	4.39%

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

Directors' base compensation: According to Article 24-1 of the Company's Articles of Incorporation, "The remuneration of all directors shall be determined by the Board of Directors according to the degree of directors' participation in the operation of the Company and their contribution, and shall be determined by reference to the standard of the industry. "

Directors' compensation: According to Article 29 of the Company's Articles of Incorporation, "The Company shall appropriate 2% to 10% of the net income before tax of the fiscal year as employees' compensation and no more than 5% of the bonus to director from the current pre-tax profit before the appropriation of employee bonus and directors' bonus. "

The 2022 directors' compensation was proposed by the Remuneration Committee held on March 27, 2023, and resolved by the Board of Directors. Directors' compensation is mainly associated with the Company's profit and operating performance (the target items include the revenue, the net profit achievement rate, etc.) combined with considerations for the future prosperity of the industry and the long-term operating strategy to mitigate future operating risks.

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. The manager's salary consists of fixed salary and variable salary. The fixed salary is the monthly salary. The variable salary includes the employee remuneration and year-end bonus. It is mainly paid based on the performance of the individual's annual assessment. The annual assessment includes qualitative indicators (such as key core competencies of the job, future development potential, etc.) and quantitative indicators (such as the achievement of personal goals, achievement rate or execution ability, etc.).

Employee remuneration is based on Article 29 of the Articles of Association "The Company's annual pre-tax benefits before deducting employees' remuneration and directors' remuneration shall be allocated to 2% to 10% of employee remuneration".

The distribution of employee's remuneration and directors' remuneration shall be reported to the shareholders' meeting; the year end bonus shall be determined based on the annual operating results of the Company, and the amount shall be determined by the Board of Directors after being approved by the Company's Remuneration Committee.

The increase in the proportion of directors' remuneration to net income after tax in the financial statements of 2022 was mainly due to the decrease in net income after tax. The decrease in the proportion of remuneration to net income after tax in the financial statements of 2022 for the President and Vice Presidents was mainly due to the decrease in the amount of provision resulting from personnel changes.

3. The relationship between the procedures for determining remuneration and the operating performance and future risks: The procedures for determining remuneration refer to the usual level of payment in the industry and consider the company's operating performance (indicators include revenue and net profit achievement rate, etc.), participation level (including the attendance rate of directors, communication frequency, advice provided, etc.), and contribution to the Company (including financial indicators such as revenue and net profit margin, and non-financial indicators such as the practice and operation management competencies of the Company's core values, internal control compliance, continuous learning and measurement of other special merits and negative events), and reasonable remuneration is hereby paid. The Remuneration Committee and the Board of Directors shall periodically review the reasonableness of the remuneration and shall review the remuneration system from time to time in the light of actual operating conditions and relevant legislation, and shall not induce the directors and the president to engage in any act of overstepping the risk appetite of the Company in pursuit of remuneration in order to avoid improper incidents such as losses sustained by the Company after payment of remuneration.

III. Implementation of Corporate Governance

(I). Implementation of the Board of Directors

From January 1 to May 15, 2023, the Company held four meetings of the Board of Directors.

The Board of Directors of the Company held nine meetings in 2022, and all independent directors attended the meetings.

The attendance of directors is as follows:

Title	Name	Attendance in person	By proxy	Attendance rate (%)	Remarks
Chairman	Shun-Ho Hsieh	9	0	100%	Re-elected on May 31, 2022
Director	Yao-Tsung Wu	9	0	100%	Re-elected on May 31, 2022
Director	Jui-Jung Chang	8	1	89%	Re-elected on May 31, 2022
Director	Ming-Ching Hsieh	9	0	100%	Re-elected on May 31, 2022
Director	Yung-Chen Chen (Note 1)	2	0	100%	Dismissed on May 31, 2022
Director	Shu-Chuan Hsiao (Note 2)	7	0	100%	Newly elected on May 31, 2022
Director	Yu-Chuan Chang	9	0	100%	Re-elected on May 31, 2022
Independent Director	Shih-Hung Chan	9	0	100%	Re-elected on May 31, 2022
Independent Director	Huei-Wang Huang	9	0	100%	Re-elected on May 31, 2022
Independent Director	San-Chien Tu	9	0	100%	Re-elected on May 31, 2022

Note: 1. Director Yung-Chen Chen was dismissed on May 31, 2022.

Note: 2. Director Shu-Chuan Hsiao was appointed on May 31, 2022.

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:

The Company has established an Audit Committee and the provisions of Article 14-3 of the Securities and Exchange Act are not applicable. Please refer to the section of the Implementation of the Audit Committee in this annual report for related information.

As of the date of publication of this annual report, all directors present voted in favor of all the proposals in the Board of Directors meetings.

- 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.

- (I). Board of Directors meeting on March 15, 2022:

For the reappointment of the legal representative, directors, supervisors and President of the Company's subsidiary Sinmag Equipment (China) Co., Ltd., except for directors Mr. Shun-Ho Hsieh, Mr. Ming-Ching Hsieh and Mr. Yung-Chen Chen, who recused themselves from discussions and resolutions according to law, the rest of the directors present voted in favor of the proposal unanimously.

- (II). (II) Board of Directors meeting on May 13, 2022:

For distribution proposal of the directors' individual remuneration and managerial officers' employee remuneration of 2021, except for directors Mr. Shun-Ho Hsieh, Mr. Ming-Ching Hsieh and Mr. Yung-Chen Chen, who recused themselves from discussions and resolutions according to law, the rest of the directors present voted in favor of the proposal unanimously.

- (III). Board of Directors meeting on May 31, 2022:

For the election of the Chairman of the 14th term of the Board of Directors of the Company, director Shun-Ho Hsieh recused himself from in discussions and voting according to law, due to the fact that the proposal involved his own personal interests and conflict of interest in reviewing his own credential.

For the reappointment of the President of the Company, director Shun-Ho Hsieh recused himself from discussions and resolutions according to law due to the fact that he himself is an interested party; the rest of the directors present voted in favor of the proposal unanimously.

For the appointment of members of the 5th term of the Remuneration

Committee of the Company, except for the independent directors Mr. Shih-Hung Chan, Mr. San-Chien Tu and Mr. Huei-Wang Huang, who are the interested parties to the proposal and recused themselves from discussions and resolutions according to law, the rest of the directors present voted in favor of the proposal unanimously.

(IV). Board of Directors meeting on June 10, 2022:

For the remuneration of the President of the Company and the amount of the budget for the company car for the President, director Shun-Ho Hsieh recused himself from discussions and resolutions according to law due to the fact that he himself is an interested party; the rest of the directors present voted in favor of the proposal unanimously.

For the lifting the restrictions on the non-competition on the newly appointed managerial officers of the Company, director Shun-Ho Hsieh recused himself from discussions and resolutions according to law due to the fact that he himself is an interested party; the rest of the directors present voted in favor of the proposal unanimously.

(V). Board of Directors meeting on August 12, 2022:

For the change of personnel and promotion of the Company's financial manager, accounting manager, spokesperson, corporate governance manager, director Shu-Chuan Hsiao and Finance Department Manager Yi-Wen Chen recused themselves from discussions and resolutions according to law due to the fact that they themselves are interested parties; the rest of the directors present voted in favor of the proposal unanimously.

(VI). Board of Directors meeting on December 23, 2022:

The company's 2022 year end bonus distribution plan for managers, except Xie Shunhe director, director Xie Ming Jing, director of Xiao Shujuan, financial manager Chen Yiwen, audit manager Li Shuyuan, as the subject of this case avoidance of not participating in the discussion and resolution, the rest of the directors attended no objection.

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
<p>Conduct regular internal board performance assessment on an annual basis</p>	<p>Conduct the performance assessment of Directors from January 1, 2022 to December 31, 2022.</p>	<p>The scope of evaluation includes</p> <ol style="list-style-type: none"> 1. The overall Board of Directors 2. Individual Board members 3. Functional Committee (Including Audit Committee and Remuneration Committee) 	<p>Including internal self-evaluation of the Board of Directors, self-evaluation of the Board members, peer evaluation, or other appropriate methods for performance evaluation.</p>	<p>The measurement items of the performance assessment of the Board of Directors include the following five aspects</p> <ol style="list-style-type: none"> 1. Involvement in the Company's operations 2. Enhancement to the Board's decision quality 3. Composition and structure of the Board 4. Election of directors and continuous improvement 5. Internal control <p>The measurement items of the performance assessment of Board members include the following six aspects</p> <ol style="list-style-type: none"> 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 <p>The measurement items of the performance assessment of the Audit Committee include the following five aspects</p> <ol style="list-style-type: none"> 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 <p>The measurement items of the performance assessment of the Remuneration Committee include the following five aspects</p> <ol style="list-style-type: none"> 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

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. On March 9, 2012, the Company formulated the "Rules for Performance Evaluation of 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 June 6, 2016 to reinforce the corporate governance mechanism.
 - C. For the relevant proposals passed by the Audit Committee and the Remuneration Committee of the Company in 2022, 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 2022, the Company held nine Board meetings, with the directors' attendance rate of 98.77%. Immediately after the Board meeting, the directors' attendance at the Board is disclosed on the Market Observation Post System (MOPS), and the important Board resolutions are posted on the Company website, so as to protect the interests of shareholders, and regular investor conferences are held to enhance investors' recognition of the Company.
 - B. Continuing to pursue the transparency of corporate governance and financial information, the Ninth Corporate Governance Evaluation organized by the Securities and Futures Development Fund (SADF) was listed as "Top 21% - 35% of TPEX Companies".
- (3) To implement corporate governance, enhance the functions of the Board, and establish performance objectives to intensify the operational efficiency of the Board, 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 2022 were submitted to the Board of Directors on March 27, 2023, and disclosed on the Company website for investors' reference.

(II). Implementation of the Audit Committee

The Company held four Audit Committees meetings from January 1 to May 15, 2023.

A total of eight Audit Committee meetings were held in 2022. The attendance of independent directors is as follows:

Title	Name	Attendance in Person	By proxy	Attendance rate (%)	Remarks
Independent Director	Shih-Hung Chan	8	0	100%	Re-elected on May 31, 2022
Independent Director	Huei-Wang Huang	8	0	100%	Re-elected on May 31, 2022
Independent Director	San-Chien Tu	8	0	100%	Re-elected on May 31, 2022

Other matters:

The focus and implementation of the Audit Committee in 2022
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 eight meetings in 2022, 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. The appointment and dismissal of finance, accounting or internal audit managers.
9. Annual financial reports and quarterly financial reports.
10. Any other material matter stipulated by the Company or the competent authority.
11. Evaluation of the qualifications, independence, and performance of the CPAs.
12. Performance of Audit Committee's Duties.
13. Self-evaluation questionnaire for the Audit Committee performance evaluation.
14. Legal compliance.

Review of Annual Financial Report

Review of Annual Financial Report The Board of Directors has prepared the Company's 2022 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 to evaluate the independence, professionalism and suitability of the CPAs, and to assess whether they are related parties, or have business or financial interests with the Company.

Before the meeting of the Audit Committee on March 27, 2023, the certified public accountants have conducted the financial report inspection results and other matters to the members of the Audit Committee, and have fully communicated the implementation status, results and suggestions.

- 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, independent directors' dissenting opinions, reservations or significant recommendation items and contents, all Audit Committee resolutions, and the Company's handling of such resolutions shall be specified.
 - (1) Matters referred to in Article 14-5 of the Securities and Exchange Act.
 - (2) 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.	
2022.03.15 15th Meeting of the Second Term (1st meeting of 2022)	1. The Company's 2021 business report, financial statements, and consolidated financial statements.	V	None	
	2. The Company's 2021 annual earnings distribution case.	V	None	
	3. Discussion on the application of the subsidiary Sinmag Equipment (China) Co., Ltd. for the initial public offering of ordinary shares in Chinese yuan, listing on an overseas stock exchange	V	None	
	4. The Company's subsidiary Sinmag Equipment (China) Co., Ltd. intends to engage in capital increase out of earnings and shareholding restructuring.	V	None	
	5. The reappointment of the legal representative, directors, supervisors and President of the Company's subsidiary Sinmag Equipment (China) Co., Ltd.	V	None	
	6. Restructuring of the Group's organizational structure.	V	None	
	7. Adjustment of the shareholding structure of subsidiary Sinmag Equipment (China) Co., Ltd.	V	None	
	8. Amendments to the Procedures for Acquisition or Disposal of Assets	V	None	
	9. The assessment of independence and competence of CPAs and the appointment and compensation of the CPAs for 2022.	V	None	
	10. The effectiveness assessment of the Company's internal control system design and implementation for 2021.	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.			
2022.05.13 16th Meeting of the Second Term (2nd meeting of 2022)	The Company's consolidated financial statements for the first quarter of 2022.	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.			
	Election of the convener of the third term of	V	None	

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.
2022.05.31 1st Meeting of the Third Term (3rd meeting of 2022)	Audit Committee.		
	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.		
2022.06.10 2nd Meeting of the Third Term (4th meeting of 2022)	1. Conducting the capital reduction for the Company's third-place reinvestment companies, Samoa Lucky Union Limited and Sinmag Limited.	V	None
	2. The Company's subsidiary Sinmag Equipment (China) Co., Ltd. intends to engage in cash capital increase and the Company's abandonment of subscription.	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.		
2022.08.12 3rd Meeting of the Third Term (5th meeting of 2022)	1. The change of personnel and promotion of the Company's financial manager, accounting manager, spokesperson, corporate governance manager.	V	None
	2. The Company's consolidated financial statements for the second quarter of 2022.	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.		
2022.10.17 4th Meeting of the Third Term (6th meeting of 2022)	The application of the subsidiary Sinmag Equipment (China) Co., Ltd. for the initial public offering of ordinary shares denominated in CNY (A shares) and submission of letter of undertaking for listing in ChiNext of Shenzhen Stock Exchange.	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.		
2022.11.11 5th Meeting of the	1. The Company's consolidated financial statements for the third quarter of 2022.	V	None
	2. The application of the subsidiary Sinmag	V	None

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.
Third Term (7th meeting of 2022)	Equipment (China) Co., Ltd. for the initial public offering of ordinary shares denominated in CNY (A shares) and submission of letter of undertaking for listing in ChiNext of Shenzhen Stock Exchange.		
	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 2022 Audit Committee meetings 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.
2. 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.

3. 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 2022 is as follows:

Date	Communication	Implementation
2022.03.15	1. Evaluation report on the design and effectiveness of the internal control system for 2021.	The chief internal auditor reported to the Audit Committee members, as well as discussing and communicating on issues raised by the Committee members.
	2. 2021 "Statement of Internal Control System".	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 November 11, 2021 to February 28, 2022.	The chief internal auditor reported to the Audit Committee members, as well as discussing and communicating on issues raised by the Committee members.
2022.05.13	1. Implementation report of internal audit from March 15, 2022 to April 30, 2022.	The chief internal auditor reported to the Audit Committee members, as well as discussing and communicating on issues raised by the Committee members.

Date	Communication	Implementation
2022.08.12	1. Implementation report of internal audit from May 13, 2022 to July 31, 2022.	The chief internal auditor reported to the Audit Committee members, as well as discussing and communicating on issues raised by the Committee members.
2022.11.11	1. Implementation report of internal audit from August 12, 2022 to October 31, 2022.	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 2022 is as follows:

Date	Communication	Implementation
2022.03.15	Report on the audit results of consolidated and individual financial reports for 2021.	The CPAs attended the Audit Committee meeting to discuss and communicate on issues raised by the Committee members
2022.05.13	The review process and situation report of the consolidated financial statements for the first quarter of 2022.	The CPAs attended the Audit Committee meeting to discuss and communicate on issues raised by the Committee members
2022.08.12	The review process and situation report of the consolidated financial statements for the second quarter of 2022.	The CPAs attended the Audit Committee meeting to discuss and communicate on issues raised by the Committee members
2022.11.11	1. The review process and situation report of the consolidated financial statements for the third quarter of 2022.	The CPAs attended the Audit Committee meeting to discuss and communicate on issues raised by the Committee

	2. The CPA communicates with the corporate governance unit for the planning matters of the 2022 audit operations and the key audit matters in the new audit report.	members
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(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 defined and disclosed the Corporate Governance Code of Practice on Public Information Observatory and the Investor Relations section of the Company's website in accordance with the "Code of Practice for Listed OTPEs"(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	✓		(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,	

Evaluation item	Implementation status			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
shareholders?			managerial officers, and shareholders holding more than 10% of the total shares).	
(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.	
(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.	

Evaluation item	Implementation status			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
<p>III. Composition and responsibilities of the Board of Directors</p> <p>(I) Does the Board have diversified policies, specific management objectives and implementation?</p>	✓		<p>(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.</p> <p>1. 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:</p> <p>(1) Basic conditions and values: Gender, age, nationality, culture, etc.; the ratio of women directors is recommended to reach one-third of the total number of directors.</p> <p>(2) Professional knowledge and skills: Professional backgrounds (such as law, accounting, industry, finance, marketing, or technology), professional skills and industry experience, and so on.</p> <p>2. The members of the Board shall generally possess the knowledge, skills, and attainment necessary to perform their duties. To achieve the goals of corporate governance, the Board of Directors on the whole shall possess the ability to make</p>	<p>In compliance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.</p>

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?	✓		operational judgments, ability to perform accounting and financial analysis, ability to conduct management administration, ability to conduct crisis management, knowledge of the industry, an international market perspective, ability to lead, and ability to make policy decisions. 3. Please refer to page 26 of this annual report for details of the Company's diversity policy for the Board of Directors, specific management objectives and their implementation status. 4. Regarding the diversified policy on the Board members has been disclosed on the Company website and Market Observation Post System (MOPS).	In compliance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies. In compliance with the Corporate Governance Best
(III) Does the Company establish standards to measure the performance of the Board and	✓		(II) In addition to setting up the Remuneration Committee and Audit Committee, the Company's corporate governance is implemented under the responsibility of each department. Other functional committees will be set up as required after discussion by the Board of Directors. (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	

Evaluation item	Implementation status			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
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?			<p>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 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> <ol style="list-style-type: none"> (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 	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>There are a total of 45 measurement indicators</p> <p>2. The performance evaluation of the "Board members" covers six aspects:</p> <ul style="list-style-type: none"> (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 <p>There are a total of 23 measurement indicators</p> <p>3. The performance evaluation of the "Audit Committee" covers five aspects:</p> <ul style="list-style-type: none"> (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 <p>There are a total of 22 measurement indicators</p> <p>4. The performance evaluation of the "Remuneration Committee" covers five aspects:</p> <ul style="list-style-type: none"> (1) Involvement in the Company's operations 	

Evaluation item	Implementation status			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
			<p>(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</p> <p>There are a total of 19 measurement indicators</p> <p>5. The Company's 2022 Board performance self-evaluation began at the end of December 2022. The deliberative unit of the Chairman's Office provided the questionnaires according to the Rules. The questionnaire was distributed at the end of December 2022 and analyzed by the above methods. The 2022 Board performance evaluation results are as follows:</p> <p>(1) The average self-evaluation score of the Board of Directors' performance evaluation is 92.79 points (2) The average self-evaluation score of the Board members' performance evaluation is 94.76 points (3) The average self-evaluation score of the Audit Committee's performance evaluation is 95.83 points (4) The average self-evaluation score of the Remuneration Committee's performance evaluation is 95.96 points</p> <p>6. There are no significant improvement items in the performance evaluation of the Company's "Board of Directors," "Audit</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>Committee" and "Remuneration Committee" in 2022.</p> <p>Future optimization direction: Plan directors' professional development courses according to the overall needs of the Company to assist directors in fulfilling their functions.</p> <p>7. The performance evaluation results were reported on the Board of Directors and functional committees on March 27, 2023. After the report by the Board of Directors, the method and the results of the evaluation were disclosed to the investor area of the Company's 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</p>	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	
			evaluation items meet the standards and they are qualified to serve as the Company's CPAs.	
<p>IV. Whether the listed company allocates appropriate and appropriate number of corporate governance personnel and designates the corporate governance supervisor to be responsible for corporate governance related matters (including but not limited to providing directors, supervisors to perform business information, assist directors, supervisors to comply with law, conduct board meetings and shareholders' meetings according to law (Meeting related matters, production</p>	✓		<p>The Board of Directors of the Company adopted the resolution on March 15, 2022, and established the post of Corporate Governance Officer, which was concurrently held by the Company's Chief Financial Officer, to protect the rights and interests of shareholders and strengthen the functions of the Board of Directors. Later, on July 31, 2022, due to personal career planning, on August 12, 2022, a resolution of the Board of Directors was adopted, and Li-Mien Weng, Manager of the Finance Department, was appointed as the Corporate Governance Officer of the Company. Li-Mien Weng, Manager of the Finance Department, has served as a financial supervisor of a listed company for more than three years, and her qualifications are in compliance with the law.</p> <p>The main duties of the Corporate Governance Officer are to handle matters related to the meetings of the Board of Directors and Shareholders' Meetings according to the laws, prepare the minutes of the Board of Directors meetings and Shareholders' Meetings, assist directors in taking office and continue their education and training, provide directors with</p>	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																		
of board of directors and shareholders' meeting minutes, etc.)?			<p>information needed to perform their duties, and assist directors in complying with laws and regulations, etc. According to the laws and regulations, after the Board of Directors approves the appointment (August 12, 2022), the Corporate Governance Officer must complete an 18-hour training course within one year after the appointment. By the end of 2022, Li-Mien Weng, the Corporate Governance Officer of the Company, had completed an 18-hour training course for the newly appointed corporate governance offices, the contents of which are as follows:</p> <table border="1"> <thead> <tr> <th colspan="2">Training date</th> <th rowspan="2">Organizer</th> <th rowspan="2">Course name</th> <th rowspan="2">Training hours</th> </tr> <tr> <th>Start</th> <th>End</th> </tr> </thead> <tbody> <tr> <td>2022/8/25</td> <td>2022/8/25</td> <td>Taipei Exchange</td> <td>Conference on Insider Equity for TPEX-Listed and Emerging Stock Companies</td> <td>3</td> </tr> <tr> <td>2022/9/29</td> <td>2022/9/29</td> <td>Taipei Exchange</td> <td>2022 TPEX-Listed Companies - Release of Reference Guidelines for Independent Directors and Audit Committees to</td> <td>3</td> </tr> </tbody> </table>	Training date		Organizer	Course name	Training hours	Start	End	2022/8/25	2022/8/25	Taipei Exchange	Conference on Insider Equity for TPEX-Listed and Emerging Stock Companies	3	2022/9/29	2022/9/29	Taipei Exchange	2022 TPEX-Listed Companies - Release of Reference Guidelines for Independent Directors and Audit Committees to	3	
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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				
					Exercising Powers and Conference for Directors and Supervisors		
			2022/10/25	2022/10/26	Securities & Futures Institute	Practical Seminar for Directors and Supervisors (Including Independent Directors) and Corporate Governance Officers - Taipei Class	12
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?	✓		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.			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							
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Evaluation item	Implementation status			Description	Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No			
				<p>institutional investors.</p> <p>7. Hold regular face-to-face communication meetings and teleconferences with domestic and foreign institutional investors.</p>	
			<p>Employees</p> <p>Labor relations/occupational health and safety/non-discrimination/equality</p>	<p>Contact person: Ms. Wang, Human Resource 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 	

Evaluation item	Implementation status			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof						
	Yes	No	Description							
			<table border="1"> <tr> <td></td> <td></td> <td> 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. </td> </tr> <tr> <td>Customers</td> <td>Corporate image/product and services</td> <td> Contact person: Ms. Yeh, Business Department TEL : (02)2298-1147 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 </td> </tr> </table>			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.	Customers	Corporate image/product and services	Contact person: Ms. Yeh, Business Department TEL : (02)2298-1147 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	
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Evaluation item	Implementation status			Description	Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No			
				<p>in production and sales meetings from time to time.</p> <p>3. The sales personnel frequently conduct customer interviews to understand customer product line requirements and provide customers with comprehensive business services.</p> <p>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 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</p>	

Evaluation item	Implementation status			Description	Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No			
				<p>contact channel for customer communication, complaints, and suggestions.</p> <p>Contact person: Ms. Hsieh, Production Management Section TEL : (02)2298-1147</p> <ol style="list-style-type: none"> 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. 2. Strengthen employees' awareness of confidentiality in regard to manufacturer information to keep trade secrets. 3. There is a supplier service contact person, phone number, and e-mail box on the Company webpage as the 	

Evaluation item	Implementation status			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof			
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VI. Does the Company appoint a professional stock affairs agency to deal with the affairs of the Shareholders Meeting?	✓		The Company has appointed the Taishin Securities Co., Ltd. Stock Transfer Agency Department 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 the Company's financial standing and corporate governance status?	✓		(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 implementation. Website: http://www.sinmag.com.tw/	In compliance with the Corporate 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	✓		(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	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	
<p>a spokesperson system, and webcasting investor conferences)?</p> <p>(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?</p>		✓	<p>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.</p> <p>(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.</p>	<p>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</p>

Evaluation item	Implementation status			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
				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 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>(I) Employee rights and employee wellness</p> <ol style="list-style-type: none"> 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 	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	
			<p>reserve fund.</p> <p>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.</p> <p>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.</p> <p>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> <p>(II) Investor relations The Company upholds the principle of fairness and openness to all</p>	

Evaluation item	Implementation status			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
			<p>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 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</p>	

Evaluation item	Implementation status			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
			<p>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 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 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</p>	

Evaluation item	Implementation status			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof												
	Yes	No	Description													
			<p>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.</p> <p>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 border="1"> <thead> <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> </thead> <tbody> <tr> <td>Director Shun-Ho Hsieh</td> <td>2022/12/23</td> <td>Taiwan Corporate Governance Association</td> <td>Corporate Governance 3.0 - Sustainable Development Blueprint</td> <td>3</td> <td>Yes</td> </tr> </tbody> </table>	Title Name	Training date	Organizer	Course	Training hours	Whether the course meets the requirements (Note)	Director Shun-Ho Hsieh	2022/12/23	Taiwan Corporate Governance Association	Corporate Governance 3.0 - Sustainable Development Blueprint	3	Yes	
Title Name	Training date	Organizer	Course	Training hours	Whether the course meets the requirements (Note)											
Director Shun-Ho Hsieh	2022/12/23	Taiwan Corporate Governance Association	Corporate Governance 3.0 - Sustainable Development Blueprint	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						
				2022/12/23	Taiwan Corporate Governance Association	How the Board of Directors Should Supervise ESG Risks and Construct Competitiveness in Sustainability for Enterprises	3	Yes	
			Director Yu-Chuan Chang	2022/12/23	Taiwan Corporate Governance Association	Corporate Governance 3.0 - Sustainable Development Blueprint	3	Yes	
				2022/12/23	Taiwan Corporate Governance Association	How the Board of Directors Should Supervise ESG Risks and Construct Competitiveness in Sustainability for Enterprises	3	Yes	
			Director Shu-Chuan	2022/12/23	Taiwan Corporate Governance Association	Corporate Governance 3.0 - Sustainable	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					
			Hsiao		Development Blueprint			
				2022/12/23	Taiwan Corporate Governance Association	How the Board of Directors Should Supervise ESG Risks and Construct Competitiveness in Sustainability for Enterprises	3	Yes
				2022/09/29	Taiwan Stock Exchange and Taipei Exchange	2022 Release of Reference Guidelines for Independent Directors and Audit Committees to Exercising Powers and Conference for Directors and Supervisors	3	Yes
				2022/08/25	Taipei Exchange	Conference on Insider Equity for TPEX-Listed and Emerging	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			
					Stock Companies	
			2022/07/27	Taiwan Stock Exchange and Taipei Exchange	Industry-Themed Conference on Sustainable Development Roadmap	2 Yes
			2022/12/23	Taiwan Corporate Governance Association	Corporate Governance 3.0 - Sustainable Development Blueprint	3 Yes
		Director Jui-Jung Chang	2022/12/23	Taiwan Corporate Governance Association	How the Board of Directors Should Supervise ESG Risks and Construct Competitiveness in Sustainability for Enterprises	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						
			Independent Director Huei-Wang Huang	2022/12/23	Taiwan Corporate Governance Association	Corporate Governance 3.0 - Sustainable Development Blueprint	3	Yes	
			Independent Director Shih-Hung Chan	2022/12/23	Taiwan Corporate Governance Association	How the Board of Directors Should Supervise ESG Risks and Construct Competitiveness in Sustainability for Enterprises	3	Yes	
			Independent Director Huei-Wang Huang	2022/12/23	Taiwan Corporate Governance Association	Corporate Governance 3.0 - Sustainable Development Blueprint	3	Yes	
			Independent Director Shih-Hung Chan	2022/12/23	Taiwan Corporate Governance Association	How the Board of Directors Should Supervise ESG Risks and Construct Competitiveness in	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																			
			<table border="1"> <tr> <td></td> <td></td> <td></td> <td>Sustainability for Enterprises</td> <td></td> <td></td> </tr> <tr> <td rowspan="2">Independent Director San-Chien Tu</td> <td>2022/12/23</td> <td>Taiwan Corporate Governance Association</td> <td>Corporate Governance 3.0 - Sustainable Development Blueprint</td> <td>3</td> <td>Yes</td> </tr> <tr> <td>2022/12/23</td> <td>Taiwan Corporate Governance Association</td> <td>How the Board of Directors Should Supervise ESG Risks and Construct Competitiveness in Sustainability for Enterprises</td> <td>3</td> <td>Yes</td> </tr> </table>					Sustainability for Enterprises			Independent Director San-Chien Tu	2022/12/23	Taiwan Corporate Governance Association	Corporate Governance 3.0 - Sustainable Development Blueprint	3	Yes	2022/12/23	Taiwan Corporate Governance Association	How the Board of Directors Should Supervise ESG Risks and Construct Competitiveness in Sustainability for Enterprises	3	Yes	
			Sustainability for Enterprises																			
Independent Director San-Chien Tu	2022/12/23	Taiwan Corporate Governance Association	Corporate Governance 3.0 - Sustainable Development Blueprint	3	Yes																	
	2022/12/23	Taiwan Corporate Governance Association	How the Board of Directors Should Supervise ESG Risks and Construct Competitiveness in Sustainability for Enterprises	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</p>																			

Evaluation item	Implementation status			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
			<p>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 The Company has taken out liability insurance for all directors with</p>	

Evaluation item	Implementation status			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
			an insured amount of US\$7 million. The insurance coverage period is from February 1, 2023 to February 1, 2024, and it has been submitted to the Board meeting on March 27, 2023 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 report the remuneration received by the directors at the annual shareholders' meeting, including the remuneration policy, the content and amount of individual remuneration?	No	The Company does not currently report the remuneration received by the directors at the annual shareholders' meeting, including the remuneration policy, the content and amount of individual remuneration.		
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 arrange for more than half of the directors and the conveners of the Audit Committee to attend the 2023 Annual Shareholders' Meeting and disclose the attendance list in the minutes.		
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	The current Chairman of the Board of Directors and the President of the Company are the same person. In order to establish a good corporate governance structure, more than half of the directors are not employees or managers at present.		

Evaluation item	Implementation status			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
			In addition, 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.	
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 such as Nominating Committee, Risk Management Committee or Sustainability Committee 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	It is currently under evaluation.	
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, and report to the Board of Directors at least once a year?		No	It is currently under evaluation.	
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		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	
years and has it carried out the evaluation and been evaluated in the year of assessment or the previous two years, and disclosed the implementation status and evaluation results on the Company website or the annual report?				
Does the Company have a corporate governance director to be responsible for corporate governance-related matters, and explain the scope of authority and continuing education status 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	External performance evaluation of the Board is currently under evaluation.	
Has the company established an information security risk management framework, formulated information security policies, specific management plans and invested resources in information security management, and disclosed them on the Company website or annual report? (If the company has introduced ISO27001, CNS27001, or other information security management systems or standards with equivalent or higher effect and obtained third-party verification, an additional point will be added to the total score.)		No	Currently, there is no proper manpower and resources for timely execution.	
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 company has introduced Taiwan		No	Currently, there is no proper manpower and resources to perform this task.	

Evaluation item	Implementation status			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
Intellectual Property Management System (TIPS), ISO56005 or similar intellectual property management system standards and obtained third-party verification, an additional point will be added to the total score.)				
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'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 English corporate website that contains information related to finance, business, and corporate governance?	No		Currently, there is no proper manpower and resources to perform this task.	
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	Yes		The Company held an investor conference on April 13, 2023.	

Evaluation item	Implementation status			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
once a quarter or is held to address each quarter's operating conditions, an additional point will be added to the total score.)				
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 sustainable development, 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 the Board of Directors is in charge of supervising the promotion of sustainable development, 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 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 compile and upload the sustainability report to the Market Observation Post System (MOPS) and the Company website before the end of September under the GRI Standards published by	No		The Company has not yet prepared a sustainability report.	

Evaluation item	Implementation status			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
the Global Reporting Initiative (GRI) for the preparation of reports? (If the sustainability report discloses relevant ESG information with reference to the SASB guidelines, an additional point will be added to the total score.)				
Does the Company obtain third-party verification for the sustainability report?	No		The Company has not yet prepared a sustainability 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.	
Has the Company uploaded the English version of the Sustainability Report onto the Market Observation Post System (MOPS) and the Company website?	No		The Company has not yet prepared a sustainability report.	
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, including reduction targets, promotion measures and achievement status, etc.?	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.	

Evaluation item	Implementation status			Description	Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No			
Does the Company formulate and disclose in detail the whistleblowing 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, annual report or sustainability 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 a sustainability report but plans to do so in compliance with regulations of the competent authority in the future.	
Does the company disclose information on corporate governance, strategy, risk management, metrics and targets for climate-related risks and opportunities under the framework of Task Force on Climate-Related Financial Disclosures (TCFD)?	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 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.	

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: No CPA has provided audit service to the Company for seven consecutive years. Before the Company's public offering:	Yes	Yes

	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). If a company has set up a remuneration committee, it should disclose its composition, duties and operation:

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.

(1) Information on Members of the Remuneration Committee

May 15, 2023

Qualification		Professional qualifications and experience	Independence criteria	Number of other public companies where the individual concurrently serves as a remuneration committee member
Title	Name			
Independent Director (Convenor)	Shih-Hung Chan	Please refer to page 18 of Directors' Information (2) related content.		0
Independent Director	Huei-Wang Huang			0
Independent Director	San-Chien Tu			0

(2) Implementation of the Remuneration Committee

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

B. The term of the current Committee members: May 31, 2022 - May 30, 2025.

In the most recent year (2022), the Remuneration Committee held six meetings (A). The attendance record of members is as follows:

Title	Name	Attendance in person (B)	By proxy	Attendance rate (%) (B/A)	Remarks
Convenor	Shih-Hung Chan	6	0	100%	Re-elected on May 31, 2022

Member	Huei-Wang Huang	6	0	100%	Re-elected on May 31, 2022
Member	San-Chien Tu	6	0	100%	Re-elected on May 31, 2022
(A) The Remuneration Committee held six meetings in 2022.					
(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
2022.03.15 14th meeting of the Fourth Term (1st meeting of 2022)	1. The distribution proposal of the Company's 2021 employee compensation and director compensation. 2. Adjustment of the Company's organization and personnel promotion.	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.
2022.05.13 15th meeting of the Fourth Term (2nd meeting of 2022)	The distribution proposal of the Company's individual director's compensation and managerial officers' employee compensation for 2021.	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.

2022.05.31 1st Meeting of the Fifth Term (3rd meeting of 2022)	Election of the convener of the fifth term of Remuneration Committee.	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.
2022.06.10 2nd Meeting of the Fifth Term (4th meeting of 2022)	1. The remuneration of the President of the Company and the amount of the budget for the company car for the President. 2. The travel expenses and expenses for performing business duties for the members of the Board of Directors of the Company.	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.
2022.08.12 3rd Meeting of the Fifth Term (5th meeting of 2022)	The change of personnel and promotion of the Company's financial manager, accounting manager, spokesperson, corporate governance manager.	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.
2022.12.23 4th meeting of the Fifth Term (6th meeting of 2022)	The Company's 2022 year-end bonus distribution proposal for the 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.

(3) Information on the member of Nominating Committee and its operation: The Company does not have a Nominating Committee.

(V). Implementation of the Promotion of Sustainable Development and the Circumstances and Reasons for Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies

Promoted items	Implementation status			Circumstances and reasons for deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Description	
I. Does the company have a governance structure that promotes sustainable development, and has a dedicated (part-time) job unit that promotes sustainable development, which is authorized by the Board of Directors to the senior management and supervised by the Board of Directors?	✓		I. Adopted by the Board of Directors of the Company on May 4, 2012, the Human Resource Department was designated to promote the corporate social responsibility unit and report to the Board of Directors.	In compliance with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies.
II. 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	✓		II. In accordance with the internal "Sustainable Development Best Practice Principles," the Company pays attention to environmental, social, and corporate governance factors while pursuing sustainable operation and profits, and incorporates them into the Company's management policies and operational activities.	In compliance with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies.

Promoted items	Implementation status			Circumstances and reasons for deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Description	
management policies or strategies?				
III. Environmental issues				
(I) Does the company establish an appropriate environmental management system based on its industrial characteristics?	✓		(I) The Company regularly propagates green energy-related 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.	In compliance with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies.
(II) Is the company committed to increasing energy efficiency and using recycled 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 Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies.
(III) Does the company evaluate the current and future	✓		(III) In carrying out its day-to-day operational activities, the Company is mindful of the risks that may arise from climate	In compliance with the Sustainable Development Best

Promoted items	Implementation status			Circumstances and reasons for deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Description	
<p>potential risks and opportunities of climate change, and take countermeasures to respond to climate-related issues?</p> <p>(IV) Does the company conduct 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?</p>	✓		<p>change and, where necessary, responds to them.</p> <p>(IV) In accordance with the "Sustainable Development Best Practice Principle," the Company has implemented management measures for energy saving and carbon reduction, greenhouse gas reduction, water use reduction, or other wastes.</p>	<p>Practice Principles for TWSE/TPEX Listed Companies.</p> <p>In compliance with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies.</p>
<p>IV. Social issues</p> <p>(I) Does the Company formulate appropriate management policies and procedures</p>	✓		<p>(I) The Company strictly abides by relevant government regulations, implements labor laws, and protects employees' rights and interests. In addition to the labor-management</p>	<p>In compliance with the Sustainable Development Best Practice Principles for</p>

Promoted items	Implementation status			Circumstances and reasons for deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Description	
<p>according to relevant regulations and the International Bill of Human Rights?</p> <p>(II) Does the Company formulate and implement reasonable employee benefit measures (including remuneration, vacation, and other benefits) and appropriately reflect operating performance or results in employee compensation?</p> <p>(III) Does the Company provide a healthy and safe work environment, and organize health and safety training for its employees on a regular basis?</p> <p>(IV) Does the Company establish effective career development and training plans for its</p>	<p>✓</p> <p>✓</p> <p>✓</p>		<p>meetings, employees can make suggestions and feedback through the communication platform to achieve the purpose of full communication and effective problem-solving.</p> <p>(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 matters shall be handled in accordance with relevant laws and regulations.</p> <p>(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.</p> <p>(IV) The Company provides employees with effective professional development training programs.</p>	<p>TWSE/TPEX Listed Companies.</p> <p>In compliance with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies.</p> <p>In compliance with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies.</p> <p>In compliance with the Sustainable Development Best Practice Principles for</p>

Promoted items	Implementation status			Circumstances and reasons for deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Description	
employees?				TWSE/TPEX Listed Companies.
(V) Does the Company comply with relevant regulations and international standards in issues such as customer health and safety, customer privacy, marketing and labeling of products and services, and formulate relevant consumer or customer protection policies and complaint procedures?	✓		(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 Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies.
(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 Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies.

Promoted items	Implementation status			Circumstances and reasons for deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Description	
V. Does the company refer to the internationally accepted reporting standards or guidelines for the preparation of reports that disclose the company's non-financial information, such as a sustainability report? 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
<p>VI. If the company has established its own sustainable development principles based on the "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies," please 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 Company has formulated the "Sustainable Development Practice Principles" to strengthen the implementation of corporate social responsibility and incorporate it into the the management and operation of the Company. The Company has regularly reviewed the implementation status by the principles and made improvements accordingly. There has been no difference in implementation so far.</p>				
<p>VII. Other important information that helps to understand the Company's facilitation of sustainable development implementation:</p> <p>1. Environmental protection In order to fulfill the social responsibility of protecting the global environment, the Company does not use any environmentally polluting substances</p>				

Promoted items	Implementation status			Description	Circumstances and reasons for deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies				
	Yes	No							
				<p>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.</p> <p>2. Community participation, social contribution, social services, and social welfare</p> <p>The Company is enthusiastic about social welfare, and can immediately make donations to disadvantaged groups in need through professional institutions.</p> <p>The Company's donations in 2022 are as follows:</p> <table border="1"> <thead> <tr> <th>Donated Unit</th> <th>Donation Amount</th> </tr> </thead> <tbody> <tr> <td>Eden Social Welfare Foundation (Eden Bakery & Cafe/Eden Canaan Garden), Children Are Us Foundation, Taitung Mind Farm Intellectual Development Center, Yu-Cheng Social Welfare Foundation (Zhongxiao Sheltered Workshop), Maria Social Welfare Foundation (Taichung Love Home), Penghu County Care Service Association, Yunlin County Women's Shelter Association, Youth Care and Shelter Services Center in Kaohsiung, Sino-foreign Biscuit Shepherd's Workshop, Taoyuan Municipal Taoyuan Special School Foundation, and 1919 Food Bank (Chinese Christian Relief Association)</td> <td>NT\$660,273</td> </tr> </tbody> </table>	Donated Unit	Donation Amount	Eden Social Welfare Foundation (Eden Bakery & Cafe/Eden Canaan Garden), Children Are Us Foundation, Taitung Mind Farm Intellectual Development Center, Yu-Cheng Social Welfare Foundation (Zhongxiao Sheltered Workshop), Maria Social Welfare Foundation (Taichung Love Home), Penghu County Care Service Association, Yunlin County Women's Shelter Association, Youth Care and Shelter Services Center in Kaohsiung, Sino-foreign Biscuit Shepherd's Workshop, Taoyuan Municipal Taoyuan Special School Foundation, and 1919 Food Bank (Chinese Christian Relief Association)	NT\$660,273	
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				<p>3. Consumer rights</p> <p>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>4. Human rights and safety and health</p> <p>(1) Adhering to the business philosophy of integrity, harmony, innovation and excellence, continuous growth, and sustainable development, the</p>					

Promoted items	Implementation status			Description	Circumstances and reasons for deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No			
				<p>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> <p>(2) Provide various welfare subsidies for weddings and funerals, grants and emergency relief, annual health checks, group life insurance, and accident insurance.</p> <p>(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.</p> <p>(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.</p> <p>(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.</p> <p>(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>	

(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	
<p>I. Establishment of ethical corporate management policies and programs</p> <p>(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?</p> <p>(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</p>	<p>✓</p>	<p>✓</p>	<p>(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.</p> <p>(II) The Company has not yet established a risk evaluation mechanism for unethical conduct.</p>	<p>In compliance with the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies.</p> <p>The Company has not yet established a risk evaluation mechanism for unethical conduct.</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	
<p>cover the precautionary measures stated in Article 7, paragraph 2 of “Ethical Corporate Management Best Practice Principles for 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>	<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												
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Ethical corporate management principles	Sinmag Equipment (China) Co., Ltd.	2022	1,196													
Ethical corporate management principles	Sinmag Equipment Corporation	2022	2													
<p>II. Fulfillment of ethical corporate management</p> <p>(I) Does the Company evaluate business partners’ ethical records and include ethics-related clauses in the business contracts signed with the counterparties?</p> <p>(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</p>	<p>✓</p> <p>✓</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 terminate all activities.</p> <p>(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 2022.</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	
management policies, precautionary measures against unethical conducts, as well as supervision of implementation?				
(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 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	✓		(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 implemented the annual audit plan according to the risk assessment results.	In compliance with the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies.

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>CPAs to perform the audit?</p> <p>(V) Does the Company regularly hold an internal and external educational training on ethical corporate management?</p>	✓		(V) The Company has incorporated ethical management in the corporate culture and regularly conducts educational advocacy at various meetings for implementation.	In compliance with the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies.
<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 the relevant confidential mechanism?</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 management regulations.</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	
(III) Does the Company protect whistleblowers against receiving improper treatment?	✓		(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 Code of Conduct of Integrity established by the Company has disclosed the information observing station and the “Corporate Governance Area” of the Company's website (https://www.sinmag.com.tw/msg/message-重要公司內規-20.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:None. (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 relevant rules and regulations of the Company have been published on the Company's website under “Corporate Governance Area” (<https://www.sinmag.com.tw/msg/message-重要公司內規-20.html>) for public and shareholder enquiries.

(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: March 27, 2023

The Company hereby states the results of the self-evaluation of the internal control system for 2022 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 and response, (3) control activities, (4) information and communication, and (5) supervision. 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 December 31, 2022, 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 March 27, 2023, 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.

(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
2022.03.15 19th meeting of the Thirteenth Term (1st meeting of 2022)	<ol style="list-style-type: none"> (1) Approved the distribution proposal of the Company's 2021 employee compensation and director compensation. (2) Approved the Company's 2021 business report, financial statements, and consolidated financial statements. (3) Approved the Company's earnings distribution proposal for 2021. (4) Approved the application of the subsidiary Sinmag Equipment (China) Co., Ltd. for the initial public offering of ordinary shares denominated in CNY and listing on an overseas stock exchange (5) Approved the proposal of the Company's subsidiary Sinmag Equipment (China) Co., Ltd. to engage in capital increase out of earnings and shareholding restructuring. (6) Approved the reappointment of the legal representative, directors, supervisors and President of the Company's subsidiary Sinmag Equipment (China) Co., Ltd. (7) Approved the restructuring of the Group's organizational structure. (8) Approved the adjustment of the shareholding structure of subsidiary Sinmag Equipment (China) Co., Ltd. (9) Approved comprehensive re-election of directors and independent directors. (10) Approved the acceptance of shareholders' proposal-related matters at the 2022 Annual Shareholders' Meeting for shareholders with more than 1% of the shareholding. (11) Approved the nomination of candidates for directors

Date	Major resolutions
	<p>(including independent directors) by shareholders holding at least 1% of the issued shares.</p> <p>(12) Approved the nomination of director and independent director candidates.</p> <p>(13) Approved the proposal to lift the restrictions on non-competition for newly appointed directors and their representatives.</p> <p>(14) Approved the adjustment of the Company's organization and personnel promotion.</p> <p>(15) Approved the establishment the post of Corporate Governance Officer.</p> <p>(16) Approved the assessment of independence and competence of CPAs and the appointment and compensation of the CPAs for 2022.</p> <p>(17) Approved the renewal of the financing line from E.SUN Bank.</p> <p>(18) Approved the amendment to the Company's "Articles of Incorporation."</p> <p>(19) Approved the amendment to the Company's "Procedures for Acquisition or Disposal of Assets."</p> <p>(20) Approved the amendment to the "Rules of Procedure for Shareholders' Meetings."</p> <p>(21) Approved the amendment to the Company's "Corporate Social Responsibility Practice Principles."</p> <p>(22) Approved the amendment of the Company's "Corporate Governance Practice Principles."</p> <p>(23) Approved the effectiveness assessment of the Company's internal control system design and implementation for 2021.</p> <p>(24) Approved the 2021 "Statement of Internal Control System."</p> <p>(25) Approved the related matters concerning the convening of the Company's 2022 Annual Shareholders' Meeting.</p>
<p>2022.05.13 20th meeting of the Thirteenth Term (2nd meeting of 2022)</p>	<p>(1) Approved the Company's consolidated financial statements for the first quarter of 2022.</p> <p>(2) Approved the distribution proposal of the Company's individual director's compensation and managerial officers' employee compensation for 2021.</p> <p>(3) Approved the renewal of the financing line from Chang Hwa Commercial Bank.</p>
<p>2022.05.31 1st meeting of the Fourteenth Term (3rd meeting of 2022)</p>	<p>Approved the election of the Chairman of the 14th term of the Board of Directors of the Company.</p>
<p>2022.05.31 2nd meeting of the Fourteenth Term (4th meeting of 2022)</p>	<p>(1) Approved the reappointment of the President of the Company.</p> <p>(2) Approved the appointment of members of the 5th term of the Remuneration Committee of the Company.</p>

Date	Major resolutions
<p style="text-align: center;">2022.06.10</p> <p>3rd meeting of the Fourteenth Term (5th meeting of 2022)</p>	<ol style="list-style-type: none"> (1) Approved the capital reduction for the Company's third-place reinvestment companies, Samoa Lucky Union Limited and Sinmag Limited. (2) Approved the remuneration of the President of the Company and the amount of the budget for the company car for the President. (3) Approved the travel expenses and expenses for performing business duties for the members of the Board of Directors of the Company. (4) Approved the distribution of the Company's cash dividends-related matters. (5) Approved the reappointment of directors, supervisors and managers of each of the Company's investee companies. (6) Approved the proposal to lift the restrictions on non-competition for newly appointed managerial officers of the Company. (7) Approved the Company's subsidiary Sinmag Equipment (China) Co., Ltd. intends to engage in cash capital increase and the Company's abandonment of subscription. (8) Approved the greenhouse gas inventory of the Company and planning of verification schedule.
<p style="text-align: center;">2022.08.12</p> <p>4th meeting of the Fourteenth Term (6th meeting of 2022)</p>	<ol style="list-style-type: none"> (1) Approved the change of personnel and promotion of the Company's financial manager, accounting manager, spokesperson, corporate governance manager. (2) Approved the Company's consolidated financial statements for the second quarter of 2022. (3) Approved the reassignment of the custodian of the seal for the exclusive use of the endorsement/guarantee for the Company. (4) Approved the dismissal of Mukesh Chachan, the former Indian director of Sinmag Bakery Machine India Private Limited, and appointed Mr. Fusen Chung as the new Indian director.
<p style="text-align: center;">2022.10.17</p> <p>5th meeting of the Fourteenth Term (7th meeting of 2022)</p>	<p>Approved the application of the subsidiary Sinmag Equipment (China) Co., Ltd. for the initial public offering of ordinary shares denominated in CNY (A shares) and submission of letter of undertaking for listing in ChiNext of Shenzhen Stock Exchange.</p>
<p style="text-align: center;">2022.11.11</p> <p>6th meeting of the Fourteenth Term (8th meeting of 2022)</p>	<ol style="list-style-type: none"> (1) Approved the Company's consolidated financial statements for the third quarter of 2022. (2) Approved the formulation of the estimated earnings distribution plan for the Company's subsidiaries in 2022 and 2023. (3) Approved the amendment to the Company's "Regulations Governing the Supervision and Management of Subsidiaries." (4) Approved the application of the subsidiary Sinmag

Date	Major resolutions
	Equipment (China) Co., Ltd. for the initial public offering of ordinary shares denominated in CNY (A shares) and submission of letter of undertaking for listing in ChiNext of Shenzhen Stock Exchange.
2022.12.23 7th meeting of the Fourteenth Term (9th meeting of 2022)	<ol style="list-style-type: none"> (1) Approved the Company's 2023 operating plan and budget. (2) Approved the Company's 2023 audit plan. (3) Approved the Company's 2022 year-end bonus distribution plan for managerial officers. (4) Approved Company's 2023 donation budget. (5) Approved the renewal of the financing line from E.SUN Bank. (6) Approved the amendment to the Company's "Procedures for Handling Internal Material Information." (7) Approved the issuance of a statement of permission to use the trademark of the Company.
2023.03.15 8th meeting of the Fourteenth Term (1st meeting of 2023)	<p>Approved the application of the subsidiary Sinmag Equipment (China) Co., Ltd. for the initial public offering of ordinary shares denominated in CNY (A shares) and submission of supplementary items of undertaking for listing in ChiNext of Shenzhen Stock Exchange.</p> <p>-</p>
2023.03.27 9th meeting of the Fourteenth Term (2nd meeting of 2023)	<ol style="list-style-type: none"> (1) Approved the distribution proposal of the Company's 2022 employee compensation and director compensation. (2) Approved the Company's 2022 business report, financial statements, and consolidated financial statements. (3) Approved the Company's earnings distribution for 2022. (4) Approved the formulation of the estimated earnings distribution plan for the Company's subsidiaries in 2022. (5) Approved the lending of funds to subsidiaries by the Company. (6) Approved the newly constructed plants by the subsidiary Sinmag Equipment (China) Co., Ltd. (7) Approved the greenhouse gas inventory of the Group (including all subsidiaries) and planning of verification schedule. (8) Approved the acceptance of shareholders' proposal-related matters at the 2023 Annual Shareholders' Meeting for shareholders with more than 1% of the shareholding. (9) Approved the assessment of independence and competence of CPAs and the appointment and compensation of the CPAs for 2023. (10) Approved the formulation of the Company's "Pre-Approval Policy for Non-assurance Services Provided by

Date	Major resolutions
	<p>Certified Public Accountants."</p> <p>(11) Approved the amendment to the Company's "Procedures for Acquisition or Disposal of Assets."</p> <p>(12) Approved the amendment to the Company's "Rules of Procedures for the Board of Directors' Meetings."</p> <p>(13) Approved the amendment of the Company's "Sustainable Development Best Practice Principles."</p> <p>(14) Approved the amendment of the Company's "Corporate Governance Practice Principles."</p> <p>(15) Approved the amendment to the Company's "Financial-related Operation Standards among Affiliated Companies."</p> <p>(16) Approved the effectiveness assessment of the Company's internal control system design and implementation for 2022.</p> <p>(17) Approved the 2022 Statement of Internal Control System.</p> <p>(18) Approved the related matters concerning the convening of the Company's 2023 Annual Shareholders' Meeting.</p>
<p>2023.04.14</p> <p>10th meeting of the Fourteenth Term (3rd meeting of 2023)</p>	<p>Approved the application of the subsidiary Sinmag Equipment (China) Co., Ltd. for the initial public offering of ordinary shares denominated in CNY (A shares) and submission of amendment of items of undertaking for listing in ChiNext of Shenzhen Stock Exchange.</p>
<p>2023.05.08</p> <p>11th meeting of the Fourteenth Term (4th meeting of 2023)</p>	<p>(1) Approved 2023 first quarter consolidated financial statements.</p> <p>(2) Approved 2022 individual remuneration for directors and distribution of employee remuneration for managers.</p> <p>(3) Approved to renew the financing facilities with Chang Hwa Commercial Bank.</p> <p>(4) Approved the Amendments to the "Measures of the Supervision and Management of Subsidiaries".</p> <p>(5) Approved the proposal on the subsidiary, Sinmag Equipment (China) Co., Ltd., lease plant from related party.</p>

2. Major resolutions and implementation status of the Shareholders' Meeting on May 31, 2022

(1) Major resolutions

1. To approve the proposal for 2021 Earnings Distribution
2. To approve 2021 Business Report and Financial Statements

3. Approved the amendment to the Company's "Articles of Incorporation."
4. Approved comprehensive re-election of directors and independent directors.
5. Approved the amendment to the Company's "Procedures for Acquisition or Disposal of Assets."
6. Approved the amendment to the "Rules of Procedure for Shareholders' Meetings."
7. Adopted the Company's subsidiary, Xinmai Machinery (China) Co., Ltd., to process the initial public offering of RMB ordinary shares and application for listing on overseas stock exchanges.
8. Approved the proposal to lift the restrictions on non-competition for newly appointed directors and their representatives.

(2) Status of implementation

1. After the Company's earnings distribution proposal for 2021 was recognized by the Shareholders' Meeting, the Board of Directors convened a meeting on June 10, 2022 to set the ex-dividend record date. The shareholder's cash dividend of NT\$351,611,694 was distributed on July 22, 2022.
2. 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 11101095440 on June 7, 2022.
3. The Company has announced and uploaded the amended "Rules of Procedure for Shareholders' Meetings" and "Procedures for Acquisition or Disposal of Assets" to MOPS and handled them in accordance with the amended procedures.
4. The application of the subsidiary Sinmag Equipment (China) Co., Ltd. for the initial public offering of ordinary shares denominated in CNY and listing on an overseas stock exchange has been implemented in accordance with the resolution.
5. An announcement regarding the lifting of restrictions on non-competition for directors Shun-Ho Hsieh, Yao-Tsung Wu, Jui-Jung Chang, Ming-Ching Hsieh, Yu-Chuan Chang, and San-Chien Tu have been uploaded and posted.

3. Major resolutions and implementation status of the Shareholders' Meeting on August 13, 2021

(1) Major resolutions

1. Recognized the earnings distribution for 2020.
2. Recognized the 2020 business report and financial statements.
3. Approved the amendment to the "Rules of Procedure for Shareholders' Meetings."
4. Approved the amendment to the "Procedures for Election of Directors."

(2) Status of implementation

1. After the Company's earnings distribution proposal for 2020 was recognized by the Shareholders' Meeting, the Board of Directors convened a meeting on August 13, 2021 to set the ex-dividend record date. The shareholder's cash dividend of NT\$341,063,343 was distributed on September 6, 2021.
2. The Company has announced and uploaded the amended "Rules of Procedure for Shareholders' Meetings" and "Procedures for Election of Directors" to MOPS and handled them in accordance with the amended procedures.

(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:

May 15, 2023

Title	Name	Date of appointment	Date of dismissal	Reasons for resignation or dismissal
Chief Financial Officer	Yu-Tung Huang	2005/5/16	2022/7/31	Resignation

(XIV). Relevant licenses specified by the competent authority received by the Company's personnel-related to financial information transparency: The company and the financial information of the relevant personnel, obtain the relevant license specified by the competent authorities: the company's audit department obtained one international internal auditor (CIA) license and a subsidiary of Thailand financial accountant obtained one accountant certificate.

IV. Information on CPA Professional Fees

Unit: NT\$ thousand

CPA Firm	Name of CPA	CPA audit period	Audit fee	Non-audit fee	Total	Remarks
Deloitte & Touche	Chiang-Hsun Chen	2022.01.01 ~	3,960	774	4,734	Note
	Chao-Mei Chen	2022.12.31				

Note: The Company's audit fees for 2022 were NT\$3,960 thousand, including NT\$270 thousand for the issuance of the English financial statements reports. Other non-audit fees include NT\$290 thousand for tax compliance audit, NT\$300 thousand for transfer pricing reports, NT\$30 thousand for tax consultation, and NT\$154 thousand for financial typing and printing expenses, etc.

- (I) 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.
- (II) 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: None.

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

April 21, 2023; Unit: Shares

Title	Name	2022		Current year as of April 21, 2023	
		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	Ming-Ching Hsieh	100,000	0	0	0
Director and Vice President	Shu-Chuan Hsiao (Note 1)	0	0	0	0
Director	Yung-Chen Chen (Note 2)	0	0	Not applicable	Not applicable
Director	Yu-Chuan Chang	0	0	0	0
Independent Director	Shih-Hung Chan	0	0	0	0
Independent Director	Huei-Wang Huang	0	0	0	0
Independent Director	San-Chien Tu	0	0	0	0
Chief Financial Officer	Yu-Tung Huang (Note 3)	0	0	Not applicable	Not applicable
Manager of Finance Department	Yi-Wen Chen (Note 4)	0	0	0	0
Director, Sales & Marketing Division I	Chih-Hsien Chen	0	0	0	0
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

Title	Name	2022		Current year as of April 21, 2023	
		Shareholding increase (decrease)	Pledged shares increase (decrease)	Shareholding increase (decrease)	Pledged shares increase (decrease)
Manager, Overseas Business Department	Tzu-Chien Chang (Note 5)	0	0	Not applicable	Not applicable
Audit Manager	Shu-Yuan Li	0	0	0	0
Manager, Human Resources Department	Zhi-Wei Hong (Note 6)	0	0	Not applicable	Not applicable

Note 1: Shu-Chuan Hsiao took office on March 15, 2022 as the Vice President of the President's Office, and on May 31, 2022 as director.

Note 2: Director Yung-Chen Chen was dismissed on May 31, 2022.

Note 3: Yu-Tung Huang, the Chief Financial Officer, resigned on July 31, 2022.

Note 4: Yi-Wen Chen, the Manager of Finance Department, took office on August 12, 2022.

Note 5: Transferred to the subsidiary Sinmag Equipment (China) Co., Ltd. on January 1, 2022.

Note 6: Transferred to the subsidiary Sinmag Equipment (China) Co., Ltd. on February 1, 2022.

- (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.

April 21, 2023; 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
	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Name -	Relation	
Sheng Chia Investment Co., Ltd.	3,167,545	6.31%	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	1,278,869	2.55%	0	0%	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	2,112,980	4.21%	90,382	0.18%	0	0%	Shun-Ho Hsieh	Father and son	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
	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Name -	Relation	
								Li-Min Hsieh Chen	
							Ming-Feng Hsieh	Brother	
							Ming-Hsiao Hsieh	Brother	
							Sheng Chia Investment Co., Ltd.	Invested companies	
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
Ming-Hsiao Hsieh	1,278,869	2.55%	0	0%	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	1,343,680	2.68%	0	0%	0	0%	Shun-Ho Hsieh	Father and son	None
							Ming-Ching Hsieh	Brother	
							Ming-Hsiao Hsieh	Brother	

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
	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Name -	Relation	
							Hsieh		
							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	
Kuo-Hung Lu	801,000	1.59%	0	0%	0	0%	None	None	None
Dian Chiang Chia Investment Co., Ltd.	670,000	1.33%	0	0%	0	0%	None	None	None
Representative of Dian Chiang Chia Investment Co., Ltd.: Ching-Sung Chen	600,000	1.19%	0	0%	0	0%	None	None	None

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
Dian Chiang Chia Investment Co., Ltd.	Ching-Sung Chen	Ching-Sung Chen, Yi-Pu Chen

Major shareholders where legal persons are the major shareholders: April 21, 2023; %

Name of the legal person	Major shareholders of a legal person	Shareholding ratio
Dian Chiang Chia Investment Co., Ltd.	Ching-Sung Chen	87.55%
	Yi-Pu Chen	5.80%

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, 2023; Unit: Shares ; %

Invested company	Investment by the Company		Investment by directors, managers, and by companies directly or indirectly controlled by the Company		Total investment	
	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio
Lucky Union Limited	3,000,549	100%	0	0%	3,000,549	100%
Sinmag Equipment (Thailand) Co., Ltd.	20,600,000	96.39%	0	0%	20,600,000	96.39%
LBC Bakery Equipment Inc.	910,682	93.82%	0	0%	910,682	93.82%
Sinmag Limited	3,000,549	100%	0	0%	3,000,549	100%
Sinmag Equipment (China) Co., Ltd.	0	96.39%	0	0.43%	0	96.82%
Wuxi New Order Control Co., Ltd.	0	48.20%	0	0%	0	48.20%
Sinmag Bakery Equipment Sdn. Bhd.	300,000	96.39%	0	0%	300,000	96.39%
LBC Bakery Equipment Inc.	8,926,601	100%	0	0%	8,926,601	100%
Sinmag Bakery Machine India Private Limited	0	100%	0	0%	0	100%

Chapter IV. Capital Overview

I. Capital and Shares

(I) Sources of capital

May 15, 2023; Unit: NT\$ thousands; thousand shares

Month/Year	Issue price	Authorized capital		Paid-in capital		Remarks		
		Number of shares	Amount	Number of 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, 2023; Unit: 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

(II) Shareholder structure April 21, 2023; Unit: Shares; Persons

Shareholder structure Quantity	Government agencies	Financial institutions	Other institutional shareholders	Domestic natural persons	Foreign institutions and natural persons	Total
Number of participants	0	9	141	15,556	81	15,787
Shareholdings	0	96,932	5,229,809	41,760,184	3,143,317	50,230,242
Shareholding ratio	0.00%	0.19%	10.41%	83.14%	6.26%	100.00%

(III) Shareholding Distribution Status

1. Ordinary Shares:\$10 per share

April 21, 2023; Unit: Shares; Persons

Range of shareholding	Number of shareholders	Shareholdings	Shareholding ratio (%)
1 ~ 999	8,972	427,423	0.85%
1,000 ~ 5,000	5,641	10,351,276	20.61%
5,001 ~ 10,000	590	4,475,104	8.91%
10,001 ~ 15,000	222	2,856,302	5.69%
15,001 ~ 20,000	111	1,991,222	3.96%
20,001 ~ 30,000	93	2,322,413	4.62%
30,001 ~ 40,000	40	1,402,009	2.79%
40,001 ~ 50,000	32	1,430,496	2.85%
50,001 ~ 100,000	43	3,133,388	6.24%
100,001 ~ 200,000	24	3,274,753	6.52%
200,001 ~ 400,000	8	2,131,780	4.24%
400,001 ~ 600,000	1	600,000	1.19%
600,001 ~ 800,000	1	670,000	1.33%
800,001 ~ 1,000,000	1	801,000	1.60%
Over 1,000,001	8	14,363,076	28.60%
Total	15,787	50,230,242	100.00%

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

- (IV) 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%.

April 21, 2023; Unit: Shares; %

Name of major shareholder	Shareholdings (shares)	Shareholding ratio (%)
Sheng Chia Investment Co., Ltd.	3,167,545	6.31%
Shun-Ho Hsieh	2,211,267	4.40%
Ming-Ching Hsieh	2,112,980	4.21%
Yao-Tsung Wu	1,788,616	3.56%
Pi-Yu Jen	1,459,555	2.91%
Ming-Feng Hsieh	1,343,680	2.68%
Ming-Hsiao Hsieh	1,278,869	2.55%
Li-Min Hsieh Chen	1,000,564	1.99%
Kuo-Hung Lu	801,000	1.59%
Dian Chiang Chia Investment Co., Ltd.	670,000	1.33%

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

April 21, 2023

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
Dian Chiang Chia Investment Co., Ltd.	Ching-Sung Chen, Yi-Pu Chen

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

Unit: NT\$

Item		Year		As of May 15, 2023 (Note 2)	
		2021	2022		
Market price per share	Highest	115.00	110.00	122.50	
	Lowest	84.20	82.10	87.50	
	Average	103.01	97.25	105.93	
Net worth per share	Before distribution	47.84	51.55	47.95	
	After distribution	40.84	45.55 Note 1	-	
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 Note 1	50,230,242
	Earnings per share	Before retroactive adjustment	10.16	6.70	2.31
		After retroactive adjustment	10.16	6.70 Note 1	2.31
Dividends per share	Cash dividends (\$)		7.00	6.00 Note 1	-
	Stock dividends	Dividends from retained earnings (share)	0	0	-
		Dividends from capital surplus	0	0	-
	Accumulated undistributed dividends		0	0	-

Return on Investme nt	Price/earnings ratio	10.14	14.51	-
	Price/dividend ratio	14.72	16.21	-
	Cash dividend yield rate	6.80%	6.17%	-

Note: 1. The earnings distribution for 2022 has been approved by the Board of Directors at March 27th, 2023.

Note: 2. Net Worth per Share and Earnings per Share present the data reviewed by CPAs for the first quarter of 2023. Other columns present the data from the year up to May 15th, 2023.

(VII) The 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 amount of 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 surplus, together with the opening retained surplus (including adjustment of the retained surplus amount), shall be proposed by the Board of Directors with a surplus distribution proposal, and the shareholders' meeting shall propose the resolution of appropriation of the dividends. When the Company sets aside the special surplus reserve according to the law, the amount of the "net increase in the fair value of investment real estate accumulated in the previous period" and the "net decrease in other equity accumulated in the previous period" shall be deducted prior to the distribution of earnings. The special surplus reserve of the same amount is withdrawn from the undistributed surplus of the previous period. If there is still insufficient, the current after-tax net profit is added to the current after-tax net profit and the items other than the current after-tax net profit are included in the undistributed surplus of the current period.

Pursuant to Article 240 of the Company Act, the Company authorizes the Board of Directors to distribute cash dividends from the statutory surplus and capital reserves in accordance with Article 241 of the Company Act by resolution adopted by a majority in a meeting attended by two-thirds or more of the Directors, and the distribution shall then be reported to the shareholders' meeting.

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 2022 was proposed and approved by the Board of Directors on March 27, 2023 to distribute NT\$301,381,452 as cash dividends at NT\$6 per share, all distributed in cash. The proposal will be submitted to the Shareholders' Meeting for ratification on June 19, 2023.

3. Expected major changes in dividend policy: None.

(VIII) 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.

(IX) 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 March 27, 2023, the Company's Board of Directors passed a resolution to distribute employee compensation of NT\$11,092,246 and director compensation of NT\$6,758,702, 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 2022, 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\$17,479,286 to employees and NT\$7,857,000 to directors for 2021 on March 15, 2022. There is no discrepancy between that actual distribution amount and the recognized amount.

(X) 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 V. 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) Operating proportion

Unit: NT\$ Thousand

Main product	2022	Percentage of annual sales %
Mixer	777,690	19.76%
Divider Rounder and Moulder	254,473	6.46%
Sheeter	171,293	4.35%
Proofer	472,734	12.01%
Oven	1,476,224	37.50%
Slicer	103,279	2.62%
Fryer	3,286	0.08%
Refrigerator	49,023	1.25%
Show Case	42,973	1.09%
Food Service Equipment	183,795	4.67%
Other Machines	54,663	1.39%
Other Parts (Note)	263,970	6.71%
Bakeware	83,116	2.11%
Total	3,936,519	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. Wire Whip: 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. Flat Beater: Used for mixing fillings and cookie dough.
- c. Dough 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. General sweet bread because of the shapechanges, selective stuffing so complete 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.

The last fermentation machine is used for the final fermentation of bread before entering the oven. The fermentation cabinet provides the suitable temperature and humidity to the yeast in the dough for fermentation, reproduction and production of CO₂ gas, while providing the right humidity to protect the dough from dry crust.

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. Pizza tunnel oven: When the food is baked, the food passes through the conveyor belt and produces relative motion between the air deflectors, thus executing the work of baking the food evenly and transferring the food. It is mainly used in the industrialized production process of food enterprises, characterized by continuous or intermittent baking of large quantities.
2. Variable-frequency proofing and leavening box: It features a centrifugal fan motor, and the boiler is placed at the back of the machine to extend the life of the float

switch and improve the quality of proofing and leavening of doughs.

3. New type of lifting system: The lifting system is created to act in concert with SP series mixer by studying the mechanism of mixing machine as well as the structure, gearing method, tensile strength of the machine and safety protection factors.
4. Industrial heavy-duty mixer: It can mix the super hard dough with the moisture content of approximately 43 to satisfy the demands of customers who need to mix the super hard dough.
5. Base plate oiling process for deck oven: Develop automatic oiling device on base plates to replace the manual oiling method in order to improve the efficiency of oiling, reduce labor costs and be more environmentally friendly.
6. Demolding method of cakes: Research and development of demolding machines which are suitable for the characteristics of various types of cakes.
7. Oven control system: Research on heat insulation methods and conduct heat insulation on the control part of the oven to extend the life of the electrical components.
8. Proofing and leavening box: It features more reasonable power for humidification and heating up, reduces the degree of influence between each other to achieve the goal of energy saving, and can reduce energy consumption to make the work more stable.

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 period of Japanese rule over Taiwan 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.

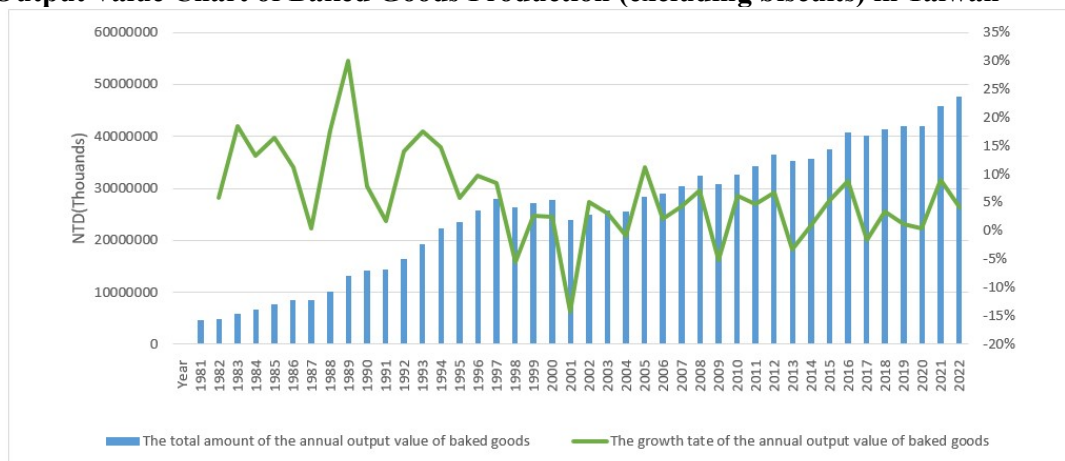
The development of dietary consumption is inseparable from the overall economy. From 1967 to 1977, Taiwan's economic structure shifted from agriculture to industrial development, laying the foundation of an industrial society. The GDP began growing, and per capita income grew from US\$700 to US\$1,500. 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	Integration of production and sales,

	channel 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

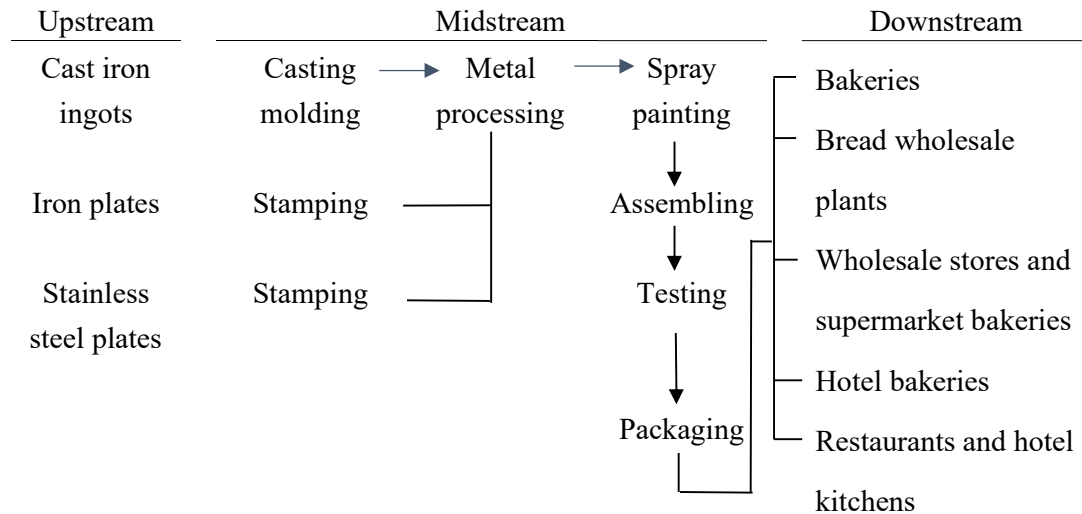
Consumers are now increasingly demanding for consumer experience. Only delicious food is not enough. Environment and service have also become competitive points for food companies. Consumer demand has made the area and space of bakery chain stores in mainland China larger and larger, and they are no 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.

The new tea shop has led to “roast+drink”, making “bread+tea/coffee” or “cake+tea/coffee” become 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\$ Thousand

Item	2022	Current year as of March 31, 2023
R&D expenses	143,872	27,772
Net operating revenue	3,936,519	882,612
R&D expenses to net operating revenue ratio (%)	3.65%	3.15%

(3) Technology or products successfully developed

The key technologies currently mastered include mixing hook manufacturing technology, the technology that can accurately measure whether the dough mixing is completed, the application of hydraulic technology to split and roll machine, and more

than the peers to save baking time and improve the quality of the oven, the company has always pay considerable attention to the research and development work, and strive to make progress Leading edge with 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. Pizza tunnel oven: When the food is baked, the food passes through the conveyor belt and produces relative motion between the air deflectors, thus executing the work of baking the food evenly and transferring the food. It is mainly used in the industrialized production process of food enterprises, characterized by continuous or intermittent baking of large quantities.
2. Variable-frequency proofing and leavening box: It features a centrifugal fan motor, and the boiler is placed at the back of the machine to extend the life of the float switch and improve the quality of proofing and leavening of doughs.
3. New type of lifting system: The lifting system is created to act in concert with SP series mixer by studying the mechanism of mixing machine as well as the structure, gearing method, tensile strength of the machine and safety protection factors.
4. Industrial heavy-duty mixer: It can mix the super hard dough with the moisture content of approximately 43 to satisfy the demands of customers who need to mix the super hard dough.
5. Base plate oiling process for deck oven: Develop automatic oiling device on base plates to replace the manual oiling method in order to improve the efficiency of

oiling, reduce labor costs and be more environmentally friendly.

6. Demolding method of cakes: Research and development of demolding machines which are suitable for the characteristics of various types of cakes.
7. Oven control system: Research on heat insulation methods and conduct heat insulation on the control part of the oven to extend the life of the electrical components.
8. Proofing and leavening box: It features more reasonable power for humidification and heating up, reduces the degree of influence between each other to achieve the goal of energy saving, and can reduce energy consumption to make the work more stable.

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\$ Thousand

Region \ Year		2021		2022	
		Consolidated sales	Ratio	Consolidated sales	Ratio
Domestic sales		129,164	3.01%	113,037	2.87%
Export	America	821,183	19.12%	1,052,439	26.74%
	Asia	2,947,316	68.63%	2,363,953	60.05%
	Africa	138,559	3.23%	154,434	3.92%
	Europe	190,008	4.42%	174,816	4.44%
	Others	68,273	1.59%	77,840	1.98%
	Subtotal	4,165,339	96.99%	3,823,482	97.13%
Total		4,294,503	100.00%	3,936,519	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

Due to the slowdown in the domestic COVID-19 pandemic, the market size is estimated to be about NT\$287.4 billion in 2022, and the market size is expected to rise to NT\$310.2 billion in 2023. Chinese baking is an industry that keeps on shining for everyday living. Although the Chinese economy has been restrained by the impact of the zero-COVID policy imposed by the Chinese government in 2022, baked goods, as the basic consumption of people's livelihood, are expected to

resume steady growth after reopening.



Source: Euromonitor

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 bread, pastries, cakes and mixed desserts, which has been used as breakfast and staple food in Europe and the United States. However, in Asia Pacific, baked goods are often eaten as snacks rather than regular meals due to the differences in people's lifestyles and diets from Western countries for a long time. According to the statistics of the baking professional committee of ChinaFoodIndustry Association, in 2019, the consumption of Chinese baked goods per capita is about 7.8 kg. 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 accounted for nearly 50 percent 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

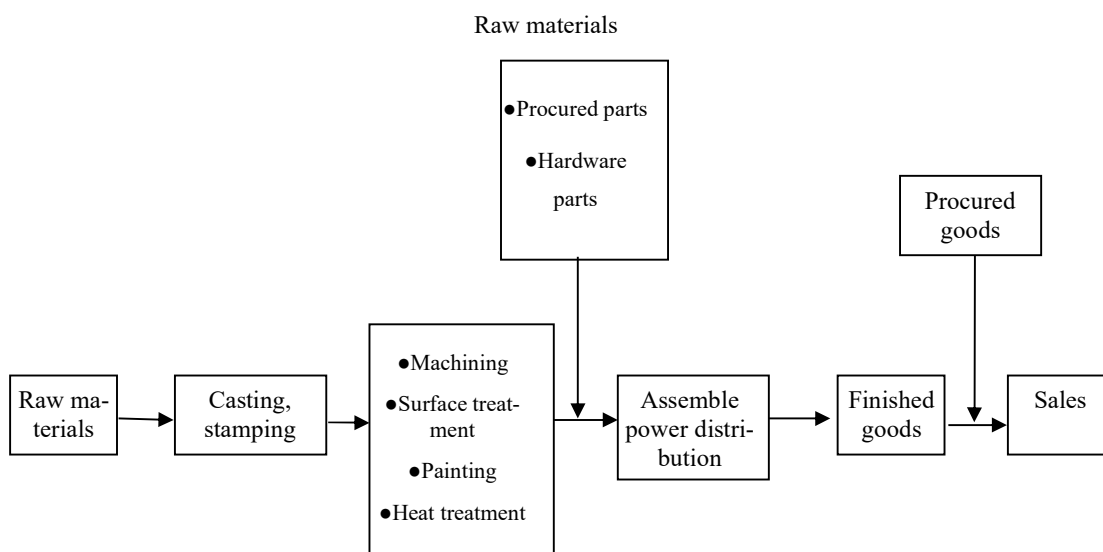
Although the products of Chinese peers have their cost advantages, the quality is still unstable due to the immature manufacturing technology, and the market acceptance is still limited. The Sinmag Group has been deeply engaged in baking equipment for thirty-eight years and has extensive experience in 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 names of the customers who have 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 2021 and 2022.

(2) The Company has no customers with more than 10% of the sales in 2021 and 2022.

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

Unit: NT\$ thousands/unit

Year Production volume Main product	2021			2022		
	Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
Mixer	19,525	20,308	532,889	21,900	17,094	548,204
Divider Rounder and Moulder	2,853	2,948	165,630	3,991	3,070	177,118
Sheeter	2,306	2,380	91,937	3,260	2,504	95,452
Proofer	5,384	5,601	261,449	7,547	5,834	262,940
Oven	22,426	23,351	772,420	24,439	19,114	800,632
Slicer	17,389	18,121	65,477	17,297	13,679	58,738
Fryer	126	132	2,017	140	110	1,996
Refrigerator	3,656	3,811	112,335	2,148	1,721	56,613
Show Case	1,055	1,100	66,172	686	548	42,634

Food Service Equipment	2,918	3,042	100,336	3,361	2,664	96,768
Other Machines	4,641	4,830	23,847	146	111	6,308
Other Parts	Note	Note	285,799	Note	Note	286,394
Bakeware	Note	Note	0	Note	Note	0
Total	82,279	85,624	2,480,308	84,915	66,449	2,433,797

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	2021				2022			
	Domestic sales		Export		Domestic sales		Export	
	Quantity	Sales	Quantity	Sales	Quantity	Sales	Quantity	Sales
Mixer	200	15,102	22,558	825,853	195	16,882	17,516	760,808
Divider Rounder and Moulder	70	13,394	3,223	246,397	68	12,543	3,004	241,930
Sheeter	27	3,348	2,498	157,749	23	2,646	2,431	168,647
Proofer	222	18,238	6,360	510,832	119	15,586	5,148	457,148
Oven	408	49,639	16,138	1,497,531	271	39,113	13,217	1,437,111
Slicer	37	1,492	3,239	93,537	40	1,679	2,922	101,600
Fryer	3	98	325	15,822	0	0	88	3,286
Refrigerator	17	840	1,972	81,380	7	374	1,034	48,649
Show Case	0	0	947	72,036	0	0	460	42,973
Food Service Equipment	19	1,672	1,983	188,789	0	0	1,619	183,795
Other Machines	86	1,229	7,645	108,629	69	1,019	2,373	53,644
Other parts (Note 2)	Note 1	23,795	Note 1	322,924	Note 1	23,004	Note 1	240,966
Bakeware	Note 1	317	Note 1	43,860	Note 1	191	Note 1	82,925
Total	1,089	129,164	66,888	4,165,339	792	113,037	49,812	3,823,482

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: Person

Year		2021	2022	As of May 15, 2023
Number of employees	Administration personnel	861	871	875
	Direct labor	542	541	540
	Total	1,403	1,412	1,415
Average age		40.48	41.36	41.39

Average year of services		11.17	11.77	11.82
Academic distribution ratio	Ph.D.	0.14%	0.07%	0.07%
	Master's degree	0.57%	0.50%	0.49%
	Tertiary	42.06%	42.14%	42.26%
	Highschool	34.92%	35.05%	34.85%
	BelowHigh School	22.31%	22.24%	22.33%

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) 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.

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- (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 2022 is as follows:

Unit: NT\$

Item	Total number of employees	Total hours	Total expenses
Orientation training	77	496	0
Professional competency training	813	3,480	436,441
Management skills training	3	54	34,500
Safety and health training	980	2,894	19,588
Fire marshaling training	1,024	1,506	101,706
Total	2,897	8,430	592,235

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. Annual safety and health education and training.
	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	1. Establish/amend	1. Establish Safety	1. The Company

No.	Objective/target	Plan	Description	Implementation status
	safety and health operating standards.	safety and health operating standards. 2. Implement safety and health operating instruction.	and Health Code of Practice. 2. Conduct on-the-job, general, and hazardous labor safety and health education training according to the regulations.	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.

No.	Objective/target	Plan	Description	Implementation status
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 and regulations, and implement them.	Set the operating environment monitoring plan.	1. Compliance with environmental protection laws and regulations. 2. Air inspection. 3. Wastewater discharge monitoring. 4. Drinking water testing. The test results meet the regulatory standards.	Tested annually.
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. Information security management

- I. Describe the information security risk management framework, information security policies, specific management plans and resources devoted to information security management.

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 management structure

- A. The Company has set up the positions of an information supervisor and a dedicated information security officer for the authority and responsibility of information security, who are responsible for the formulation of internal information security management policies, planning and execution of

information security operations, promotion and implementation of information security policies.

B. The Company's Audit Office is the supervisory unit for information security monitoring and has an audit supervisor, who is responsible for supervising the implementation of internal information security and regularly reports to the Audit Committee on the status of the Company's information security audits. If the audits reveal deficiencies, the audited unit is immediately demanded to propose relevant improvement plans and specific actions, and the effectiveness of the improvements is regularly tracked down to reduce internal information security risks.

(2) 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.

(3) 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.

(4) 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.

(5) Data access record audit and storage

The computers after the discard procedure are all subjected to the dismantling and destruction of hard disks or complete erasure of low-level formatting hard drives to comply with the management system and information security policies under laws and regulations.

(6) 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.

- II. Specify the loss, potential impact and countermeasures caused by material information security incidents during the latest year and up to the printing date of this annual report. If they cannot be reasonably estimated, the reasons for not being able to be estimated shall also be specified.

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.

VII. 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
Construction contract	Tong Yuan Construction Company Kuo-Chen Lin	2023.03.15- 2023.09.30	The Company entrusted Tong Yuan Construction Co., Ltd. and Kuo-Chen Lin to contract for the renovation of the exterior walls of the buildings and the waterproofing of curtain windows and balcony floors	None
Construction contract	Jiangsu Chenzhinan Construction Co. Ltd.	2022.12.26- Construction completed	Sinmag Equipment (China) Co., Ltd., the Company's third-tier subsidiary, entrusted the new plant contracting project to Chenzhinan Construction Co. Ltd.	None
Loan contract	Hua Nan Commercial Bank Ltd.	2019.03.09- Construction completed	The Company participated in "Urban Renewal Rights Conversion Plan for No. 316 and 316-2 of Sec 2, Huaisheng Section, Da'an Dist. Taipei City", which was self renewed and reconstructed by the original owner of the land and the legal building at his own expense, and approved to establish the "Urban Renewal Association No. 316 and 316-2 of Sec 2, Huaisheng Section, Da'an Dist. Taipei City" (hereinafter referred to as "URA"). URA and the Trust Department of Hua Nan Commercial Bank Ltd. jointly signed the real estate trust contract, and URA also served as the Loan Applicant to apply for construction financing to Hua Nan Commercial Bank Ltd., and the relevant funds were	None

Contract nature	Party	Contract period	Main content	Restriction clause
			<p>delivered to the trust account of Hua Nan Commercial Bank Ltd. for management. The co-payment costs incurred in this case will, upon completion of the plan update, be apportioned to the original land and legal building owner participating in this case according to the proportion of the land rights value within the scope of the renewal unit, who will become the loan debtor of Hua Nan Commercial Bank Ltd. at the same time.</p>	

Chapter VI. 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 Statements

Unit: NT\$ Thousand

Year		Financial information for the past five years (Note 2)					Financial Information for the Year Ended 31 March 2023
		2018	2019	2020	2021	2022	
Item							
Current assets		2,209,816	2,022,326	1,939,183	2,095,792	2,249,974	2,226,595
Property, plant, and equipment		843,929	1,065,760	1,020,344	1,070,009	1,137,526	1,179,163
Intangible assets		92,077	5,433	6,586	5,704	6,264	6,007
Other assets		86,145	207,928	480,622	546,358	326,786	267,382
Total assets		3,231,967	3,301,447	3,446,735	3,717,863	3,720,550	3,679,147
Current liabilities	Before distribution	933,670	871,996	1,014,838	1,196,797	903,572	1,103,308
	After distribution	1,260,167	1,123,147	1,355,901	1,548,409	1,204,953 (Note 1)	(Note 1)
Non-current liabilities		179,822	194,073	99,872	96,164	110,632	60,574
Total liabilities	Before distribution	1,113,492	1,066,069	1,114,710	1,292,961	1,014,204	1,163,882
	After distribution	1,439,989	1,317,220	1,455,773	1,644,573	1,315,585 (Note 1)	(Note 1)
Equity attributable to owners of the parent company		2,062,679	2,176,933	2,268,971	2,402,890	2,589,495	2,408,619
Share capital		502,302	502,302	502,302	502,302	502,302	502,302
Capital surplus		75,738	75,738	75,738	77,765	206,827	206,827
Retained earnings	Before distribution	1,586,294	1,759,646	1,850,503	2,014,058	2,004,543	1,818,962
	After distribution	1,259,797	1,508,495	1,509,440	1,662,446	1,703,162 (Note 1)	(Note 1)
Other equity		(101,655)	(160,753)	(159,572)	(191,235)	(124,177)	(119,472)
Treasury stock		0	0	0	0	0	0
Non-controlling interest		55,796	58,445	63,054	22,012	116,851	106,646
Total equity	Before distribution	2,118,475	2,235,378	2,332,025	2,424,902	2,706,346	2,515,265
	After distribution	1,791,978	1,984,227	1,990,962	2,073,290	2,404,965 (Note 1)	(Note 1)

Note: 1. The earnings distribution for 2022 has been approved by the Board of Directors at March 27th, 2023.

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

(2) Parent Company-only Financial Statements

Unit: NT\$ Thousand

Year		Financial information for the past five years (Note 2)				
		2018	2019	2020	2021	2022
Item						
Current assets		384,573	333,617	274,876	394,154	379,119
Property, plant, and equipment		118,988	111,894	108,683	104,631	110,915
Intangible assets		486	238	134	64	48
Other assets		2,051,658	2,245,849	2,278,244	2,511,249	2,497,170
Total assets		2,555,705	2,691,598	2,661,937	3,010,098	2,987,252
Current liabilities	Before distribution	402,819	421,931	333,404	515,396	294,388
	After distribution	729,316	673,082	674,467	867,008	595,769 (Note 1)
Non-current liabilities		90,207	92,734	59,562	91,812	103,369
Total liabilities	Before distribution	493,026	514,665	392,966	607,208	397,757
	After distribution	819,523	765,816	734,029	958,820	699,138 (Note 1)
Share capital		502,302	502,302	502,302	502,302	502,302
Capital surplus		75,738	75,738	75,738	77,765	206,827
Retained earnings	Before distribution	1,586,294	1,759,646	1,850,503	2,014,058	2,004,543
	After distribution	1,259,797	1,508,495	1,509,440	1,662,446	1,703,162 (Note 1)
Other equity		(101,655)	(160,753)	(159,572)	(191,235)	(124,177)
Treasury stock		0	0	0	0	0
Non-controlling interest		0	0	0	0	0
Total equity	Before distribution	2,062,679	2,176,933	2,268,971	2,402,890	2,589,495
	After distribution	1,736,182	1,925,782	1,927,908	2,051,278	2,288,114 (Note 1)

Note: 1. The earnings distribution for 2022 has been approved by the Board of Directors at March 27th, 2023.

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

(II) Comprehensive income statements for the past five years

(1) Consolidated Financial Statements

Unit: NT\$ Thousand

Item	Year					Financial Information for the Year Ended 31 March 2023
	Financial information for the past five years (Note)					
	2018	2019	2020	2021	2022	
Operating revenue	4,312,015	4,164,628	3,300,489	4,294,503	3,936,519	882,612
Gross profit	1,718,306	1,705,525	1,339,739	1,583,271	1,467,105	378,965
Operating profit (loss)	657,300	662,080	488,841	692,414	552,827	171,783
Non-operating income and expenses	31,961	25,471	3,949	9,852	73,868	(8,794)
Net income before tax	689,261	687,551	492,790	702,266	626,695	162,989
Continuing operations Net income	485,232	515,502	353,546	519,458	354,686	122,508
Loss from discontinued operations	0	0	0	0	0	0
Net income	485,232	515,502	353,546	519,458	354,686	122,508
Other comprehensive income (Net value after tax)	(10,163)	(64,266)	(193)	(37,985)	72,786	4,910
Total comprehensive income	475,069	451,236	353,353	481,473	427,472	127,418
Net income attributable to owners of the parent company	473,613	503,361	340,940	510,167	336,569	115,800
Net income attributable to non-controlling interest	11,619	12,141	12,606	9,291	18,117	6,708
Total comprehensive income attributable to owners of the parent company	462,193	440,751	343,189	472,955	413,405	120,505
Total comprehensive income attributable to non-controlling interests	12,876	10,485	10,164	8,518	14,067	6,913
Earnings per share	9.43	10.02	6.79	10.16	6.70	2.31

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

(2) Parent Company-only Financial Statements

Unit: NT\$ Thousand

Item	Year				
	Financial information for the past five years (Note)				
	2018	2019	2020	2021	2022
Operating revenue	947,326	981,102	736,660	1,123,231	467,828
Gross profit	147,524	150,503	111,643	143,286	103,612
Operating profit (loss)	18,130	11,597	2,679	13,126	23,555
Non-operating income and expenses	497,570	531,787	363,567	557,376	462,787
Net income before tax	515,700	543,384	366,246	570,502	486,342
Continuing operations Net income	473,613	503,361	340,940	510,167	336,569
Loss from discontinued operations	0	0	0	0	0
Net income	473,613	503,361	340,940	510,167	336,569
Other comprehensive income (Net value after tax)	(11,420)	(62,610)	2,249	(37,212)	76,836
Total comprehensive income	462,193	440,751	343,189	472,955	413,405
Earnings per share	9.43	10.02	6.79	10.16	6.70

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

(III) Financial analysis for the past five years

(1) Consolidated Financial Statements

Item		Financial analysis for the past five years (Note)					For the year ended 31 March 2023
		Year	2018	2019	2020	2021	
Financial structure (%)	Ratio of liabilities to assets	34.45	32.29	32.34	34.77	27.25	31.63
	Ratio of long-term capital to property, plant, and equipment	262.36	217.98	231.05	228.74	238.80	214.3
Solvency (%)	Current ratio	236.68	231.91	191.08	175.11	249.00	201.81
	Quick ratio	162.03	156.60	127.24	104.73	154.78	121.43
	Times interest earned ratio	8,031.65	9,621.54	9,433.14	19,793.38	10,611.48	25,930.26
Operation performance	Accounts receivable turnover rate (times)	5.97	7.11	6.60	8.18	7.80	8.06
	Average days for cash receipts	61	51	55	45	47	45
	Inventory turnover rate (times)	3.77	3.78	3.12	3.72	2.96	2.36
	Payables turnover rate (times)	8.08	8.67	7.02	8.91	9.37	8.73
	Average days for sale of goods	97	97	117	98	123	155
	Turnover rate for property, plant, and equipment (times)	5.45	4.36	3.16	4.10	3.56	3.04
	Total asset turnover rate (times)	1.31	1.27	0.97	1.19	1.05	0.95
Profitability	Asset return ratio (%)	15.05	15.95	10.60	14.58	9.66	13.29
	Equity return ratio (%)	23.31	23.68	15.48	21.84	13.82	18.76
	Ratio of income before tax to paid-in capital (%)	137.22	136.88	98.10	139.80	124.76	129.79
	Net profit ratio (%)	11.25	12.37	10.71	12.09	9.01	13.88
	Earnings per share (NT\$)	9.43	10.02	6.79	10.16	6.70	2.31
Cash flow	Cash flow ratio (%)	68.25	85.09	47.36	31.30	65.88	1.52
	Cash flow sufficiency ratio (%)	119.62	119.38	130.46	101.97	109.85	104.16
	Cash reinvestment ratio (%)	8.94	14.51	7.77	0.92	6.98	0.53
Leverage	Operating leverage	1.10	1.11	1.16	1.12	1.18	1.17
	Financial leverage	1.01	1.01	1.01	1.00	1.01	1.00

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

1. The decrease in ratio of liabilities to assets was mainly due to the repayment of loans, resulting in the decrease of current liabilities.
2. The increase in current ratio and quick ratio was mainly due to the repayment of loans, resulting in the decrease of current liabilities.
3. The decrease in times interest earned ratio was mainly due to the decrease of net income before tax and the increase in borrowing rates, resulting in the increase in interest expense.
4. The decrease in inventory turnover rate and the increase in average days for the sale of goods was mainly due to the decrease in operating revenue as a result of the strict and extended lockdown for COVID-19 prevention, resulting in the orders from the customers unable to be delivered and reduced operating revenue, which in turn leading to a decline in inventory turnover and an increase in days for the sale of goods.
5. The decrease in asset return ratio, equity return ratio, net profit ratio, and earnings per share was mainly due to the decrease in operating revenue as a result of the income tax arising from the restructuring of the Group.
6. Cash flow:
The increase in cash flow ratio was mainly due to an extended period of lockdown in China; advance stocking and inventory control resulted in an increase in net cash flow inflow from operating activities, causing an increase in the ability of cash flow from operating activities offsetting current liabilities.
The increase in cash reinvestment ratio was mainly due to an extended period of lockdown in China; advance stocking and inventory control resulted in an increase in net cash flow inflow from operating activities.

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

(2) Parent Company-only Financial Statements

Item		Year				
		Financial analysis for the past five years (Note)				
		2018	2019	2020	2021	2022
Financial structure (%)	Ratio of liabilities to assets	19.29	19.12	14.76	20.17	13.31
	Ratio of long-term capital to property, plant, and equipment	1,733.51	1,945.53	2,087.69	2,299.09	2,343.78
Solvency (%)	Current ratio	95.47	79.06	82.44	76.47	128.78
	Quick ratio	70.10	62.42	61.91	60.70	106.10
	Times interest earned ratio	54,961.70	38,665.22	28,425.29	44,120.21	22,615.83
Operation performance	Accounts receivable turnover rate (times)	3.95	4.71	4.16	5.69	3.19
	Average days for cash receipts	92	77	88	64	114
	Inventory turnover rate (times)	9.46	9.81	9.29	13.36	5.01
	Payables turnover rate (times)	3.82	3.78	3.66	7.19	3.30
	Average days for sale of goods	39	37	39	27	73
	Turnover rate for property, plant, and equipment (times)	7.83	8.49	6.67	10.53	4.34
	Total asset turnover rate (times)	0.37	0.37	0.27	0.39	0.15
Profitability	Asset return ratio (%)	18.77	19.22	12.77	18.02	11.28
	Equity return ratio (%)	23.38	23.74	15.33	21.84	13.48
	Ratio of income before tax to paid-in capital (%)	102.66	108.17	72.91	113.57	96.82
	Net profit ratio (%)	49.99	51.3	46.28	45.41	71.94
	Earnings per share (NT\$)	9.43	10.02	6.79	10.16	6.70
Cash flow	Cash flow ratio (%)	(12.91)	20.46	(36.28)	(6.62)	13.47
	Cash flow sufficiency ratio (%)	(2.94)	0.90	(4.73)	(6.97)	(3.93)
	Cash reinvestment ratio (%)	(20.22)	(10.56)	(15.94)	(15.10)	(11.54)
Leverage	Operating leverage	1.37	1.34	2.48	1.25	1.11
	Financial leverage	1.05	1.13	1.93	1.10	1.10

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

1. Financial structure:
The decrease in the ratio of liabilities to assets was mainly due to the decrease in short-term loans and the decrease in amount of purchase, causing the decrease in accounts payable.
2. Solvency:
The increase of current ratio and quick ratio was mainly due to the decrease in short-term loans and the decrease in amount of purchase, causing the decrease in accounts payable, and in turn causing the decrease of current liabilities.
The decrease in times interest earned ratio was mainly due to the decrease in profit from overseas investment and the decrease in the recognized investment income, causing the decrease of net income before tax.
Operation performance:
The decrease in operating revenues and operating costs was mainly due to the adjustment of the Group's sales policy.
3. Profitability:
The decrease in profit was mainly due to the income tax arising from the restructuring of the Group.
4. Cash flow:
The increase in cash flow ratio was mainly due to the increase in cash flows from operating activities, resulting in an increase in the ability of cash flows from operating activities to offset current liabilities.
The increase in cash flow sufficiency ratio was mainly due to the increase in cash flows from operating activities and the decrease in inventories and the acquisition of long-term equity investments accounted for using the equity method.
The increase in cash reinvestment ratio was mainly due to the increase of net cash inflows from operating activities.

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. Solvency
 - (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. Operation performance
 - (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 × (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
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
2021	Deloitte & Touche	Chiang-Hsun Chen Chao-Mei Chen	Unqualified opinion with other matters paragraph
2022	Deloitte & Touche	Chiang-Hsun Chen Chao-Mei Chen	Unqualified opinion

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

Sinmag Equipment Corporation Audit Committee's Review Report

Hereby approved.

The Board of Directors has submitted the 2022 Business Report, Financial Statements and Earnings Distribution Proposals of the Company. The Financial Statements have been audited by CPAs Chen, Chiang-Hsun and Chen, Chao-Mei 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,

2023 Annual Shareholders' Meeting of Sinmag Equipment Corporation

Sinmag Equipment Corporation

Convener of the Audit Committee _____

29 March, 2023

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

For the year 2022, please refer to pages 206 to 273 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

Please refer to pages 274 to 352 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 VII. 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 Statements

Unit: NT\$ Thousand

Item \ Year	December 31, 2022	December 31, 2021	Difference	
			Increases (decreases)	%
Current assets	2,249,974	2,095,792	154,182	7%
Property, plant, and equipment	1,137,526	1,070,009	67,517	6%
Intangible assets	6,264	5,704	560	10%
Other assets	325,541	546,358	(220,817)	-40%
Total assets	3,719,305	3,717,863	1,442	0%
Current liabilities	903,572	1,196,797	(293,225)	-25%
Non-current liabilities	109,387	96,164	13,223	14%
Total liabilities	1,012,959	1,292,961	(280,002)	-22%
Equity attributable to owners of the parent company	2,589,495	2,402,890	186,605	8%
Share capital	502,302	502,302	0	0%
Capital surplus	206,827	77,765	129,062	166%
Retained earnings	2,004,543	2,014,058	(9,515)	0%
Other equity	(124,177)	(191,235)	67,058	35%
Treasury stock	0	0	0	0%
Non-controlling interest	116,851	22,012	94,839	431%
Total equity	2,706,346	2,424,902	281,444	12%

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. Decrease in other assets: Mainly due to the decrease in financial assets at amortized cost - non-current.
2. Decrease in current liabilities: Mainly due to repayment of short-term loans.
3. Decrease in total liabilities: Mainly due to repayment of short-term loans.
4. Increase in capital surplus: Mainly due to the restructuring of the Group's organizational structure.
5. Increase in other equity: Mainly due to the exchange rate fluctuations leading to the increase in the exchange differences on translation of foreign financial statements.
6. Increase in non-controlling interest: Mainly due to the issuance of new shares for subscription by employees through a cash capital increase by a Chinese subsidiary of Sinmag.

(2) Parent Company-only Financial Statements

Unit: NT\$ Thousand

Item \ Year	December 31, 2022	December 31, 2021	Difference	
			Increases (decreases)	%
Current assets	379,119	394,154	(15,035)	-4%
Property, plant, and equipment	110,915	104,631	6,284	6%
Intangible assets	48	64	(16)	-25%
Other assets	2,497,170	2,511,249	(14,079)	-1%
Total assets	2,987,252	3,010,098	(22,846)	-1%
Current liabilities	294,388	515,396	(221,008)	-43%
Non-current liabilities	103,369	91,812	11,557	13%
Total liabilities	397,757	607,208	(209,451)	-34%
Share capital	502,302	502,302	0	0%
Capital surplus	206,827	77,765	129,062	166%
Retained earnings	2,004,543	2,014,058	(9,515)	0%
Other equity	(124,177)	(191,235)	67,058	35%
Treasury stock	0	0	0	0%
Non-controlling interest	0	0	0	0%
Total equity	2,589,495	2,402,890	186,605	8%

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. Decrease in current liabilities: Mainly due to repayment of short-term loans.
2. Decrease in total liabilities: Mainly due to repayment of short-term loans.
3. Increase in capital surplus: Mainly due to the restructuring of the Group's organizational structure.
4. Increase in other equity: Mainly due to the exchange rate fluctuations leading to the increase in the exchange differences on translation of foreign financial statements.

II. Financial Performance

(I) Analysis of financial performance

(1) Consolidated Financial Statements

Unit: NT\$ Thousand

Item \ Year	2022	2021	Difference	
			Increases (decreases)	%
Operating revenue	3,936,519	4,294,503	(357,984)	-8%
Operating costs	(2,469,414)	(2,711,232)	(241,818)	-9%
Gross profit	1,467,105	1,583,271	(116,166)	-7%
Operating expenses	(914,278)	(890,857)	23,421	3%
Operating profit	552,827	692,414	(139,587)	-20%
Non-operating income and (expenses)	73,868	9,852	64,016	650%
Net income before tax	626,695	702,266	(75,571)	-11%
Income tax expenses	(272,009)	(182,808)	89,201	49%
Net income after tax	354,686	519,458	(164,772)	-32%
Analysis of the increase and decrease ratio:				
1. Decrease in operating profit: Mainly due to the decrease in operating revenue.				
2. Increase in non-operating income and expenses: Mainly due to the increase in profit on foreign currency exchange.				
3. Decrease in net income tax expenses and net income after tax: The decrease in profit was mainly due to the income tax arising from the restructuring of the Group.				

(2) Parent Company-only Financial Statements

Unit: NT\$ Thousand

Item \ Year	2022	2021	Difference	
			Increases (decreases)	%
Operating revenue	467,828	1,123,231	(655,403)	-58%
Operating costs	(364,216)	(974,942)	(610,726)	-63%
Gross profit	103,612	143,286	(39,674)	-28%
Operating expenses	(92,365)	(130,160)	(37,795)	-29%
Operating profit	23,555	13,126	10,429	79%
Non-operating income and (expenses)	462,787	557,376	(94,589)	-17%
Net income before tax	486,342	570,502	(84,160)	-15%
Income tax expenses	(149,773)	(60,335)	89,438	148%
Net income after tax	336,569	510,167	(173,598)	-34%
Analysis of the increase and decrease ratio:				
1. Decrease in operating revenue, operating costs, gross profit, and operating expenses and increase in operating profit: Mainly due to the adjustment of the Group's sales policy.				
2. Increase in income tax expenses and decrease in net income after tax: The decrease in profit was mainly due to the income tax arising from the restructuring of the Group.				

(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 previous year:

(1) Consolidated Financial Statements

Item \ Year	2022	2021	Increase (decrease) ratio
Cash flow ratio %	65.88	31.30	110.48%
Cash flow sufficiency ratio (%)	109.85	101.97	7.73%
Cash reinvestment ratio (%)	6.98	0.92	658.70%
Change ratio analysis:			
1. The increase in cash flow ratio was mainly due to an extended period of lockdown in China; advance stocking and inventory control resulted in an increase in net cash flow inflow from operating activities, causing an increase in the ability of cash flow from operating activities offsetting current liabilities.			
2. The increase in cash reinvestment ratio was mainly due to an extended period of lockdown in China; advance stocking and inventory control resulted in an increase in net cash flow inflow from operating activities.			

(2) Parent Company-only Financial Statements

Item \ Year	2022	2021	Increase (decrease) ratio
Cash flow ratio %	13.47	(6.62)	303.47%
Cash flow sufficiency ratio (%)	(3.93)	(6.97)	43.47
Cash reinvestment ratio (%)	(11.54)	(15.10)	23.58%
Change ratio analysis:			
1. The increase in cash flow ratio was mainly due to the increase in cash flows from operating activities, resulting in an increase in the ability of cash flows from operating activities to offset current liabilities.			
2. The increase in cash flow sufficiency ratio was mainly due to the increase in cash flows from operating activities and the decrease in inventories and the acquisition of long-term equity investments accounted for using the equity method.			
3. The increase in cash reinvestment ratio was mainly due to the increase of net cash inflows 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 2022, the profit from reinvestment under the equity method is NT\$446,725 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\$ Thousand

Item of the year	2022	2021
Interest income	21,681	17,970
Interest expenses	5,962	3,566
Net operating revenue	3,936,519	4,294,503
Operating profit	552,827	692,414
Interest income/net operating revenue (%)	0.55%	0.42%
Interest income/operating profit (%)	3.92%	2.60%
Interest expense/net operating revenue (%)	0.15%	0.08%
Interest expense/operating profit (%)	1.08%	0.52%

The Company's interest expense for 2022 is NT\$5,962 thousand, which accounts for 0.15% 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\$ Thousand

Item of the year	2022	2021
Net exchange (loss) gain	54,750	(145)
Net operating revenue	3,936,519	4,294,503
Operating profit	552,827	692,414
Net exchange (loss) gain/net operating revenue (%)	1.39%	0%
Net exchange (loss) gain/operating profit (%)	9.90%	(0.02%)

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 profit for 2022 is NT\$54,750 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 2022 and as of the publication date of the annual report.
2. Due to operation needs, Sinmag Limited, the Company's subsidiary, is provided a capital loan of USD 120,000 from the Company. The loan interest rate is calculated at an annual rate of 2%, and the interest is paid once a month. The financing period lasts for one year. The lending of funds from the Company are all within the prescribed limits and are lending of funds between the parent and subsidiary companies, so they have no significant impact on the Company's financial status.
3. The amount of the applied amount of derivative transactions conducted in derivative transactions of SINMAG (China) Co., Ltd. in 2022 was RMB162 million and has achieved a profit of RMB 540,983.00; the amount applied in derivative trading as at 30 April 2023 was RMB 20 million, the unapplied amount is RMB 0, realizing

aprofitIt is RMB 50,158.90. 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.

4. 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

Since the establishment of the company, we value R&D personnel and related equipment investment, and through education and training, experience inheritance to accumulate research and development strength,strengthen product planning and research innovation ability. In recent years, we have put R&D capabilities into specification product development, so that product specification planning and research innovation abilityto 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	Major factors of success -	Current progress	Expected future expenditure
Pizza tunnel oven (series of multiple ovens)	The test is scheduled for September 2023, and a sample machine is expected to be manufactured in December 2023.	When the food is baked, the food passes through the conveyor belt and produces relative motion between the air deflectors, thus executing the work of baking the food evenly and transferring the food. The oven can produce baked goods continuously, with features of high production efficiency and saving labor. It is mainly used in industrialized food production enterprises, characterized by continuous or intermittent baking of large batches.	Research on the oven mechanism, control system, and transmission method; research on the oven baking evenness and alarm protection functions.	Its advantages include meeting the demands of industrialized food production in the market, improving production efficiency, reducing costs, and saving labor.	Collecting data from the market based on the demands of customers of track ovens.	Depends on the project execution status.
Variable-frequency proofing and leavening box	The test is scheduled for September 2023, and a sample machine is expected to be manufactured in December 2023.	It features a centrifugal fan motor, and the boiler is placed at the back of the machine to extend the life of the float switch.	<ul style="list-style-type: none"> a. Researching on the effect of air flow directions on the proofing and leavening of doughs. b. Researching the effect of different wind speeds on proofing and leavening of doughs. 	Improving the quality of proofing and leavening of doughs.	Data is currently being collected.	Depends on the project execution status.

Project name	Mass production schedule	Explanation	Project content	Major factors of success -	Current progress	Expected future expenditure
Research on the new type of lifting system	The test is scheduled for October 2023, and a sample machine is expected to be manufactured in December 2023.	The lifting system is created to act in concert with SP series mixer of SM-120SP and SM-200 SP shared lifting system.	Studying the mechanism of mixing machine as well as the structure, gearing method, checking of tensile strength of the machine and safety protection factors.	Being sold along with mixers to respond to market demands.	Regular lifting systems are used as references for research.	Depends on the project execution status.
Research on the industrial heavy-duty mixer	The test is scheduled for August 2023, and the research is expected to finish in November 2023.	It can mix the super hard dough with the moisture content of approximately 43 to respond to market demands.	The research focuses on the relationship between motor power and machine rotational speed components, as well as machine structure and other factors.	It is able to satisfy the demands of customers who need to mix the super hard dough.	There is already a mixer that can mix hard dough, but further improvement on the mixing ability of this machine is needed.	Depends on the project execution status.
Research on the base plate oiling process for deck oven	The test is scheduled for May 2023, and the research is expected to finish in November 2023.	The purpose of spraying oil on the surface of base plate of the deck oven is to prevent rusting, and there are various ways to apply oil, the most environmentally friendly way is to brush oil. The efficiency of manual oiling is low, so an automatic oiling mechanism may be developed to improve efficiency and respond to the environmental	An automatic oil brushing device to replace the manual oiling method for the base plate of the oven has been developed.	It can improve the brushing efficiency, reduce manual labor, and is environmentally friendly.	The prototype of automatic oiling machine has been manufactured, but the current fuel consumption	Depends on the project execution status.

Project name	Mass production schedule	Explanation	Project content	Major factors of success	Current progress	Expected future expenditure
		protection requirements from the government.		-	is relatively high and needs to be improved.	
Research on the demolding method of cakes	The test is scheduled for October 2023, and a sample machine is expected to be manufactured in December 2023.	There are many types of cakes in the market with different characteristics, so the market demand for cake demolding machine is high, and it is necessary to study the methods of cake demolding.	It is necessary to study the characteristics of various types of cakes, and then to develop the demolding machine that suits their characteristics.	It can meet the market demand.	Data is currently being collected.	Depends on the project execution status.
Heat insulation of the oven control system	The test is scheduled for October 2023, and a sample machine is expected to be manufactured in December 2023.	Heat insulation is conducted on the control part of the oven to extend the life of the electrical components.	<ul style="list-style-type: none"> a. Research on heat insulation methods. b. Research on the materials for heat insulation. 	To extend the life of the oven.	Data is currently being collected.	Depends on the project execution status.
Optimization and upgrading of the humidifying and heating environment of proofing and leavening box	The test is scheduled for November 2023, and a sample machine is expected to be manufactured in December 2023.	This study clearly points out a more reasonable power for humidification and heating and reduces the degree of influence between each other to achieve energy-saving effect.	<ul style="list-style-type: none"> a. Rationalizing the heating and humidifying power. b. Reducing the degree of mutual influence between the two goals. 	Reducing energy consumption to make the work more stable.	Data is currently being collected.	Depends on the project 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 (including information security risks) 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.

The risks of information security is growing, the Company attaches great importance to information security and the protection of secret information. To enhance the protection of information security, the company has enhanced network protection to prevent and block malicious attacks to minimizing the risk of attacks and the scope of damage. Except setting information security management structure, the Company strengthen the protection of anti-virus software and the encryption mechanism of files at the same time. The Company's Audit Office also conducts information security audits from time to time to make sure the information security of the Company and irregularly promotion to improve employees' knowledge of information security risks. Therefore, in the most recent year and up to the publication date of the Annual Report, technological (changes including information security risks) have not had a material adverse effect on the Company's information security and no major operational risks.

(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: None.

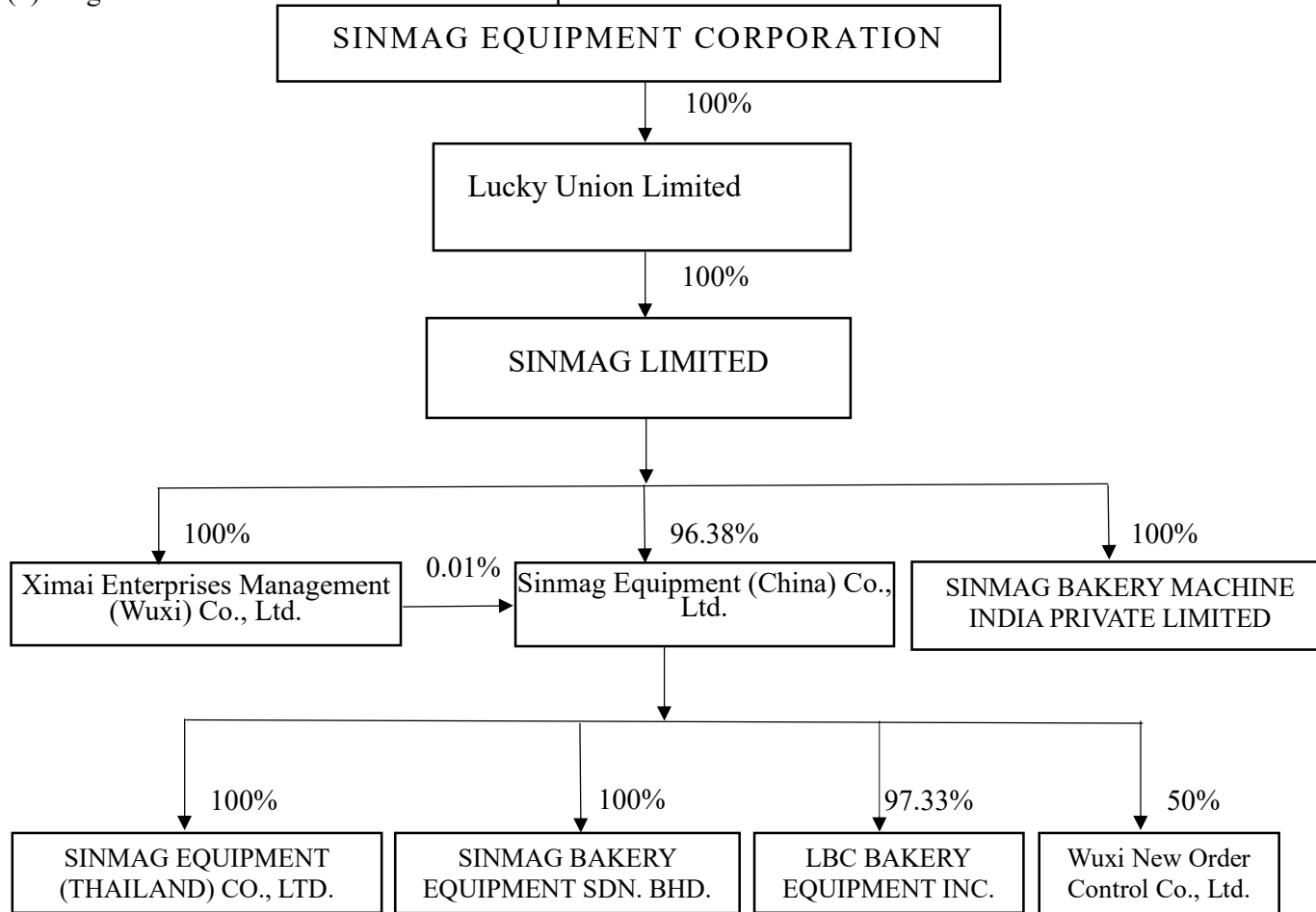
Chapter VIII. Special Disclosure

I. Information on the Company's Affiliates

(I) Consolidated business report of affiliated companies

1. Overview of affiliated companies

(1) Organizational Structure of Affiliated Companies



(2) Basic information on affiliates

December 31, 2022

Name	Date of incorporation	Address	Paid-in capital	Main business or production items
Lucky Union Limited	2002.01.10	Portcullis Chambers, P.O.Box 1225 Apia, Samoa	US\$1,000,001.21	Holding company
Sinmag Limited	2003.04.01	Portcullis Chambers, P.O.Box 1225 Apia, Samoa	US\$1,500,001	Holding company
Ximai Enterprises Management (Wuxi) Co., Ltd.	2022.02.24	No.312, Youyi North Road, Xishan Economic Development Zone, Wuxi, Jiangsu Province, China	CNY 300,000	Holding company
Sinmag Equipment (China) Co., Ltd.	1994.12.28	No.312, Youyi North Road, Xishan Economic Development Zone, Wuxi, Jiangsu Province, China	CNY 362,055,090	Manufacturing and sales of food machinery and equipment
Sinmag Bakery Machine India Private Limited	2009.03.16	204, Anand Estates, 189, Arthur Road, Chinchpokli, Mumbai city-400011.Dist, Maharashtra.	US\$720,000	Manufacturing and sales of food machinery and equipment
Sinmag Bakery Equipment Sdn. Bhd.	1990.06.25	No.32, Jalan TPP5, Taman Perindustrian Putra, 47130 Puchong, Selangor, Malaysia.	MYR 300,000	Sales of food machinery and equipment
LBC BAKERY EQUIPMENT INC.	2005.07.26	6026 31St Ave NE, Tulalip, WA 98271,U.S	US\$1,465,000	Sales of food machinery and equipment
Sinmag Equipment (Thailand) Co., Ltd.	2009.11.20	21 Soi Phokrew 1 Yek 5,Sub District Klongjan, District Bangkokpi Bangkok 10240 Thailand	US\$3,303,734.19	Sales of food machinery and equipment
Wuxi New Order Control Co., Ltd.	2002.05.31	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

- (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.

- a. Investment holding: Lucky Union Limited, Sinmag Limited and Ximai Enterprises Management (Wuxi) Co., Ltd.
- b. Manufacturing and sales of food machinery and equipment: Sinmag Equipment (China) Co., Ltd., Wuxi New Order Control Co., Ltd. and SINMAG BAKERY MACHINE INDIA PRIVATE LIMITED.
- c. 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
December 31, 2022; 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	\$88,735 thousand	100%
Sinmag Limited	Director	Lucky Union Limited Representative: Shun-Ho Hsieh	\$103,987 thousand	100%
Wuxi New Order Control Co., Ltd.	Chairman	Shun-Ho Hsieh	\$1,340 thousand	100%
	Supervisor	Yung-Chen Chen		
Sinmag Equipment (China) Co., Ltd.	Chairman	Shun-Ho Hsieh	\$349,938 thousand	96.39%
	Director	Ming-Ching Hsieh		
	Director	Yung-Chen Chen		
	Independent Director	Yin-Chia Li		
	Independent Director	Shu-Chiung Yang		

Name	Title	Name or representative	Shareholding	
			Number of shares or capital contribution	Shareholding %
	Supervisor	Tseng-Wen Lee		
	Supervisor	Ming-Chang Chiang		
	President	Ming-Ching Hsieh		
Sinmag Bakery Machine India Private Limited	Chairman	Shun-Ho Hsieh	\$54,748 thousand	100%
	Director	Yung-Chen Chen		
	Director	Mukesh Chachan		
Sinmag Bakery Equipment Sdn. Bhd.	Chairman	Shun-Ho Hsieh	\$110,297 thousand	100%
	Director	Yung-Chen Chen		
	Director	Lian Choy Seng		
	Director	Lim Kang Cheng		
	President	Lian Choy Seng		
LBC Bakery Equipment Inc.	Director	Steve Hegge	\$298,686 thousand	97.33%
	Director	Tzu-Chien Chang		
	Director	Ming-Ching Hsieh		
	Director	Brian Smith		
	President	Brian Smith		
Sinmag Equipment (Thailand) Co., Ltd.	Director	Tzu-Chien Chang	\$84,759 thousand	100%
	Director	Ming-Ching Hsieh		
	Director	Ming-Hsiung Kuo		
Wuxi New Order Control Co., Ltd.	Chairman	Tseng-Wen Lee	\$3,348 thousand	48.20%
	Director	Ming-Ching Hsieh		
	Director	Yao-Tsung Wu		
	Supervisor	Sheng-Huei Yang		
	President	Tseng-Wen Lee		

2. Operational overview of affiliated companies

(I) Financial status and operating results of affiliated companies

December 31, 2022

	Currency	Capital	Total assets	Total liabilities	Net worth	Operating revenue	Operating profit (Loss)	Current net income	Earnings per share
Lucky Union Limited	NTD	101,279,033	2,467,008,276	-	2,467,008,276	-	(440,472)	498,983,280	-
Sinmag Limited	NTD	116,525,855	2,466,519,272	2,897,642	2,463,621,630	-	(574,459)	499,080,626	-
Ximai Enterprises Management (Wuxi) Co., Ltd.	CNY	300,000	308,874.05	-	308,874.05	-	(1,955.82)	2,776.43	-
Sinmag Equipment (China) Co., Ltd	CNY	362,055,090.00	700,620,649.35	120,359,826.84	580,260,822.51	715,666,321.80	86,660,517.29	104,512,578.62	-
Sinmag Bakery Machine India Private Limited	INR	35,706,404.00	6,976,958.11	775,366.00	6,201,592.11	10,071,794.16	1,529,804.73	1,340,402.71	-
Sinmag Bakery Equipment Sdn.Bhd.	MYR	300,000.00	22,420,179.45	2,611,320.31	19,808,859.14	23,773,920.23	3,924,200.28	3,235,285.40	-
LBC Bakery Equipment Inc.	USD	1,789,527.00	16,283,073.46	3,281,454.59	13,001,618.87	26,240,363.88	3,237,996.14	2,414,725.32	-
Sinmag Equipment (Thailand) Co., Ltd.	THB	103,000,000.00	113,713,107.54	16,274,605.69	97,438,501.85	113,004,247.49	2,869,723.23	1,098,546.17	-
Wuxi New Order Control Co., Ltd.	CNY	1,241,565.00	9,912,307.05	3,624,920.16	6,287,386.89	23,360,535.58	2,566,322.58	2,402,616.75	-

(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 274 to 352.

(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

Article 1 (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.

Article 2 (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.

Article 3 (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.

Article 4 (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.

Article 5 (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.

Article 6 (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; or (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.

Article 7 (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.

Article 8 (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.

Article 9 (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.

Article 10 (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.

Article 11 (Compliance with laws and regulations)

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

Article 12 (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.

Article 13 (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.

Article 14 (Handling of violations of this Code)

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

Article 15 (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.

Article 16 (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

Article 1 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.

Article 2 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.

Article 3 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.

Article 4 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.

Article 5 Disclosure methods

This Code shall be disclosed in the annual report, prospectus, and MOPS. The same applies to the amendment.

Article 6 Implementation

This Code shall be implemented after being approved by the president. The same applies to the amendment.

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

Sinmag Equipment Corporation

Procedures for Handling Internal Material Information

Article 1 (Purpose)

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.

Article 2 (Internal material information shall be handled in accordance with applicable laws and regulations and these Procedures)

The processing and disclosure of internal material information by each department shall follow the relevant laws and orders and Taipei Exchange Procedures for Verification and Disclosure of Material Information of Companies with TPEX Listed Securities for the verification and public handling of materials, the relevant FAQs and these Procedures to ensure the timeliness, accuracy and completeness of the information.

Article 3 (Applicable objects)

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*.

Article 4 (Prevention of prohibited insider trading practices)

When the personnel listed in Article 3 has actual knowledge of information that significantly affects the price of the Company's shares, they shall not buy or sell, on

their own or in the name of another person, the Company's shares or other marketable securities of an equity nature which are listed on the stock exchange or traded at the securities dealer's office before or within 18 hours of such information is released to the general public.

Article 5 (Scope of internal material information)

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. Material information as defined in the Taipei Exchange Procedures for Verification and Disclosure of Material Information of Companies with TPEX Listed Securities.
- 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.

Article 6 (Procedures for evaluation and approval of material information)

If the Company's material decisions or events are in compliance with the material information as defined in the Taipei Exchange Procedures for Verification and Disclosure of Material Information of Companies with TPEX Listed Securities, or if, after further assessment of materiality, the decisions or events have a significant impact on the Company's finances, business, shareholders' equity or prices of securities, the Company shall promptly disseminate the material information in accordance with the aforementioned provisions within the time limit prescribed by laws and regulations.

The handling personnel of each unit shall fill out the "Application for Release of Material Information (Attachment 1)" and "Material Information Evaluation Checklist (Attachment 2)" on the date of occurrence of the event, submit them to the Company's spokesperson for approval after being approved by the unit supervisor, and release the material information before the time limit stipulated by laws and regulations.

Article 7 (Disclosure methods of internal material information)

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.

Article 8 (Date of existence of internal material information)

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.

Article 9 (Responsible unit in charge of the handling of internal material information)

The internal material information is handled exclusively by the spokesperson, Finance Department, Human Resource Department and Audit Office, with the following powers:

- I. Draft and amend this operating procedure.
- II. Accept the internal material information processing operations and consultation, review and advice related to these Procedures.
- 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.

Article 10 (Confidentiality firewall operations - Personnel)

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.

Article 11 (Confidentiality firewall operations - Documents and information)

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.

Article 12 (Operation of confidentiality firewalls)

The Company shall ensure that the firewalls specified in the preceding two articles are established, and take the following additional steps:

- I. Adopt adequate control measures for the firewalls and perform periodic testing.
- II. Enhance measures for custody and maintaining the secrecy of files and documents containing non-public internal material information of the Company pursuant to "Regulations for the Management of Financial and Non-financial Information."

Article 13 (Confidentiality obligations of external organizations and persons)

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 sign confidentiality agreements, and they shall not disclose the Company's internal material information to others.

Article 14 (Principles of disclosure of internal material information)

The Company shall comply with the following principles when making external disclosures of internal material information:

- I. The information disclosed shall be accurate, complete, and timely.
- II. There shall be a well-founded basis for the information disclosure.
- III. The information shall be disclosed fairly.

Article 15 (Implementation of the spokesperson system)

Any disclosure of the Company's internal material information, except as otherwise provided by law or regulation, shall be made by the Company's spokesperson, or by a deputy spokesperson acting in such capacity in a confirmed sequential order. When necessary, the disclosure may be made directly by the person in charge of the Company.

The Company's spokesperson or deputy spokesperson shall communicate to external parties only information within the scope authorized by the Company, and no personnel of the Company other than those serving as the Company's person in charge, spokesperson, or deputy spokesperson may disclose any internal material information of the Company to external parties without authorization.

Article 16 (Record of disclosure of internal material information)

Except for emergency situations or at non-working time, the Company may evaluate or submit for approval electronically when releasing material information, the relevant material information documents handled in accordance with Article 6 shall be in writing. In the case of electronic evaluation or submission, the relevant documents shall be archived afterwards.

The following records shall be kept by the Company for the information disclosed to external parties:

- I. The person, date, and time of the information disclosure.
- II. Information disclosure method.
- III. Disclosure of information content and attachments.
- IV. The contents of delivered written material shall include:
 - (I) Evaluation content.
 - (II) Evaluation, review, and decision maker's signature or seal and date.
 - (III) The content of the material information published and the applicable laws and regulations.
- V. Other relevant information.

Article 17 (Response to false media coverage)

If a media agency releases information that is in any respect inconsistent with material

information disclosed by the Company, the Company shall promptly issue a clarification on the Market Observation Post System (MOPS) and request the media agency to correct the information.

Article 18 (Reporting of unusual events)

Directors, managers, and employees of the Company shall promptly report to the spokesperson and the internal audit department if they are aware of any unauthorized disclosure 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.

Article 19 (Disciplinary measures)

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.

Article 20 (Awareness campaigns)

The Company is advised to conduct educational campaigns at least once a year to promote awareness among all directors, managerial officers, and employees with respect to these Procedures and related laws and regulations.

The Company shall also provide educational campaigns to new directors, managerial officers, and employees in a timely manner.

Article 21 This operating procedure shall be implemented after the Board of Directors' approval. The same applies to the amendment.

Chapter IX. 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, 2022 and 2021, 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 (collectively referred to as the "consolidated financial statements").

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, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of 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, 2022. 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, 2022 is stated as follows:

Occurrence of Sales Revenue

The Company has thousands of customers. The total revenue of major customers (excluding related parties) accounted for 38% of the total operating revenue. Due to the impact of novel coronavirus pneumonia and group policy changes for the year ended December 31, 2022, 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 validity of the occurrence of sales revenue coming from major customers with a high level of volatility in the total operating revenue and abnormal accounts receivable turnover rate as a key audit matter. Refer to the accounting policies related to revenue recognition in Note 4 to the financial statements.

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

1. We obtained an understanding of the design and implementation of the internal controls related to the recognition of sales revenue, and we designed the appropriate audit procedures of internal controls related to the occurrence of sales revenue and confirmed and evaluated the effectiveness of the design and implementation of the Company's internal controls.
2. We selected samples of sales transactions, reviewed sales orders, bills of lading or signed documents, invoices and receipts and confirmed 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 the previous year, and we evaluated the reasonableness of the changes.

Other Matter

We did not audit the financial statements of LBC Bakery Equipment Inc. for the year ended December 31, 2021, 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 the Standards on Auditing of the Republic of China. The investments accounted for using the equity method of LBC Bakery Equipment Inc. constituted 9% (NT\$263,899 thousand), of the total assets as of December 31, 2021, and share of profit or loss of subsidiaries constituted 8% (NT\$45,296 thousand), of profit before income tax from continuing operations for the year then ended.

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 Standards on Auditing of 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 Standards on Auditing of 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, 2022 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 29, 2023

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, 2022 AND 2021

(In Thousands of New Taiwan Dollars)

ASSETS	2022		2021	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 262,075	9	\$ 68,993	2
Financial assets at amortized cost - current (Notes 4, 7 and 8)	-	-	66	-
Notes receivable (Notes 4, 9 and 21)	7,654	1	4,783	-
Trade receivables (Notes 4, 9 and 21)	36,112	1	139,482	5
Trade receivables from related parties (Notes 4, 21 and 29)	6,154	-	99,081	3
Other receivables (Notes 4 and 9)	353	-	470	-
Inventories (Notes 4 and 10)	65,824	2	79,576	3
Prepayments (Note 15)	947	-	1,703	-
Total current assets	<u>379,119</u>	<u>13</u>	<u>394,154</u>	<u>13</u>
NON-CURRENT ASSETS				
Financial assets at amortized cost - non-current (Notes 4, 7, 8 and 30)	50	-	50	-
Investments accounted for using the equity method (Notes 4, 11, 25 and 29)	2,462,614	82	2,461,272	82
Property, plant and equipment (Notes 4, 12, 16, 26 and 30)	110,915	4	104,631	3
Right-of-use assets (Notes 4 and 13)	158	-	537	-
Other intangible assets (Notes 4 and 14)	48	-	64	-
Deferred tax assets (Notes 4 and 23)	26,220	1	49,243	2
Net defined benefit assets - non-current (Notes 4 and 19)	6,154	-	-	-
Other non-current assets (Notes 4 and 15)	1,974	-	147	-
Total non-current assets	<u>2,608,133</u>	<u>87</u>	<u>2,615,944</u>	<u>87</u>
TOTAL	<u>\$ 2,987,252</u>	<u>100</u>	<u>\$ 3,010,098</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 16 and 30)	\$ 76,500	3	\$ 240,000	8
Contract liabilities (Notes 4 and 21)	4,681	-	9,420	-
Notes payable	704	-	31,745	1
Notes payable to related parties (Note 29)	-	-	570	-
Trade payables	26,316	1	6,953	-
Trade payables to related parties (Note 29)	14,846	1	139,192	5
Other payables (Note 17)	38,523	1	51,251	2
Current tax liabilities (Notes 4 and 23)	132,528	4	35,755	1
Provisions - current (Notes 4 and 18)	131	-	131	-
Lease liabilities - current (Notes 4 and 13)	159	-	379	-
Total current liabilities	<u>294,388</u>	<u>10</u>	<u>515,396</u>	<u>17</u>
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 16, 26, and 30)	10,119	-	2,674	-
Deferred tax liabilities (Notes 4 and 23)	93,250	3	83,058	3
Lease liabilities - non-current (Notes 4 and 13)	-	-	159	-
Net defined benefit liabilities - non-current (Notes 4 and 19)	-	-	5,921	-
Total non-current liabilities	<u>103,369</u>	<u>3</u>	<u>91,812</u>	<u>3</u>
Total liabilities	<u>397,757</u>	<u>13</u>	<u>607,208</u>	<u>20</u>
EQUITY (Notes 4 and 20)				
Share capital				
Ordinary shares	<u>502,302</u>	<u>17</u>	<u>502,302</u>	<u>17</u>
Capital surplus	<u>206,827</u>	<u>7</u>	<u>77,765</u>	<u>2</u>
Retained earnings				
Legal reserve	586,956	20	586,956	20
Special reserve	191,235	6	159,572	5
Unappropriated earnings	<u>1,226,352</u>	<u>41</u>	<u>1,267,530</u>	<u>42</u>
Total retained earnings	<u>2,004,543</u>	<u>67</u>	<u>2,014,058</u>	<u>67</u>
Other equity	<u>(124,177)</u>	<u>(4)</u>	<u>(191,235)</u>	<u>(6)</u>
Total equity	<u>2,589,495</u>	<u>87</u>	<u>2,402,890</u>	<u>80</u>
TOTAL	<u>\$ 2,987,252</u>	<u>100</u>	<u>\$ 3,010,098</u>	<u>100</u>

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

(With Deloitte & Touche auditors' report dated March 29, 2023)

SINMAG EQUIPMENT CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2022		2021	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 21 and 29)				
Sales	\$ 446,208	95	\$ 1,100,239	98
Service revenue	<u>21,620</u>	<u>5</u>	<u>22,992</u>	<u>2</u>
Total operating revenue	<u>467,828</u>	<u>100</u>	<u>1,123,231</u>	<u>100</u>
OPERATING COSTS				
Cost of goods sold (Notes 10, 22 and 29)	(360,868)	(77)	(971,324)	(87)
Service cost	<u>(3,348)</u>	<u>(1)</u>	<u>(3,618)</u>	<u>-</u>
Total operating costs	<u>(364,216)</u>	<u>(78)</u>	<u>(974,942)</u>	<u>(87)</u>
GROSS PROFIT	103,612	22	148,289	13
UNREALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (Note 4)	(4,394)	(1)	(16,702)	(1)
REALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (Note 4)	<u>16,702</u>	<u>4</u>	<u>11,699</u>	<u>1</u>
REALIZED GROSS PROFIT	<u>115,920</u>	<u>25</u>	<u>143,286</u>	<u>13</u>
OPERATING EXPENSES (Notes 22 and 29)				
Selling and marketing expenses	(50,151)	(11)	(54,657)	(5)
General and administrative expenses	(44,549)	(10)	(68,286)	(6)
Research and development expenses	(6,690)	(1)	(7,709)	(1)
Expected credit gain (Notes 4 and 9)	<u>9,025</u>	<u>2</u>	<u>492</u>	<u>-</u>
Total operating expenses	<u>(92,365)</u>	<u>(20)</u>	<u>(130,160)</u>	<u>(12)</u>
PROFIT FROM OPERATIONS	<u>23,555</u>	<u>5</u>	<u>13,126</u>	<u>1</u>
NON-OPERATING INCOME AND EXPENSES (Notes 4 and 22)				
Interest income	2,663	1	59	-
Other income	139	-	337	-
Other gains and losses	15,420	3	(5,429)	-
Finance costs	(2,160)	-	(1,296)	-
Share of profit or loss of subsidiaries, associates and joint ventures	<u>446,725</u>	<u>95</u>	<u>563,705</u>	<u>50</u>
Total non-operating income and expenses	<u>462,787</u>	<u>99</u>	<u>557,376</u>	<u>50</u>

(Continued)

SINMAG EQUIPMENT CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2022		2021	
	Amount	%	Amount	%
PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS	\$ 486,342	104	\$ 570,502	51
INCOME TAX EXPENSE (Notes 4 and 23)	<u>(149,773)</u>	<u>(32)</u>	<u>(60,335)</u>	<u>(6)</u>
NET PROFIT FOR THE YEAR	<u>336,569</u>	<u>72</u>	<u>510,167</u>	<u>45</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	12,222	3	(6,936)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	<u>(2,444)</u>	<u>(1)</u>	<u>1,387</u>	<u>-</u>
	<u>9,778</u>	<u>2</u>	<u>(5,549)</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	83,823	18	(39,578)	(4)
Income tax relating to items that may be reclassified subsequently to profit or loss	<u>(16,765)</u>	<u>(4)</u>	<u>7,915</u>	<u>1</u>
	<u>67,058</u>	<u>14</u>	<u>(31,663)</u>	<u>(3)</u>
Other comprehensive income (loss) for the year, net of income tax	<u>76,836</u>	<u>16</u>	<u>(37,212)</u>	<u>(3)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 413,405</u>	<u>88</u>	<u>\$ 472,955</u>	<u>42</u>
EARNINGS PER SHARE (Note 24)				
From continuing operations				
Basic	<u>\$ 6.70</u>		<u>\$ 10.16</u>	
Diluted	<u>\$ 6.68</u>		<u>\$ 10.12</u>	

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

(With Deloitte & Touche auditors' report dated March 29, 2023)

(Concluded)

SINMAG EQUIPMENT CORPORATION

STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	Share Capital	Capital Surplus	Retained Earnings		Unappropriated Earnings	Other Equity Exchange Differences on Translating the Financial Statements of Foreign Operations	Total Equity
			Legal Reserve	Special Reserve			
BALANCE AT JANUARY 1, 2021	\$ 502,302	\$ 75,738	\$ 552,755	\$ 160,753	\$ 1,136,995	\$ (159,572)	\$ 2,268,971
Changes in percentage of ownership interests in subsidiaries (Note 20)	-	2,027	-	-	-	-	2,027
Appropriation of 2020 earnings (Note 20)							
Legal reserve	-	-	34,201	-	(34,201)	-	-
Reversal of special reserve	-	-	-	(1,181)	1,181	-	-
Cash dividends distributed by the Company	-	-	-	-	(341,063)	-	(341,063)
Net profit for the year ended December 31, 2021	-	-	-	-	510,167	-	510,167
Other comprehensive loss for the year ended December 31, 2021, net of income tax	-	-	-	-	(5,549)	(31,663)	(37,212)
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	504,618	(31,663)	472,955
BALANCE AT DECEMBER 31, 2021	502,302	77,765	586,956	159,572	1,267,530	(191,235)	2,402,890
Changes in percentage of ownership interests in subsidiaries (Notes 20 and 25)	-	129,062	-	-	-	-	129,062
Appropriation of 2021 earnings (Note 20)							
Special reserve	-	-	-	31,663	(31,663)	-	-
Cash dividends distributed by the Company	-	-	-	-	(351,612)	-	(351,612)
Net profit for the year ended December 31, 2022	-	-	-	-	336,569	-	336,569
Other comprehensive income for the year ended December 31, 2022, net of income tax	-	-	-	-	9,778	67,058	76,836
Total comprehensive income for the year ended December 31, 2022	-	-	-	-	346,347	67,058	413,405
Other (Note 29)	-	-	-	-	(4,250)	-	(4,250)
BALANCE AT DECEMBER 31, 2022	\$ 502,302	\$ 206,827	\$ 586,956	\$ 191,235	\$ 1,226,352	\$ (124,177)	\$ 2,589,495

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

(With Deloitte & Touche auditors' report dated March 29, 2023)

SINMAG EQUIPMENT CORPORATION

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 486,342	\$ 570,502
Adjustments for:		
Expected credit gain on receivables	(9,025)	(492)
Depreciation expense	2,809	3,286
Amortization expense	16	70
Finance costs	2,160	1,296
Share of profit of subsidiaries, associates and joint ventures	(446,725)	(563,705)
Interest income	(2,663)	(59)
Write-downs of inventories	728	3,632
Loss on disposal of property, plant and equipment	-	4,790
Loss on disposal of subsidiary	-	63
Recognition of provisions	113	360
Unrealized gain on the transactions with subsidiaries, associates and joint ventures	4,394	16,702
Realized gain on the transactions with subsidiaries associates and joint ventures	(16,702)	(11,699)
Net (gain) loss on foreign currency exchange	(7,569)	459
Changes in operating assets and liabilities		
Notes receivable	(2,871)	6,743
Trade receivables	112,154	(60,207)
Trade receivables from related parties	92,927	(38,850)
Other receivables	206	(284)
Inventories	13,024	(17,002)
Prepayments	756	448
Contract liabilities	(4,739)	4,892
Notes payable	(31,041)	16,966
Notes payable from related parties	(570)	70
Trade payables	19,363	225
Trade payables from related parties	(124,364)	69,524
Other payables	(12,654)	12,656
Provisions	(113)	(360)
Net defined benefit liabilities - non-current	147	(1,931)
Cash generated from operations	76,103	18,095
Interest received	2,574	59
Income tax paid	(38,994)	(52,292)
Net cash generated from (used in) operating activities	<u>39,683</u>	<u>(34,138)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at amortized cost	-	(1)
Proceeds from disposal of financial assets at amortized cost	66	-
Acquisition of investments accounted for using the equity method	(1,340)	(244,310)
Net cash inflow on disposal of subsidiary	374,019	419

(Continued)

SINMAG EQUIPMENT CORPORATION

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	2022	2021
Proceeds from the capital reduction on investments accounted for using the equity method	\$ 60,882	\$ 244,310
Payments for property, plant and equipment	(1,269)	(833)
Increase in other non-current assets	(1,827)	-
Decrease in other non-current assets	-	62
Dividends received from subsidiaries	<u>232,765</u>	<u>298,539</u>
Net cash generated from investing activities	<u>663,296</u>	<u>298,186</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	793,372	800,000
Repayments of short-term borrowings	(956,872)	(705,000)
Repayment of the principal portion of lease liabilities	(379)	(411)
Dividends paid	(351,612)	(341,063)
Interest paid	<u>(2,234)</u>	<u>(1,219)</u>
Net cash used in financing activities	<u>(517,725)</u>	<u>(247,693)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>7,828</u>	<u>(465)</u>
NET INCREASE IN CASH	193,082	15,890
CASH AT THE BEGINNING OF THE YEAR	<u>68,993</u>	<u>53,103</u>
CASH AT THE END OF THE YEAR	<u>\$ 262,075</u>	<u>\$ 68,993</u>

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

(With Deloitte & Touche auditors' report dated March 29, 2023)

(Concluded)

SINMAG EQUIPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (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, 2022. 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 27, 2023.

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

- a. Initial application of 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 2023

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 1)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 2)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 3)

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

Note 2: The amendments will be 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.

Note 3: Except for deferred taxes that were recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments were applied prospectively to transactions that occurred on or after January 1, 2022.

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

- c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB (Note 1)
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
Amendments to IFRS 16 “Leases Liability in a Sale and Leaseback”	January 1, 2024 (Note 2)
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 - Comparative Information”	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024

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: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

As of the date the financial statements were authorized for issue, the Company is continuously assessing the possible impact of the application of the above standards and interpretations 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

For the convenience of readers, the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the ROC. 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 financial statements shall prevail.

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 (assets) 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 denominated in a foreign currency and measured at historical cost is stated at the reporting currency as originally translated from the foreign currency.

For the purpose of presenting financial statements, the financial statements of the Company's foreign operations (including subsidiaries, associates, joint ventures and branches in other countries) that are prepared using functional 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.

On the disposal of a foreign operation (i.e., a disposal of the Company's entire interest in a foreign operation, or a disposal involving the loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation are reclassified to profit or loss.

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 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.

When the Company loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides this, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required had the Company directly disposed of the related assets or liabilities

Profits or losses resulting from downstream transactions is eliminated in full only in the parent company only financial statements. Profits and losses resulting from upstream transactions and transactions between subsidiaries is 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.

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. 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 other 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 other 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.

A financial asset is credit impaired when one or more of the following events have occurred:

- i. Significant financial difficulty of the issuer or the borrower;
- ii. Breach of contract, such as a default;
- iii. It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or
- iv. The disappearance of an active market for that financial asset because of financial difficulties.

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 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 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 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 rereasurement) 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. Rereasurement, 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. Rereasurement 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. Share-based payment arrangements

Equity-settled share-based payment arrangements granted to the employees of a subsidiary

The grant by the Company of its equity instruments to the employees of a subsidiary under share-based payment arrangements is treated as a capital contribution. The fair value of employee services received under the arrangement is measured by reference to the grant-date fair value and is recognized over the vesting period as an addition to the investment in the subsidiary, with a corresponding credit to capital surplus - share-based payments.

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 Act 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 on 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 possible impact of the recent development of the COVID-19 and its economic environment implications when making its critical accounting estimates on cash flows, growth rates, discount rates, profitabilities, etc. 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 AND CASH EQUIVALENTS

	December 31	
	2022	2021
Cash on hand	\$ 159	\$ 156
Checking accounts	1,833	18,171
Demand deposits	59,243	50,666
Cash equivalents		
Time deposits with original maturities of less than 3 months	<u>200,840</u>	<u>-</u>
	<u>\$ 262,075</u>	<u>\$ 68,993</u>

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

	December 31	
	2022	2021
Bank balance (including time deposits)	0.001%-4.15%	0.001%-0.2%

7. FINANCIAL ASSETS AT AMORTIZED COST

	December 31	
	2022	2021
<u>Current</u>		
Time deposits with original maturities of more than 3 months	\$ -	\$ 66
<u>Non-current</u>		
Restricted assets - time deposits with original maturities of more than 3 months	\$ 50	\$ 50

- a. The ranges of interest rates for time deposits with original maturities of more than 3 months were approximately 1.2% and 0.79% per annum as of December 31, 2022 and 2021, respectively.
- b. Refer to Note 8 for information relating to the credit risk management and impairment of investments in financial assets at amortized cost.
- c. 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	
	2022	2021
Gross carrying amount	\$ 50	\$ 116
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>
	<u>\$ 50</u>	<u>\$ 116</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 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, 2022 and 2021, 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

	<u>December 31</u>	
	2022	2021
<u>Notes receivable</u>		
At amortized cost		
Gross carrying amount	\$ 7,654	\$ 4,783
Less: Allowance for impairment loss	<u> -</u>	<u> -</u>
	<u>\$ 7,654</u>	<u>\$ 4,783</u>
<u>Trade receivables</u>		
At amortized cost		
Gross carrying amount	\$ 37,474	\$ 146,877
Less: Allowance for impairment loss	<u>(1,362)</u>	<u>(7,395)</u>
	<u>\$ 36,112</u>	<u>\$ 139,482</u>
<u>Overdue receivables</u>		
At amortized cost		
Gross carrying amount	\$ 2,710	\$ 5,708
Less: Allowance for impairment loss	<u>(2,710)</u>	<u>(5,708)</u>
	<u>\$ -</u>	<u>\$ -</u>
<u>Other receivables</u>		
Tax refund receivables	\$ 76	\$ 21
Interest receivables	89	-
Others	<u>188</u>	<u>449</u>
	<u>\$ 353</u>	<u>\$ 470</u>

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 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, 2022 and 2021, the rate of expected credit loss of notes receivable was 0%.

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

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Not past due	\$ 7,654	\$ 4,783

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, 2022

	Up to 60 Days	61 to 120 Days	121 to 180 Days	181 to 240 Days	Over 241 Days	Total
Expected credit loss rate	3.42%	4.46%	21.31%	-	-	
Gross carrying amount	\$ 29,715	\$ 7,751	\$ 8	\$ -	\$ -	\$ 37,474
Loss allowance (Lifetime ECLs)	<u>(1,015)</u>	<u>(345)</u>	<u>(2)</u>	<u>-</u>	<u>-</u>	<u>(1,362)</u>
Amortized cost	<u>\$ 28,700</u>	<u>\$ 7,406</u>	<u>\$ 6</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 36,112</u>

December 31, 2021

	Up to 60 Days	61 to 120 Days	121 to 180 Days	181 to 240 Days	Over 241 Days	Total
Expected credit loss rate	4.17%	4.89%	13.38%	99.71%	100%	
Gross carrying amount	\$ 75,701	\$ 64,073	\$ 6,927	\$ 153	\$ 23	\$ 146,877
Loss allowance (Lifetime ECLs)	<u>(3,159)</u>	<u>(3,133)</u>	<u>(927)</u>	<u>(153)</u>	<u>(23)</u>	<u>(7,395)</u>
Amortized cost	<u>\$ 72,542</u>	<u>\$ 60,940</u>	<u>\$ 6,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 139,482</u>

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

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Balance at January 1	\$ 7,395	\$ 9,899
Less: Net remeasurement of loss allowance	(6,027)	(2,504)
Less: Amounts written off	<u>(6)</u>	<u>-</u>
Balance at December 31	<u>\$ 1,362</u>	<u>\$ 7,395</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, 2022 and 2021, the rate of expected credit loss of overdue receivables was 100%.

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

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Balance at January 1	\$ 5,708	\$ 3,696
Add: Net remeasurement of loss allowance	-	2,012
Less: Net remeasurement of loss allowance	<u>(2,998)</u>	<u>-</u>
Balance at December 31	<u>\$ 2,710</u>	<u>\$ 5,708</u>

d. Other receivables

Other receivables consist of tax refund receivables, Interest 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, 2022 and 2021, the rate of expected credit loss of other receivables was 0%.

10. INVENTORIES

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Merchandise	\$ 7,652	\$ 6,496
Finished goods	14,323	21,392
Work in progress	17,338	19,274
Raw materials	25,201	30,673
Inventory in transit	<u>1,310</u>	<u>1,741</u>
	<u>\$ 65,824</u>	<u>\$ 79,576</u>

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

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Cost of inventories sold	\$ 360,054	\$ 967,641
Inventory write-downs	728	3,632
Unallocated production overhead	<u>86</u>	<u>51</u>
	<u>\$ 360,868</u>	<u>\$ 971,324</u>

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in Subsidiaries

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Lucky Union Limited	\$ 2,462,614	\$ 2,108,678
Sinnag Equipment (Thailand) Co., Ltd. (Note 3)	-	88,695
Benchmark Service Co., Ltd. (Note 1)	-	-
LBC Bakery Equipment Inc. (Note 2)	<u>-</u>	<u>263,899</u>
	<u>\$ 2,462,614</u>	<u>\$ 2,461,272</u>

Name of Subsidiary	Proportion of Ownership and Voting Rights	
	December 31	
	2022	2021
Lucky Union Limited	100.00%	100.00%
Sinmag Equipment (Thailand) Co., Ltd. (Note 3)	-	100.00%
Benchmark Service Co., Ltd. (Note 1)	-	-
LBC Bakery Equipment Inc. (Note 2)	-	97.24%

Note 1: In June 2020, Benchmark Service Co., Ltd. was incorporated in Thailand. However, considering the Group's policy, the board of directors resolved on March 18, 2021 to liquidate Benchmark Service Co., Ltd. and to handle deregistration, and the relevant procedures were completed in August 2021.

Note 2: After undertaking structural reorganization in April 2021, the Company directly held LBC Bakery Equipment Inc. In addition, the Company bought back 158,000 treasury shares in April 2021, and the shares of LBC Bakery Equipment Inc. held by the Company increased from 82.82% to 97.24%. In addition, Sinmag Limited converted the preference shares into ordinary shares in January 2022, and the shares of LBC Bakery Equipment Inc. held by the Company decreased from 97.24% to 94.26%, the shares of LBC Bakery Equipment Inc. held by Sinmag Limited increased from 0% to 3.07%. Refer to Note 25 for further information on partial acquisition or disposal of subsidiaries. In addition, after undertaking structural reorganization in May 2022, Sinmag Equipment (China) Co., Ltd. directly held LBC Bakery Equipment Inc.

Note 3: After undertaking structural reorganization in May 2022, Sinmag Equipment (China) Co., Ltd. directly held Sinmag Equipment (Thailand) Co., Ltd.

Refer to Tables 4 and 5 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	Property Under Construction (Note 16)	Total
<u>Cost</u>							
Balance at January 1, 2022	\$ 71,915	\$ 48,053	\$ 19,122	\$ 428	\$ 1,746	\$ 2,674	\$ 143,938
Additions	-	-	541	-	728	7,445	8,714
Balance at December 31, 2022	<u>\$ 71,915</u>	<u>\$ 48,053</u>	<u>\$ 19,663</u>	<u>\$ 428</u>	<u>\$ 2,474</u>	<u>\$ 10,119</u>	<u>\$ 152,652</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2022	\$ -	\$ 20,799	\$ 16,550	\$ 385	\$ 1,573	\$ -	\$ 39,307
Depreciation expense	-	1,642	645	43	100	-	2,430
Balance at December 31, 2022	<u>\$ -</u>	<u>\$ 22,441</u>	<u>\$ 17,195</u>	<u>\$ 428</u>	<u>\$ 1,673</u>	<u>\$ -</u>	<u>\$ 41,737</u>
Carrying amount at December 31, 2022	<u>\$ 71,915</u>	<u>\$ 25,612</u>	<u>\$ 2,468</u>	<u>\$ -</u>	<u>\$ 801</u>	<u>\$ 10,119</u>	<u>\$ 110,915</u>
<u>Cost</u>							
Balance at January 1, 2021	\$ 71,915	\$ 58,012	\$ 21,135	\$ 428	\$ 1,746	\$ -	\$ 153,236
Additions	-	819	14	-	-	2,674	3,507
Disposals	-	(10,778)	(2,134)	-	-	-	(12,912)
Reclassification (Note)	-	-	107	-	-	-	107
Balance at December 31, 2021	<u>\$ 71,915</u>	<u>\$ 48,053</u>	<u>\$ 19,122</u>	<u>\$ 428</u>	<u>\$ 1,746</u>	<u>\$ 2,674</u>	<u>\$ 143,938</u>

(Continued)

	Freehold Land	Buildings	Machinery and Equipment	Transportation Equipment	Office Equipment	Property Under Construction (Note 16)	Total
<u>Accumulated depreciation</u>							
Balance at January 1, 2021	\$ -	\$ 25,013	\$ 17,854	\$ 300	\$ 1,386	\$ -	\$ 44,553
Disposals	-	(5,988)	(2,134)	-	-	-	(8,122)
Depreciation expense	-	1,774	830	85	187	-	2,876
Balance at December 31, 2021	<u>\$ -</u>	<u>\$ 20,799</u>	<u>\$ 16,550</u>	<u>\$ 385</u>	<u>\$ 1,573</u>	<u>\$ -</u>	<u>\$ 39,307</u>
Carrying amount at December 31, 2021	<u>\$ 71,915</u>	<u>\$ 27,254</u>	<u>\$ 2,572</u>	<u>\$ 43</u>	<u>\$ 173</u>	<u>\$ 2,674</u>	<u>\$ 104,631</u>

(Concluded)

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

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, 2022 and 2021 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 30.

13. LEASE ARRANGEMENTS

a. Right-of-use assets

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Carrying amount</u>		
Buildings	<u>\$ 158</u>	<u>\$ 537</u>
Additions to right-of-use assets	<u>\$ -</u>	<u>\$ 758</u>
<u>Depreciation charge for right-of-use assets</u>		
Buildings	<u>\$ 379</u>	<u>\$ 410</u>

b. Lease liabilities

	<u>December 31</u>	
	2022	2021
<u>Carrying amount</u>		
Current	\$ <u>159</u>	\$ <u>379</u>
Non-current	\$ <u>-</u>	\$ <u>159</u>

Range of discount rates for lease liabilities was as follows:

	<u>December 31</u>	
	2022	2021
Buildings	1.00%	1.00%-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

	<u>For the Year Ended December 31</u>	
	2022	2021
Expenses relating to short-term leases	\$ <u>249</u>	\$ <u>274</u>
Expenses relating to low-value asset leases	\$ <u>266</u>	\$ <u>305</u>
Total cash outflow for leases	\$ <u>(968)</u>	\$ <u>(834)</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.

All lease commitments (the Company as a lessee) with lease terms commencing after the balance sheet dates are as follows:

	<u>December 31</u>	
	2022	2021
Lease commitments	\$ <u>-</u>	\$ <u>354</u>

14. OTHER INTANGIBLE ASSETS

	Computer Software
<u>Cost</u>	
Balance at January 1, 2022	\$ 2,790
Additions	-
Disposal	<u>(1,030)</u>
Balance at December 31, 2022	<u>\$ 1,760</u>
<u>Accumulated amortization and impairment</u>	
Balance at January 1, 2022	\$ 2,726
Amortization expense	16
Disposal	<u>(1,030)</u>
Balance at December 31, 2022	<u>\$ 1,712</u>
Carrying amount at December 31, 2022	<u>\$ 48</u>
<u>Cost</u>	
Balance at January 1, 2021	\$ 2,790
Additions	<u>-</u>
Balance at December 31, 2021	<u>\$ 2,790</u>
<u>Accumulated amortization and impairment</u>	
Balance at January 1, 2021	\$ 2,656
Amortization expense	<u>70</u>
Balance at December 31, 2021	<u>\$ 2,726</u>
Carrying amount at December 31, 2021	<u>\$ 64</u>

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

15. OTHER ASSETS

	<u>December 31</u>	
	2022	2021
<u>Current</u>		
Other prepayments		
Prepaid expenses	<u>\$ 947</u>	<u>\$ 1,703</u>

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Non-current</u>		
Other assets		
Refundable deposits (Note)	\$ 374	\$ 147
Prepayments for equipment	<u>1,600</u>	<u>-</u>
	<u>\$ 1,974</u>	<u>\$ 147</u>
		(Concluded)

Note: The Company considers the historical default rates of each credit rating supplied by external rating agencies and the current financial condition of debtors to estimate 12-month or lifetime expected credit losses. As of December 31, 2022 and 2021, the Company evaluated the expected credit loss rates of its refundable deposits as 0%.

16. BORROWINGS

a. Short-term borrowings

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Secured borrowings (Note 30)</u>		
Bank loans	\$ <u>-</u>	\$ <u>90,000</u>
<u>Unsecured borrowings</u>		
Line of credit borrowings	\$ <u>76,500</u>	\$ <u>150,000</u>

1) The interest rate on bank loans was 1.00% as of December 31, 2021.

2) The range of weighted average effective interest rates on bank line of credit borrowings was 1.43% and 0.88% per annum as of December 31, 2022 and 2021, respectively.

b. Long-term borrowings

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Secured borrowings (Note 30)</u>		
Long-term borrowings - Urban regeneration (Note 26)	\$ <u>10,119</u>	\$ <u>2,674</u>

The Company participated in the “Taipei City, Da-An District, Huaisheng Section 2, No. 316, 316-2 Urban Renewal Plan” (the “Plan”). The Plan, which was implemented by the original landowner and legal building owner with “Taipei City, Da-An District, Huaisheng Section 2, No. 316, 316-2 Association” (the “Association”), was approved by the municipal authority. To assure that the Plan would be carried out as expected, the Association signed the property trust contract with the Trust Department of Hua Nan Commercial Bank (Note 30), and the Association applied the property financing arrangement to Hua Nan Commercial Bank which states that the borrowings are managed by the trust account of Hua Nan Commercial Bank. Upon completion of the project, the expense accrued from the project will be allocated proportionately to the original landowner and legal building owner based on the value of the property rights. As of December 31, 2022 and 2021, the expense allocated to the Company was \$10,119 thousand and \$2,674 thousand, and the borrowing rate was 2.33%-2.705% and 2.08%, respectively.

17. OTHER PAYABLES

	December 31	
	2022	2021
Payables for salaries or bonuses	\$ 30,833	\$ 45,146
Payables for professional service fees	1,389	421
Payables for interests	42	116
Others	<u>6,259</u>	<u>5,568</u>
	<u>\$ 38,523</u>	<u>\$ 51,251</u>

18. PROVISIONS

	December 31	
	2022	2021
<u>Current</u>		
Warranties	<u>\$ 131</u>	<u>\$ 131</u>
	For the Year Ended December 31	
	2022	2021
Balance at January 1	\$ 131	\$ 131
Additional provisions recognized	113	360
Amount used	<u>(113)</u>	<u>(360)</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	
	2022	2021
Present value of defined benefit obligation	\$ 32,381	\$ 48,210
Fair value of plan assets	<u>(38,535)</u>	<u>(42,289)</u>
(Surplus) deficit	(6,154)	5,921
Asset ceiling	<u>-</u>	<u>-</u>
Net defined benefit (assets) liabilities	<u>\$ (6,154)</u>	<u>\$ 5,921</u>

Movements in net defined benefit liabilities (assets) were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2021	<u>\$ 58,241</u>	<u>\$ (57,325)</u>	<u>\$ 916</u>
Service cost			
Current service cost	240	-	240
Net interest expense (income)	<u>290</u>	<u>(292)</u>	<u>(2)</u>
Recognized in profit or loss	<u>530</u>	<u>(292)</u>	<u>238</u>

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	\$ -	\$ (670)	\$ (670)
Actuarial loss - changes in demographic assumptions	1,286	-	1,286
Actuarial (gain) - changes in financial assumptions	(599)	-	(599)
Actuarial loss - experience adjustments	<u>6,919</u>	<u>-</u>	<u>6,919</u>
Recognized in other comprehensive income	<u>7,606</u>	<u>(670)</u>	<u>6,936</u>
Contributions from the employer	<u>-</u>	<u>(2,169)</u>	<u>(2,169)</u>
Benefits paid	<u>(18,167)</u>	<u>18,167</u>	<u>-</u>
Balance at December 31, 2021	<u>\$ 48,210</u>	<u>\$ (42,289)</u>	<u>\$ 5,921</u>
Balance at January 1, 2022	<u>\$ 48,210</u>	<u>\$ (42,289)</u>	<u>\$ 5,921</u>
Service cost			
Current service cost	110	-	110
Net interest expense (income)	<u>301</u>	<u>(264)</u>	<u>37</u>
Recognized in profit or loss	<u>411</u>	<u>(264)</u>	<u>147</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(3,885)	(3,885)
Actuarial (gain) - changes in financial assumptions	(2,774)	-	(2,774)
Actuarial (gain) - experience adjustments	<u>(5,563)</u>	<u>-</u>	<u>(5,563)</u>
Recognized in other comprehensive income	<u>(8,337)</u>	<u>(3,885)</u>	<u>(12,222)</u>
Benefits paid	<u>(7,903)</u>	<u>7,903</u>	<u>-</u>
Balance at December 31, 2022	<u>\$ 32,381</u>	<u>\$ (38,535)</u>	<u>\$ (6,154)</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:

	<u>December 31</u>	
	2022	2021
Discount rate(s)	1.500%	0.625%
Expected rate(s) of salary increase	2.500%	2.500%

If possible reasonable changes in each of the significant actuarial assumptions occur and all other assumptions remain constant, the present value of the defined benefit obligation will increase (decrease) as follows:

	<u>December 31</u>	
	2022	2021
Discount rate(s)		
0.25% increase	\$ (732)	\$ (1,194)
0.25% decrease	\$ 758	\$ 1,238
Expected rate(s) of salary increase		
0.25% increase	\$ 737	\$ 1,194
0.25% decrease	\$ (716)	\$ (1,159)

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.

	<u>December 31</u>	
	2022	2021
Expected contributions to the plans for the next year	\$ -	\$ -
Average duration of the defined benefit obligation	9.2 years	10 years

20. EQUITY

a. Share capital

Ordinary shares

	<u>December 31</u>	
	2022	2021
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

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital*</u>		
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>
	75,738	75,738
<u>May only be used to offset a deficit**</u>		
Changes in percentage of ownership interests in subsidiaries (Note 25)	<u>131,089</u>	<u>2,027</u>
	<u>\$ 206,827</u>	<u>\$ 77,765</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).

** Such capital surplus arises from the effects of changes in ownership interests in subsidiaries resulting from equity transactions other than actual disposals or acquisitions or from changes in capital surplus of subsidiaries accounted for using the equity method.

c. Retained earnings and dividends policy

The shareholders of the Company held their regular meeting on May 31, 2022 and resolved the amendments to the Company's Articles of Incorporation (the "Articles").

Under the dividends policy as set forth in the amended 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.

In the event of a shortfall in "cumulative net increases in fair value measurement of investment properties from the prior period" and "cumulative net debit balance reserves from the prior period" when the Company sets aside a portion of distributable earnings for special reserve, it shall first set aside an equal amount of special reserve from undistributed earnings from the previous period. If any shortfall remains, the Company shall make an allocation from the undistributed earnings of the current period that also take account of net profit plus other items of the current period.

In accordance with Article 240 of the Company Law or Article 241 of the Company Law, if the Company used dividend bonus, legal reserve, capital surplus to distribute as cash dividends, the board of directors shall be authorized to resolve the proposal by the vote of at least half of the directors present, provided the number of directors present shall be at least two-thirds of the entire board of directors, and report the distribution to the shareholders' meeting.

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 shareholder'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 shareholders as dividends and bonuses, in the form of cash or share 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 the dividends policy as set forth in the Articles before the amendments, 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 shareholder'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 shareholders as dividends and bonuses, in the form of cash or share dividends, whilst cash dividends should not be lower than 20% of total bonuses to shareholders.

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 the deficit. 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. 1090150022 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 2021 and 2020 which were approved in the shareholders' meetings on May 31, 2022 and August 13, 2021, respectively, were as follows:

	Appropriation of Earnings	
	For the Year Ended December 31	
	2021	2020
Legal reserve	\$ -	\$ 34,201
Drawdown (reversal) of special reserve	\$ 31,663	\$ (1,181)
Cash dividends	\$ 351,612	\$ 341,063
Cash dividends per share (NT\$)	\$ 7	\$ 6.79

The appropriation of earnings for 2022, was proposed by the Company's board of directors on March 27, 2023. The appropriation and dividends per share were as follows:

	Appropriation of Earnings For the Year Ended December 31, 2022
Reversal of special reserve	\$ (67,058)
Cash dividends	<u>\$ 301,381</u>
Cash dividends per share (NT\$)	\$ 6

The above appropriation for cash dividends has been resolved by the Company's board of directors; the other proposed appropriations will be resolved by the shareholders in their meeting to be held on June 19, 2023.

d. Special reserve

	December 31	
	2022	2021
Appropriation in respect of:		
Debit to other equity items	\$ 136,902	\$ 105,239
First-time adoption of IFRSs	<u>54,333</u>	<u>54,333</u>
	<u>\$ 191,235</u>	<u>\$ 159,572</u>

e. Other equity items

Exchange differences on the translation of the financial statements of foreign operations

	For the Year Ended December 31	
	2022	2021
Balance at January 1	\$ (191,235)	\$ (159,572)
Recognized for the year		
Exchange differences on the translation of the financial statements of foreign operations	79,573	(39,641)
Related income tax	(15,915)	7,928
Reclassification adjustments		
Disposal of foreign operations (Notes 22 and 29)	4,250	63
Related income tax	<u>(850)</u>	<u>(13)</u>
Other comprehensive income recognized for the year	<u>67,058</u>	<u>(31,663)</u>
Balance at December 31	<u>\$ (124,177)</u>	<u>\$ (191,235)</u>

21. REVENUE

	For the Year Ended December 31	
	2022	2021
Revenue from contracts with customers		
Revenue from the sale of goods	\$ 446,208	\$ 1,100,239
Revenue from the rendering of services	<u>21,620</u>	<u>22,992</u>
	<u>\$ 467,828</u>	<u>\$ 1,123,231</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, 2022	December 31, 2021	January 1, 2021
Notes receivable (Note 9)	\$ 7,654	\$ 4,783	\$ 11,526
Trade receivables (Note 9)	36,112	139,482	79,221
Trade receivables from related parties (Note 29)	<u>6,154</u>	<u>99,081</u>	<u>60,677</u>
	<u>\$ 49,920</u>	<u>\$ 243,346</u>	<u>\$ 151,424</u>
Contract liabilities			
Sale of goods	<u>\$ 4,681</u>	<u>\$ 9,420</u>	<u>\$ 4,528</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	
	2022	2021
<u>From contract liabilities at the start of the year</u>		
Sale of goods	<u>\$ 8,466</u>	<u>\$ 4,275</u>

c. Disaggregation of revenue

	<u>For the Year Ended December 31</u>	
	2022	2021
Type of goods or services		
Sale of goods	\$ 446,208	\$ 1,100,239
Rendering of services	<u>21,620</u>	<u>22,992</u>
	<u>\$ 467,828</u>	<u>\$ 1,123,231</u>

22. NET PROFIT FROM CONTINUING OPERATIONS

a. Interest income

	<u>For the Year Ended December 31</u>	
	2022	2021
Bank deposits	\$ <u>2,663</u>	\$ <u>59</u>

b. Other income

	<u>For the Year Ended December 31</u>	
	2022	2021
Others	\$ <u>139</u>	\$ <u>337</u>

c. Other gains and (losses)

	<u>For the Year Ended December 31</u>	
	2022	2021
Loss on disposal of property, plant and equipment	\$ -	\$ (4,790)
Net foreign exchange gains (losses)	15,425	(206)
Loss on disposal of subsidiaries (Note 20)	-	(63)
Others	<u>(5)</u>	<u>(370)</u>
	<u>\$ 15,420</u>	<u>\$ (5,429)</u>

d. Finance costs

	<u>For the Year Ended December 31</u>	
	2022	2021
Interest on bank loans	\$ 2,157	\$ 1,293
Interest on lease liabilities	<u>3</u>	<u>3</u>
	<u>\$ 2,160</u>	<u>\$ 1,296</u>

e. Depreciation and amortization

	For the Year Ended December 31	
	2022	2021
An analysis of depreciation by function		
Operating costs	\$ 1,211	\$ 1,402
Operating expenses	<u>1,598</u>	<u>1,884</u>
	<u>\$ 2,809</u>	<u>\$ 3,286</u>
An analysis of amortization by function		
Selling and marketing expenses	\$ 14	14
General and administrative expenses	2	9
Research and development expenses	<u>-</u>	<u>47</u>
	<u>\$ 16</u>	<u>\$ 70</u>

f. Employee benefits expense

	For the Year Ended December 31	
	2022	2021
Short-term benefits	<u>\$ 102,512</u>	<u>\$ 130,713</u>
Post-employment benefits		
Defined contribution plans	3,475	3,877
Defined benefit plans (see Note 19)	<u>147</u>	<u>238</u>
	<u>3,622</u>	<u>4,115</u>
Total employee benefits expense	<u>\$ 106,134</u>	<u>\$ 134,828</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 36,724	\$ 38,120
Operating expenses	<u>69,410</u>	<u>96,708</u>
	<u>\$ 106,134</u>	<u>\$ 134,828</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, 2022 and 2021, which have been approved by the Company's board of directors on March 27, 2023 and March 15, 2022, respectively, were as follows:

Accrual rate

	For the Year Ended December 31	
	2022	2021
Compensation of employees	2.20%	2.93%
Remuneration of directors	1.34%	1.32%

Amount

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
	<u>Cash</u>	<u>Cash</u>
Compensation of employees	\$ 11,092	\$ 17,479
Remuneration of directors	6,759	7,857

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, 2021 and 2020.

Information on the compensation of employees and remuneration of directors resolved by the Company's board of directors in 2022 and 2021 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

h. Gains or (losses) on foreign currency exchange

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Foreign exchange gains	\$ 36,942	\$ 13,644
Foreign exchange losses	<u>(21,517)</u>	<u>(13,850)</u>
Net foreign exchange gains (losses)	<u>\$ 15,425</u>	<u>\$ (206)</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:

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Current tax		
In respect of the current year	\$ 143,562	\$ 68,666
Income tax on unappropriated earnings	6,067	-
Adjustments for prior years	2,517	1,305
Withholding tax credits from overseas profits of the current year	<u>(16,379)</u>	<u>(32,696)</u>
	<u>135,767</u>	<u>37,275</u>
Deferred tax		
In respect of the current year	<u>14,006</u>	<u>23,060</u>
Income tax expense recognized in profit or loss	<u>\$ 149,773</u>	<u>\$ 60,335</u>

A reconciliation of accounting profit and income tax expense is as follows:

	For the Year Ended December 31	
	2022	2021
Profit before tax from continuing operations	<u>\$ 486,342</u>	<u>\$ 570,502</u>
Income tax expense calculated at the statutory rate	\$ 97,268	\$ 114,100
Unrecognized deductible temporary differences - share of (profit)		
loss of subsidiaries accounted for equity method	(19,078)	(22,587)
Nondeductible expenses in determining taxable income	-	1
Tax effect of earnings of subsidiaries	79,378	212
Income tax on unappropriated earnings	6,067	-
Adjustments for prior years' tax	2,517	1,305
Withholding tax credits from overseas profits of the current year	<u>(16,379)</u>	<u>(32,696)</u>
Income tax expense recognized in profit or loss	<u>\$ 149,773</u>	<u>\$ 60,335</u>

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2022	2021
<u>Current tax</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Deferred tax</u>		
In respect of the current year		
Translation of foreign operations	15,915	(7,928)
Remeasurement of defined benefit plans	2,444	(1,387)
Arising from income and expenses reclassified from equity to profit or loss		
On disposal of foreign operations	<u>850</u>	<u>13</u>
Total income tax recognized in other comprehensive income	<u>\$ 19,209</u>	<u>\$ (9,302)</u>

c. Current tax assets and liabilities

	December 31	
	2022	2021
Current tax liabilities		
Income tax payable	<u>\$ 132,528</u>	<u>\$ 35,755</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, 2022

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre- hensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Unrealized loss on inventories	\$ 5,560	\$ 147	\$ -	\$ 5,707
Allowance for impairment loss	2,127	(1,402)	-	725
Unrealized gain on the transactions with subsidiaries	3,341	(2,462)	-	879
Exchange differences on translating the financial statements of foreign operations	32,589	-	(16,765)	15,824
Defined benefit obligations	5,385	-	(2,444)	2,941
Others	<u>241</u>	<u>(97)</u>	<u>-</u>	<u>144</u>
	<u>\$ 49,243</u>	<u>\$ (3,814)</u>	<u>\$ (19,209)</u>	<u>\$ 26,220</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Share of profit of subsidiaries accounted for using the equity method	\$ 77,753	\$ 10,409	\$ -	\$ 88,162
Pensions	5,118	(30)	-	5,088
Others	<u>187</u>	<u>(187)</u>	<u>-</u>	<u>-</u>
	<u>\$ 83,058</u>	<u>\$ 10,192</u>	<u>\$ -</u>	<u>\$ 93,250</u>

For the year ended December 31, 2021

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre- hensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Unrealized loss on inventories	\$ 4,834	\$ 726	\$ -	\$ 5,560
Allowance for impairment loss	2,408	(281)	-	2,127
Unrealized gain on the transactions with subsidiaries	2,340	1,001	-	3,341
Exchange differences on translating the financial statements of foreign operations	24,674	-	7,915	32,589
Defined benefit obligations	3,998	-	1,387	5,385
Others	<u>335</u>	<u>(94)</u>	<u>-</u>	<u>241</u>
	<u>\$ 38,589</u>	<u>\$ 1,352</u>	<u>\$ 9,302</u>	<u>\$ 49,243</u>

Deferred tax liabilities

Temporary differences				
Share of profit of subsidiaries accounted for using the equity method	\$ 53,803	\$ 23,950	\$ -	\$ 77,753
Pensions	4,731	387	-	5,118
Others	<u>112</u>	<u>75</u>	<u>-</u>	<u>187</u>
	<u>\$ 58,646</u>	<u>\$ 24,412</u>	<u>\$ -</u>	<u>\$ 83,058</u>

- e. The aggregate amount of temporary differences associated with investments for which deferred tax liabilities have not been recognized

As of December 31, 2022 and 2021, the taxable temporary differences associated with investments in subsidiaries and branches for which no deferred tax liabilities have been recognized were \$899,524 thousand and \$1,048,741 thousand, respectively.

- f. Income tax assessments

The tax returns through 2020 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

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Basic earnings per share		
From continuing operations	<u>\$ 6.70</u>	<u>\$ 10.16</u>
Diluted earnings per share		
From continuing operations	<u>\$ 6.68</u>	<u>\$ 10.12</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

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Profit for the year attributable to owners of the Company	\$ 336,569	\$ 510,167
Effect of potentially dilutive ordinary shares		
Compensation of employees	<u> -</u>	<u> -</u>
Earnings used in the computation of diluted earnings per share	<u>\$ 336,569</u>	<u>\$ 510,167</u>

Weighted average number of ordinary shares outstanding (in thousands of shares)

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
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> 156</u>	<u> 188</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>50,386</u>	<u>50,418</u>

The Company may settle the compensation of employees in cash or shares; therefore, the Company assumes that the entire amount of the compensation will be settled in shares, and the resulting potential shares will be 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. PARTIAL ACQUISITION OR DISPOSAL OF SUBSIDIARIES - WITHOUT LOSS OF CONTROL

Sinmag Limited converted the preference shares into ordinary shares in January 2022. The shares of LBC Bakery Equipment Inc. held by the Company decreased from 97.24% to 94.26%, and the shares of LBC Bakery Equipment Inc. held by Sinmag Limited increased from 0% to 3.07%.

After undertaking structural reorganization in April 2021, the Company directly held LBC Bakery Equipment Inc. In addition, the Company bought back 158,000 treasury shares in April 2021, and the shares of LBC Bakery Equipment Inc. held by the Company increased from 82.82% to 97.24%.

The above transactions were accounted for as equity transactions since the Company did not cease to have control over these subsidiaries. For details on the partial acquisition or disposal of LBC Bakery Equipment Inc., refer to Note 27 to the Company's consolidated financial statements for the year ended December 31, 2022.

26. CASH FLOW INFORMATION

a. Non-cash transactions

In addition to those disclosed in other notes, the Company 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, 2022 and 2021:

The Company proportioned and capitalized the construction fees from the urban regeneration project, which was conducted through the Association's application for construction loan to the Hua Nan Commercial Bank. As of December 31, 2022 and 2021, the amounts which were accounted as property under construction and long-term borrowings - Urban regeneration were \$10,119 thousand and \$2,674 thousand, respectively.

b. Changes in Liabilities Arising from Financing Activities

For the year ended December 31, 2022

	Cash Flows		Non-cash Changes			Exchange Differences on Translating the Financial Statements	Closing Balance
	Opening Balance	Increase in Principal (Repayment)	Finance Costs	Urban Regeneration /New Leases	Finance Costs		
Short-term borrowings	\$ 240,000	\$ (163,500)	\$ -	\$ -	\$ -	\$ -	\$ 76,500
Long-term borrowings	2,674	-	-	7,445	-	-	10,119
Lease liabilities	538	(379)	(3)	-	3	-	159
	<u>\$ 243,212</u>	<u>\$ (163,879)</u>	<u>\$ (3)</u>	<u>\$ 7,445</u>	<u>\$ 3</u>	<u>\$ -</u>	<u>\$ 86,778</u>

For the year ended December 31, 2021

	Cash Flows		Non-cash Changes			Exchange Differences on Translating the Financial Statements	Closing Balance
	Opening Balance	Increase in Principal (Repayment)	Finance Costs	Urban Regeneration /New Leases	Finance Costs		
Short-term borrowings	\$ 145,000	\$ 95,000	\$ -	\$ -	\$ -	\$ -	\$ 240,000
Long-term borrowings	-	-	-	2,674	-	-	2,674
Lease liabilities	191	(411)	(3)	758	3	-	538
	<u>\$ 145,191</u>	<u>\$ 94,589</u>	<u>\$ (3)</u>	<u>\$ 3,432</u>	<u>\$ 3</u>	<u>\$ -</u>	<u>\$ 243,212</u>

27. 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 cash equivalents) 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.

28. 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

	<u>December 31</u>	
	2022	2021
<u>Financial assets</u>		
Amortized cost (1)	\$ 312,696	\$ 313,051
<u>Financial liabilities</u>		
Amortized cost (2)	136,175	427,239

1) The balances include financial assets at amortized cost, which comprise cash and cash equivalents, 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, long-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 and cash equivalents, 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, 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 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 32.

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 New Taiwan Dollars (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 New Taiwan Dollars weakening 1% against the relevant currency. For a 1% strengthening of the New Taiwan Dollars 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	
	2022	2021
Profit or loss	\$ 2,262	\$ 1,047

This was mainly attributable to the exposure outstanding on USD cash and cash equivalents, receivables and payables which were not hedged at the end of the reporting period.

The Company's sensitivity to the USD increased 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:

	<u>December 31</u>	
	2022	2021
Fair value interest rate risk		
Financial assets	\$ 200,890	\$ 116
Financial liabilities	76,659	240,538
Cash flow interest rate risk		
Financial assets	59,243	50,666
Financial liabilities	10,119	2,674

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, 2022 and 2021 would have increased/decreased by \$123 thousand and \$120 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 increased during the current period mainly due to the increase in floating interest rate bank deposits.

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 72% and 87% in total trade receivables as of December 31, 2022 and 2021, respectively, was related to the Company's ten largest customers.

3) Liquidity risk

The Company's current liabilities exceeded current assets by \$121,242 thousand on December 31, 2021. 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, 2021, so there was no liquidity risk from an overall perspective.

The Company manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents 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, 2022 and 2021, 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, 2022

	Within 3 Months	3 Months to 1 Year	1-5 Years
Short-term borrowings	\$ 76,568	\$ -	\$ -
Non-interest bearing liabilities	49,556	-	-
Lease liabilities	96	63	-
Long-term borrowings	<u>-</u>	<u>-</u>	<u>10,119</u>
	<u>\$ 126,220</u>	<u>\$ 63</u>	<u>\$ 10,119</u>

Additional information on the maturity analysis for lease liabilities

	Less than 1 Year	1-5 Years
Lease liabilities	<u>\$ 159</u>	<u>\$ -</u>

December 31, 2021

	Within 3 Months	3 Months to 1 Year	1-5 Years
Short-term borrowings	\$ 240,420	\$ -	\$ -
Financial guarantee contracts	1,141	19,061	-
Non-interest bearing liabilities	184,465	100	-
Lease liabilities	96	287	159
Long-term borrowings	<u>-</u>	<u>-</u>	<u>2,674</u>
	<u>\$ 426,122</u>	<u>\$ 19,448</u>	<u>\$ 2,833</u>

Additional information on the maturity analysis for lease liabilities

	Less than 1 Year	1-5 Years
Lease liabilities	<u>\$ 383</u>	<u>\$ 159</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	
	2022	2021
Unsecured bank loan facilities, reviewed annually and payable on demand:		
Amount used	\$ 76,500	\$ 150,000
Amount unused	<u>240,250</u>	<u>159,200</u>
	<u>\$ 316,750</u>	<u>\$ 309,200</u>
Secured bank loan facilities:		
Amount used	\$ -	\$ 90,000
Amount unused	<u>140,000</u>	<u>50,000</u>
	<u>\$ 140,000</u>	<u>\$ 140,000</u>

29. 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

<u>Related Party Name</u>	<u>Related Party Category</u>
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
Sinmag Bakery Machine India Private Limited	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	<u>For the Year Ended December 31</u>	
		2022	2021
Sales	Subsidiaries		
	LBC Bakery Equipment Inc.	\$ 38,122	\$ 302,881
	Others	<u>47,939</u>	<u>163,013</u>
		<u>86,061</u>	<u>465,894</u>
	Associates	<u>641</u>	<u>886</u>
		<u>\$ 86,702</u>	<u>\$ 466,780</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

Line Item	Related Party Category/Name	<u>For the Year Ended December 31</u>	
		2022	2021
Purchases	Subsidiaries		
	Sinmag Equipment (China) Co., Ltd.	\$ 212,123	\$ 820,588
	Associates	<u>2,017</u>	<u>2,825</u>
		<u>\$ 214,140</u>	<u>\$ 823,413</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	
		2022	2021
Trade receivables	Subsidiaries		
	Sinmag Equipment (China) Co., Ltd.	\$ 6,154	\$ 6,277
	LBC Bakery Equipment Inc.	-	76,022
	Others	-	16,775
		<u>6,154</u>	<u>99,074</u>
	Associates	-	7
		<u>\$ 6,154</u>	<u>\$ 99,081</u>

The outstanding trade receivables from related parties are unsecured. As of December 31, 2022 and 2021, all receivables from related parties were not past due. And for the years ended December 31, 2022 and 2021, 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	
		2022	2021
Notes payable	Associates	\$ -	\$ 570
Trade payables	Subsidiaries		
	Sinmag Equipment (China) Co., Ltd.	\$ 14,577	\$ 139,124
	Associates	<u>269</u>	<u>68</u>
		<u>\$ 14,846</u>	<u>\$ 139,192</u>

The outstanding trade payables from related parties are unsecured.

- f. Benchmark Service Co., Ltd. was incorporated in June 2020 with the capital of \$479 thousand. However, the board of directors resolved on March 18, 2021 to liquidate Benchmark Service Co., Ltd., which was dissolved in August 2021, and the amount of shares of \$419 thousand was returned to the Company.
- g. The Company received cash dividends from Sinmag Equipment (Thailand) Co., Ltd. for the years ended December 31, 2022 and 2021, which amounted to \$10,882 thousand and \$4,234 thousand, respectively.
- h. The Company received cash dividends from Lucky Union Limited for the years ended December 31, 2022 and 2021, which amounted to \$221,883 thousand and \$294,305 thousand, respectively.
- i. The Company received the refund of capital reduction from Lucky Union Limited in the amount of \$60,882 thousand in 2022 and \$244,310 thousand in 2021.

- j. After undertaking structural reorganization in April 2021, the Company directly held 100% equity in LBC Bakery Equipment Inc. The Company acquired investments accounted for using the equity method in the amount of \$244,310 thousand. In addition, the Company bought back 158,000 treasury shares in April 2021, and the shares of LBC Bakery Equipment Inc. held by the Company increased from 82.82% to 97.24%. In addition, Sinmag Limited converted the preference shares into ordinary shares in January 2022. The shares of LBC Bakery Equipment Inc. held by the Company decreased from 97.24% to 94.26%, and the shares of LBC Bakery Equipment Inc. held by Sinmag Limited increased from 0% to 3.07%. In addition, after undertaking structural reorganization in May 2022, Sinmag Equipment (China) Co., Ltd. directly held LBC Bakery Equipment Inc. The Company disposed of investments accounted for using the equity method in the amount of \$289,264 thousand. The transaction was a structural reorganization within the Group, and the relevant disposal gains and losses were transferred to capital surplus of \$(11,472) thousand and retained earnings of \$5,663 thousand.
- k. Ximai Enterprises Management (Wuxi) Co., Ltd. was incorporated in February 2022 with a capital of \$1,340 thousand.
- l. After undertaking structural reorganization in May 2022, Sinmag Equipment (China) Co., Ltd. directly held Sinmag Equipment (Thailand) Co., Ltd. The Company disposed of investments accounted for using the equity method in the amount of \$84,755 thousand. The transaction was a structural reorganization within the Group, and the relevant disposal gains and losses were transferred to a capital surplus of \$3,648 thousand and retained earnings of \$(9,913) thousand.

m. Endorsements and guarantees

Endorsements and guarantees provided by the Company

Related Party Category/Name	December 31	
	2022	2021
Subsidiaries		
Sinmag Bakery Equipment Sdn. Bhd.		
Amount endorsed	-	<u>RM 6,000 thousand</u>
Amount utilized	-	<u>RM 3,144 thousand</u>

n. Other transactions from related parties

Line Item	Related Party Category/Name	For the Year Ended December 31	
		2022	2021
Selling and marketing expenses - other expenses	Associates	\$ <u>2</u>	\$ <u>22</u>
General and administrative expenses - other expenses	Sinmag Bakery Machine India Private Limited	\$ 4,546	\$ 3,179
	Associates	<u>2</u>	<u>-</u>
		<u>\$ 4,548</u>	<u>\$ 3,179</u>

o. Remuneration of key management personnel

	For the Year Ended December 31	
	2022	2021
Short-term employee benefits	<u>\$ 13,992</u>	<u>\$ 24,282</u>

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 borrowings and the tariffs of imported raw material guarantees:

	December 31	
	2022	2021
Financial assets at amortized cost - non-current		
Pledged time deposits	\$ 50	\$ 50
Others		
Freehold land	58,715	58,715
Building	22,850	24,332
Property under construction	<u>10,119</u>	<u>2,674</u>
	<u>\$ 91,734</u>	<u>\$ 85,771</u>

31. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Sinmag Equipment (China) Co., Ltd., the subsidiary of the Group, has applied for an initial public offering of RMB ordinary shares denoted on the Shenzhen Stock Exchange and has completed the submission of application documents for listing in December 26, 2022. The Company issued “Commitments to Avoid Peer Competition” on March 15, 2023 according to the requirements of the China Securities Regulatory Commission. The content summary is as follows:

To avoid potential peer competition between the Company and Sinmag Equipment (China) Co., Ltd., the Company committed the proportion of the revenue of the Company and other enterprises controlled by the Company to export revenue (consolidated) of the issuer and set a limit to no more than 7% or the amount of export revenue not more than RMB35 million, within a reasonable range (the two standards cannot be broken at the same time).

32. 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, 2022

	Foreign Currency (In Thousands)	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 7,861	30.70 (USD:NTD)	\$ <u>241,341</u>
Non-monetary items			
Investments accounted for using the equity method			
USD	80,215	30.70 (USD:NTD)	\$ <u>2,462,614</u>
<u>Financial liabilities</u>			
Monetary items			
USD	495	30.70 (USD:NTD)	\$ <u>15,181</u>

December 31, 2021

	Foreign Currency (In Thousands)	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 8,830	27.68 (USD:NTD)	\$ <u>244,416</u>
Non-monetary items			
Investments accounted for using the equity method			
USD	88,919	27.68 (USD:NTD)	\$ <u>2,461,272</u>
<u>Financial liabilities</u>			
Monetary items			
USD	5,046	27.68 (USD:NTD)	\$ <u>139,669</u>

The significant (realized and unrealized) foreign exchange gains (losses) were as follows:

	For the Year Ended December 31			
	2022		2021	
Foreign Currency	Exchange Rate	Net Foreign Exchange Gains (Losses)	Exchange Rate	Net Foreign Exchange Gains (Losses)
USD	29.7194 (USD:NTD)	\$ <u>15,578</u>	28.009 (USD:NTD)	\$ <u>8</u>

33. SEPARATELY DISCLOSED ITEMS

a. Information on 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 (Table 2)
- 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 3)
- 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 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 period, 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 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 7)

SINMAG EQUIPMENT CORPORATION

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2022
(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% \$ 1,294,748	\$ 41,714 (RM 6,000)	\$ - (RM -)	\$ - (RM -)	\$ -	-	Net value 50% \$ 1,294,748	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 or reviewed 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 or reviewed 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, 2022.

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.

SINMAG EQUIPMENT CORPORATION

MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COSTS OR PRICES OF AT LEAST NTS300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2022

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

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance		
					Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Carrying Amount	Gain (Loss) on Disposal (Note 2)	Other Remeasurements (Note 1)	Number of Shares	Amount
Sinmag Equipment Corporation and Sinmag Limited	LBC Bakery Equipment Inc.	Investments accounted for using the equity method	Sinmag Equipment (China) Co., Ltd.	From parent and sub-sub-subsidiary to third-tier subsidiary	882,000	\$ 263,899	28,682	\$ 9,875 (Note 3)	910,682	\$ 298,686	\$ 310,531	\$ -	\$ 36,757	-	\$ -
Sinmag Limited	Sinmag Bakery Equipment Sdn. Bhd.	Investments accounted for using the equity method	Sinmag Equipment (China) Co., Ltd.	From sub-sub-subsidiary to third-tier subsidiary	300,000	105,325	-	-	300,000	110,297	118,083	-	12,758	-	-
Sinmag Equipment (China) Co., Ltd.	LBC Bakery Equipment Inc.	Investments accounted for using the equity method	Sinmag Equipment Corporation and Sinmag Limited	From third-tier subsidiary to parent and sub-sub-subsidiary	-	-	910,682	298,686	-	-	-	-	64,460	910,682	363,146
	Sinmag Bakery Equipment Sdn. Bhd.	Investments accounted for using the equity method	Sinmag Limited	From third-tier subsidiary to sub-sub-subsidiary	-	-	300,000	110,297	-	-	-	-	20,186	300,000	130,483

Note 1: The remeasurements include share of profit or loss from the investments accounted for using the equity method and remeasurement of other comprehensive income.

Note 2: The transaction was a structural reorganization within the Group, and the difference between the selling price and the book cost was to adjust capital surplus and retained earnings.

Note 3: Sinmag Limited converted the preference shares into ordinary shares in January 2022; therefore, there was no actual cash outflow.

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, 2022

(In Thousands of New Taiwan Dollars Unless Stated Otherwise)

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	\$ 212,123	71	B/L 45 day	Note 1	Note 2	\$ (14,577)	(35)	-
Sinmag Equipment (China) Co., Ltd.	Sinmag Equipment Corporation	The ultimate parent company	(Sale)	(212,123)	(7)	B/L 45 day	"	"	14,577	5	-
LBC Bakery Equipment Inc.	Sinmag Equipment (China) Co., Ltd.	Parent company	Purchase	288,215	79	B/L 90 day	"	"	(27,116)	(87)	-
Sinmag Equipment (China) Co., Ltd.	LBC Bakery Equipment Inc.	Subsidiary	(Sale)	(288,215)	(9)	B/L 90 day	"	"	27,116	10	-
	Wuxi New Order Control Co., Ltd.	Subsidiary	Purchase	103,300	6	Monthly payment: 30 days	"	"	(7,343)	(4)	-
Wuxi New Order Control Co., Ltd.	Sinmag Equipment (China) Co., Ltd.	Parent company	(Sale)	(103,300)	(100)	Monthly payment: 30 days	"	"	7,343	100	-

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.

SINMAG EQUIPMENT CORPORATION

INFORMATION ON INVESTEEES

FOR THE YEAR ENDED DECEMBER 31, 2022

(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, 2022			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2022	December 31, 2021	Number of Shares	%	Carrying Amount			
Sinmag Equipment Corporation	Lucky Union Limited	Samoa	Holding company	\$ 88,735	\$ 148,277	-	100.00	\$ 2,462,614	\$ 434,436	\$ 434,436	Notes 2 and 6
	Sinmag Equipment (Thailand) Co., Ltd.	Thailand	Selling of bakery equipment	-	74,897	-	-	-	933	(774)	Notes 2 and 5
	LBC Bakery Equipment Inc.	United States	Selling of bakery equipment	-	17,241	-	-	-	71,764	13,063	Notes 1, 2 and 4
Lucky Union Limited	Sinmag Limited	Samoa	Holding company	103,987	163,529	-	100.00	2,463,622	434,534	434,534	Notes 2 and 7
Sinmag Limited	Sinmag Bakery Equipment Sdn. Bhd.	Malaysia	Selling of bakery equipment	-	12,340	-	-	-	21,852	8,136	Notes 2 and 5
	LBC Bakery Equipment Inc.	United States	Selling of bakery equipment.	-	-	-	-	-	71,764	370	Notes 1, 2 and 4
	Sinmag Bakery Machine India Private Limited	India	Manufacturing and selling of bakery equipment	54,748	54,748	-	100.00	2,298	508	508	Note 2
Sinmag Equipment (China) Co., Ltd.	Sinmag Equipment (Thailand) Co., Ltd.	Thailand	Selling of bakery equipment.	84,759	-	20,600,000	100.00	73,336	933	1,644	Notes 2 and 5
	LBC Bakery Equipment Inc.	United States	Selling of bakery equipment.	298,686	-	910,682	97.33	363,146	71,764	56,045	Notes 1, 2 and 4
	Sinmag Bakery Equipment Sdn. Bhd.	Malaysia	Selling of bakery equipment.	110,297	-	300,000	100.00	130,483	21,852	13,228	Notes 2 and 5

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 5.

Note 4: Sinmag Limited converted the preference shares into ordinary shares in January 2022. The shares of LBC Bakery Equipment Inc. held by the Company decreased from 97.24% to 94.26%, and the shares of LBC Bakery Equipment Inc. held by Sinmag Limited increased from 0% to 3.07%. In addition, after undertaking structural reorganization in May 2022, Sinmag Equipment (China) Co., Ltd. directly held LBC Bakery Equipment Inc.

Note 5: After undertaking structural reorganization in May 2022, Sinmag Equipment (China) Co., Ltd. directly held Sinmag Equipment (Thailand) Co., Ltd. and Sinmag Bakery Equipment Sdn. Bhd.

Note 6: Lucky Union Limited reduced and returned its capital in the amount of US\$2,050 thousand, and the procedures were completed in June 2022.

Note 7: Sinmag Limited reduced and returned its capital in the amount of US\$2,050 thousand, and the procedures were completed in June 2022.

SINMAG EQUIPMENT CORPORATION

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2022

(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, 2022	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2022	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2022	Accumulated Repatriation of Investment Income as of December 31, 2022	Note
					Outward	Inward							
Sinmag Equipment (China) Co., Ltd. (Note 3)	Manufacturing and selling of bakery equipment	\$ 1,626,034 (RMB 362,055)	b	\$ 349,938 (US\$ 10,594)	\$ -	\$ -	\$ 349,938 (US\$ 10,594)	\$ 438,993	96.39	\$ 436,062 (Note 2 b.(2))	\$ 2,457,173	\$ 4,408,504 (US\$ 144,685)	Notes 5 and 7
Wuxi New Order Control Co., Ltd.	Manufacturing and selling of control panel and electromechanical control system	4,961 (US\$ 150)	c	3,348 (US\$ 104)	-	-	3,348 (US\$ 104)	10,624	48.20	5,236 (Note 2 b.(2))	9,783	67,543 (US\$ 2,232)	Notes 5 and 8
Ximai Enterprises Management (Wuxi) Co., Ltd.	Corporate management and investment	1,340 (US\$ 47)	b	- (US\$ -)	1,340 (US\$ 47)	-	1,340 (US\$ 47)	10	100.00	10 (Note 2 b.(2))	1,362	- (US\$ -)	Notes 5 and 6
Qingdao Sheng Mai Enterprises Management Co., Ltd.	Corporate management and investment	- (RMB -)	c	- (US\$ -)	-	-	- (US\$ -)	-	96.39	- (Note 2 a.)	-	- (US\$ -)	Note 9
Xiamen Sinmag Enterprises Management Co., Ltd.	Corporate management and investment	- (RMB -)	c	- (US\$ -)	-	-	- (US\$ -)	-	96.39	- (Note 2 a.)	-	- (US\$ -)	Note 9

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2022	Investment Amount Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by the Investment Commission, MOEA
\$354,626 (Note 4)	\$1,676,146	\$1,623,808

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).
- Investment through a subsidiary established in China (Sinmag Equipment (China) Co., Ltd.).

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.
 - Others.

(Continued)

Note 3: Part of the amount reinvested in a third region.

Note 4: Repatriation of investments of \$4,476,047 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.

Note 6: In February 2022, Ximai Enterprises Management (Wuxi) Co., Ltd. was incorporated in China.

Note 7: On March 15, 2022, The board of directors resolved Sinmag Limited to transfer 0.01% shares of Sinmag Equipment (China) Co., Ltd. to Ximai Enterprises Management (Wuxi) Co., Ltd., and the equity transfer procedures were completed in April 2022. Sinmag Equipment (China) Co., Ltd. was successfully transformed into a limited corporation on June 13, 2022. In addition, Sinmag Limited subscribed for additional new shares of Sinmag Equipment (China) Co., Ltd. at a percentage different from its existing ownership percentage in June 2022, reducing its continuing interest from 100% to 96.38%. The shares of Sinmag Equipment (China) Co., Ltd. held by Ximai Enterprises Management (Wuxi) Co., Ltd. remained at 0.01%.

Note 8: After undertaking structural reorganization in June 2022, Sinmag Equipment (China) Co., Ltd. directly held Wuxi New Order Control Co., Ltd., and the Company did not cease to have control over Wuxi New Order Control Co., Ltd.

Note 9: The registrations for the establishment of Qingdao Sheng Mai Enterprises Management Co., Ltd. and Xiamen Sinmag Enterprises Management Co., Ltd. were completed in May 2022, but no capital has been injected as of December 31, 2022.

(Concluded)

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, 2022
(In Thousands of New Taiwan Dollars)

- The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
- 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.	Purchase	\$ 212,123	71	Cost with a margin	B/L 45 days	Note 1	\$ (14,577)	(35)	\$ 8,280	Note 2
	Sales	(44,618)	(10)	Cost with a margin	B/L 90 days	"	6,154	12	4,394	Note 3
	Purchase	65,239	67	Cost with a margin	B/L 60 days	"	-	-	7,234	Note 4
	Purchase	288,215	79	Cost with a margin	B/L 90 days	"	(27,116)	(87)	25,346	Note 5
	Purchase	63,505	77	Cost with a margin	B/L 90 days	"	(6,511)	(85)	13,167	Note 6
	Sales	(103,300)	(100)	Negotiated case by case	Monthly payment: 30 days	"	7,343	100	3,708	Note 7
	Sales	(17,220)	(2)	Negotiated case by case	Monthly payment: 60 days	"	6,004	4	-	Note 8
	Wuxi New Order Control Co., Ltd.	Purchase	103,300	6	Negotiated case by case	Monthly payment: 30 days	"	(7,343)	(4)	-

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: Sinmag Equipment Corporation purchased from Sinmag Equipment (China) Co., Ltd.

Note 3: Sinmag Equipment Corporation sold to Sinmag Equipment (China) Co., Ltd.

Note 4: Sinmag Bakery Equipment Sdn. Bhd. purchased from Sinmag Equipment (China) Co., Ltd.

Note 5: LBC Bakery Equipment Inc. purchased from Sinmag Equipment (China) Co., Ltd.

Note 6: Sinmag Equipment (Thailand) Co., Ltd. purchased from Sinmag Equipment (China) Co., Ltd.

Note 7: Wuxi New Order Control Co., Ltd. sold to Sinmag Equipment (China) Co., Ltd.

Note 8: LBC Bakery Equipment Inc. sold to Sinmag Equipment (China) Co., Ltd.

Note 9: Sinmag Equipment (China) Co., Ltd. purchased from Wuxi New Order Control Co., Ltd.

- The amount of property transactions and the amount of the resultant gains or losses: None.

(Continued)

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.

(Concluded)

TABLE 7**SINMAG EQUIPMENT CORPORATION****INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2022**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Sheng Chia Investment Co., Ltd.	3,105,545	6.18

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.

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 Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2022 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 29, 2023

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Sinnmag Equipment Corporation

Opinion

We have audited the accompanying consolidated financial statements of Sinnmag Equipment Corporation (the “Company”) and its subsidiaries (collectively referred to as the “Group”), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the “consolidated financial statements”).

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, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and 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 the Standards on Auditing of the 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, 2022. 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, 2022 is stated as follows:

Occurrence of Sales Revenue

The Group has thousands of customers. The total revenue of major customers accounted for 35% of the total consolidated operating revenue. Due to the impact of novel coronavirus pneumonia and group policy changes for the year ended December 31, 2022, 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 validity of the occurrence of sales revenue coming from major customers with a high level of volatility in the total operating revenue and abnormal accounts receivable turnover rate as a key audit matter. Refer to the accounting policies related to revenue recognition in Note 4 to the consolidated financial statements.

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

1. We obtained an understanding of the design and implementation of the internal controls related to the recognition of sales revenue, and we designed the appropriate audit procedures of internal controls related to the occurrence of sales revenue and confirmed and evaluated the effectiveness of the design and implementation of the Group's internal controls.
2. We selected samples of sales transactions, reviewed sales orders, bills of lading or signed documents, invoices and receipts, and confirmed 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 the previous year, and we evaluated the reasonableness of the changes.

Other Matter

We did not audit the financial statements of LBC Bakery Equipment Inc. for the year ended December 31, 2021, 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 the Standards on Auditing of the Republic of China. The total assets of LBC Bakery Equipment Inc. constituted 11% (NT\$400,193 thousand), of the consolidated total assets as of December 31, 2022, and total revenue constituted 14% (NT\$593,734 thousand), of the consolidated total revenue for the year then ended.

We have also audited the parent company only financial statements of Sinmag Equipment Corporation as of and for the years ended December 31, 2022 and 2021 on which we have issued an unmodified opinion and an unmodified opinion with other matter paragraph, respectively.

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 IFRS, IAS, IFRIC, and 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 Standards on Auditing of 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 Standards on Auditing of 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, 2022 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 29, 2023

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, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

ASSETS	2022		2021	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 742,389	20	\$ 634,661	17
Financial assets at amortized cost - current (Notes 4, 7, 8 and 32)	176,792	5	38,709	1
Notes receivable (Notes 4, 9 and 22)	14,264	-	8,928	-
Trade receivables (Notes 4, 9 and 22)	440,182	12	543,348	15
Trade receivables from related parties (Notes 4, 22 and 31)	490	-	2,051	-
Other receivables (Notes 4 and 9)	24,320	1	23,955	1
Current tax assets (Notes 4 and 24)	114	-	1,805	-
Inventories (Notes 4 and 10)	838,442	22	829,656	22
Prepayments (Note 16)	12,981	-	12,679	-
Total current assets	<u>2,249,974</u>	<u>60</u>	<u>2,095,792</u>	<u>56</u>
NON-CURRENT ASSETS				
Financial assets at amortized cost - non-current (Notes 4, 7, 8 and 32)	154,330	4	325,850	9
Property, plant and equipment (Notes 4, 12, 17, 28 and 32)	1,137,526	31	1,070,009	29
Right-of-use assets (Notes 4, 13 and 32)	87,110	3	87,643	2
Goodwill (Notes 4 and 14)	3,254	-	3,254	-
Other intangible assets (Notes 4 and 15)	3,010	-	2,450	-
Deferred tax assets (Notes 4 and 24)	44,089	1	65,705	2
Net defined benefit assets - non-current (Notes 4 and 20)	6,154	-	-	-
Other non-current assets (Notes 4 and 16)	33,858	1	67,160	2
Total non-current assets	<u>1,469,331</u>	<u>40</u>	<u>1,622,071</u>	<u>44</u>
TOTAL	<u>\$ 3,719,305</u>	<u>100</u>	<u>\$ 3,717,863</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 17 and 32)	\$ 76,500	2	\$ 350,784	9
Contract liabilities (Notes 4 and 22)	177,735	5	151,274	4
Notes payable	704	-	31,745	1
Notes payable to related parties (Note 31)	-	-	570	-
Trade payables	202,895	6	275,113	7
Trade payables to related parties (Note 31)	2,562	-	13,745	-
Other payables (Notes 18 and 28)	220,285	6	230,335	6
Current tax liabilities (Notes 4 and 24)	201,942	5	95,945	3
Provisions - current (Notes 4 and 19)	16,245	-	22,905	1
Lease liabilities - current (Notes 4 and 13)	4,704	-	4,401	-
Current portion of long-term borrowings (Notes 17 and 32)	-	-	19,980	1
Total current liabilities	<u>903,572</u>	<u>24</u>	<u>1,196,797</u>	<u>32</u>
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 17, 28 and 32)	10,119	-	2,674	-
Deferred tax liabilities (Notes 4 and 24)	96,452	3	83,053	3
Lease liabilities - non-current (Notes 4 and 13)	2,816	-	4,516	-
Net defined benefit liabilities - non-current (Notes 4 and 20)	-	-	5,921	-
Total non-current liabilities	<u>109,387</u>	<u>3</u>	<u>96,164</u>	<u>3</u>
Total liabilities	<u>1,012,959</u>	<u>27</u>	<u>1,292,961</u>	<u>35</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4 and 21)				
Share capital				
Ordinary shares	<u>502,302</u>	<u>13</u>	<u>502,302</u>	<u>14</u>
Capital surplus	<u>206,827</u>	<u>6</u>	<u>77,765</u>	<u>2</u>
Retained earnings				
Legal reserve	586,956	16	586,956	16
Special reserve	191,235	5	159,572	4
Unappropriated earnings	<u>1,226,352</u>	<u>33</u>	<u>1,267,530</u>	<u>34</u>
Total retained earnings	<u>2,004,543</u>	<u>54</u>	<u>2,014,058</u>	<u>54</u>
Other equity	<u>(124,177)</u>	<u>(3)</u>	<u>(191,235)</u>	<u>(5)</u>
Total equity attributable to owners of the Company	2,589,495	70	2,402,890	65
NON-CONTROLLING INTERESTS (Notes 4 and 21)	<u>116,851</u>	<u>3</u>	<u>22,012</u>	<u>-</u>
Total equity	<u>2,706,346</u>	<u>73</u>	<u>2,424,902</u>	<u>65</u>
TOTAL	<u>\$ 3,719,305</u>	<u>100</u>	<u>\$ 3,717,863</u>	<u>100</u>

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

(With Deloitte & Touche auditors' report dated March 29, 2023)

SINMAG EQUIPMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2022		2021	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 22 and 31)				
Sales	\$ 3,914,888	99	\$ 4,271,511	99
Service revenue	<u>21,631</u>	<u>1</u>	<u>22,992</u>	<u>1</u>
Total operating revenue	<u>3,936,519</u>	<u>100</u>	<u>4,294,503</u>	<u>100</u>
OPERATING COSTS				
Cost of goods sold (Notes 10, 23 and 31)	(2,466,066)	(63)	(2,707,614)	(63)
Service cost	<u>(3,348)</u>	<u>-</u>	<u>(3,618)</u>	<u>-</u>
Total operating costs	<u>(2,469,414)</u>	<u>(63)</u>	<u>(2,711,232)</u>	<u>(63)</u>
GROSS PROFIT	<u>1,467,105</u>	<u>37</u>	<u>1,583,271</u>	<u>37</u>
OPERATING EXPENSES (Notes 23 and 31)				
Selling and marketing expenses	(485,300)	(12)	(508,465)	(12)
General and administrative expenses	(289,922)	(7)	(253,396)	(6)
Research and development expenses	(143,872)	(4)	(135,817)	(3)
Expected credit gain (Notes 4 and 9)	<u>4,816</u>	<u>-</u>	<u>6,821</u>	<u>-</u>
Total operating expenses	<u>(914,278)</u>	<u>(23)</u>	<u>(890,857)</u>	<u>(21)</u>
PROFIT FROM OPERATIONS	<u>552,827</u>	<u>14</u>	<u>692,414</u>	<u>16</u>
NON-OPERATING INCOME AND EXPENSES (Notes 4 and 23)				
Interest income	21,681	1	17,970	-
Other income	8,235	-	6,740	-
Other gains and losses	49,914	1	(11,292)	-
Finance costs	<u>(5,962)</u>	<u>-</u>	<u>(3,566)</u>	<u>-</u>
Total non-operating income and expenses	<u>73,868</u>	<u>2</u>	<u>9,852</u>	<u>-</u>
PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS	626,695	16	702,266	16
INCOME TAX EXPENSE (Notes 4 and 24)	<u>(272,009)</u>	<u>(7)</u>	<u>(182,808)</u>	<u>(4)</u>
NET PROFIT FOR THE YEAR	<u>354,686</u>	<u>9</u>	<u>519,458</u>	<u>12</u>

(Continued)

SINMAG EQUIPMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2022		2021	
	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	\$ 12,222	-	\$ (6,936)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	<u>(2,444)</u>	<u>-</u>	<u>1,387</u>	<u>-</u>
	<u>9,778</u>	<u>-</u>	<u>(5,549)</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	79,773	2	(40,351)	(1)
Income tax relating to items that may be reclassified subsequently to profit or loss	<u>(16,765)</u>	<u>-</u>	<u>7,915</u>	<u>-</u>
	<u>63,008</u>	<u>2</u>	<u>(32,436)</u>	<u>(1)</u>
Other comprehensive income (loss) for the year, net of income tax	<u>72,786</u>	<u>2</u>	<u>(37,985)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 427,472</u>	<u>11</u>	<u>\$ 481,473</u>	<u>11</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	\$ 336,569	9	\$ 510,167	12
Non-controlling interests	<u>18,117</u>	<u>-</u>	<u>9,291</u>	<u>-</u>
	<u>\$ 354,686</u>	<u>9</u>	<u>\$ 519,458</u>	<u>12</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$ 413,405	11	\$ 472,955	11
Non-controlling interests	<u>14,067</u>	<u>-</u>	<u>8,518</u>	<u>-</u>
	<u>\$ 427,472</u>	<u>11</u>	<u>\$ 481,473</u>	<u>11</u>
EARNINGS PER SHARE (Note 25)				
From continuing operations				
Basic	<u>\$ 6.70</u>		<u>\$ 10.16</u>	
Diluted	<u>\$ 6.68</u>		<u>\$ 10.12</u>	

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

(With Deloitte & Touche auditors' report dated March 29, 2023)

(Concluded)

SINMAG EQUIPMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (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	Total	Non-controlling Interests	Total Equity
	Share Capital	Capital Surplus	Retained Earnings			Unappropriated Earnings				
			Legal Reserve	Special Reserve						
BALANCE AT JANUARY 1, 2021	\$ 502,302	\$ 75,738	\$ 552,755	\$ 160,753	\$ 1,136,995	\$ (159,572)	\$ 2,268,971	\$ 63,054	\$ 2,332,025	
Changes in percentage of ownership interests in subsidiaries (Notes 21 and 27)	-	2,027	-	-	-	-	2,027	(43,761)	(41,734)	
Appropriation of 2020 earnings (Note 21)										
Legal reserve	-	-	34,201	-	(34,201)	-	-	-	-	
Reversal of special reserve	-	-	-	(1,181)	1,181	-	-	-	-	
Cash dividends distributed by the Company	-	-	-	-	(341,063)	-	(341,063)	-	(341,063)	
Net profit for the year ended December 31, 2021	-	-	-	-	510,167	-	510,167	9,291	519,458	
Other comprehensive loss for the year ended December 31, 2021, net of income tax	-	-	-	-	(5,549)	(31,663)	(37,212)	(773)	(37,985)	
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	504,618	(31,663)	472,955	8,518	481,473	
Cash dividends distributed by subsidiaries (Note 21)	-	-	-	-	-	-	-	(5,799)	(5,799)	
BALANCE AT DECEMBER 31, 2021	502,302	77,765	586,956	159,572	1,267,530	(191,235)	2,402,890	22,012	2,424,902	
Changes in percentage of ownership interests in subsidiaries (Notes 21 and 27)	-	127,526	-	-	-	-	127,526	86,605	214,131	
Share-based payment (Notes 4 and 26)	-	1,536	-	-	-	-	1,536	58	1,594	
Appropriation of 2021 earnings (Note 21)										
Special reserve	-	-	-	31,663	(31,663)	-	-	-	-	
Cash dividends distributed by the Company	-	-	-	-	(351,612)	-	(351,612)	-	(351,612)	
Net profit for the year ended December 31, 2022	-	-	-	-	336,569	-	336,569	18,117	354,686	
Other comprehensive income (loss) for the year ended December 31, 2022, net of income tax	-	-	-	-	9,778	67,058	76,836	(4,050)	72,786	
Total comprehensive income for the year ended December 31, 2022	-	-	-	-	346,347	67,058	413,405	14,067	427,472	
Cash dividends distributed by subsidiaries (Note 21)	-	-	-	-	-	-	-	(5,891)	(5,891)	
Others (Note 21)	-	-	-	-	(4,250)	-	(4,250)	-	(4,250)	
BALANCE AT DECEMBER 31, 2022	\$ 502,302	\$ 206,827	\$ 586,956	\$ 191,235	\$ 1,226,352	\$ (124,177)	\$ 2,589,495	\$ 116,851	\$ 2,706,346	

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

(With Deloitte & Touche auditors' report dated March 29, 2023)

SINMAG EQUIPMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 626,695	\$ 702,266
Adjustments for:		
Expected credit gain on receivables	(4,816)	(6,821)
Depreciation expense	103,632	85,359
Amortization expense	1,071	1,041
Finance costs	5,962	3,566
Interest income	(21,681)	(17,970)
Cost of share-based remuneration	1,594	-
Loss on disposal of property, plant and equipment	2,533	6,948
Loss on disposal of investment	-	63
Write-downs of inventories	7,872	5,126
Recognition of provisions	18,763	20,917
Gain on lease modification	(5)	(594)
Net loss (gain) on foreign currency exchange	9,707	(1,034)
Changes in operating assets and liabilities		
Notes receivable	(4,884)	7,967
Trade receivables	119,604	(68,532)
Trade receivables from related parties	1,580	(1,622)
Other receivables	3,737	5,399
Inventories	10,440	(220,907)
Prepayments	124	9,742
Notes payable	(31,041)	16,874
Notes payable from related parties	(570)	70
Trade payables	(76,307)	11,361
Trade payables from related parties	(11,856)	7,984
Other payables	(14,158)	3,857
Contract liabilities	22,549	70,056
Provisions	(26,457)	(22,015)
Net defined benefit liabilities - non-current	147	(1,931)
Cash generated from operations	744,235	617,170
Income tax paid	(148,899)	(242,512)
Net cash generated from operating activities	<u>595,336</u>	<u>374,658</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at amortized cost	(16,202)	(171,281)
Proceeds from sale of financial assets at amortized cost	55,109	19,553
Purchase of financial assets at fair value through profit or loss	(717,012)	(1,632,216)
Proceeds from sale of financial assets at fair value through profit or loss	717,012	1,632,216
Payments for property, plant and equipment	(86,859)	(88,729)
Proceeds from disposal of property, plant and equipment	105	1,790
Payments for intangible assets	(1,596)	(184)
Increase in other non-current assets	(2,249)	(23,465)

(Continued)

SINMAG EQUIPMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	2022	2021
Decrease in other non-current assets	\$ -	\$ 63
Interest received	<u>7,426</u>	<u>7,452</u>
Net cash used in investing activities	<u>(44,266)</u>	<u>(254,801)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	1,035,723	856,087
Repayments of short-term borrowings	(1,318,220)	(705,000)
Repayments of long-term borrowings	(21,164)	(3,964)
Repayment of the principal portion of lease liabilities	(5,076)	(4,899)
Dividends paid to owners of the Company	(351,612)	(341,063)
Interests paid	(6,232)	(3,392)
Dividends paid to non-controlling interests	(5,891)	(5,799)
Changes in non-controlling interest	<u>214,131</u>	<u>(41,734)</u>
Net cash used in financing activities	<u>(458,341)</u>	<u>(249,764)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>14,999</u>	<u>(9,060)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	107,728	(138,967)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>634,661</u>	<u>773,628</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 742,389</u>	<u>\$ 634,661</u>

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

(With Deloitte & Touche auditors' report dated March 29, 2023)

(Concluded)

SINMAG EQUIPMENT CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (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, 2022. 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 27, 2023.

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 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 2023

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 1)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 2)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 3)

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

Note 2: The amendments will be 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.

Note 3: Except for deferred taxes that were recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments were applied prospectively to transactions that occurred on or after January 1, 2022.

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

- c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB (Note 1)
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
Amendments to IFRS 16 “Leases Liability in a Sale and Leaseback”	January 1, 2024 (Note 2)
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 - Comparative Information”	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024

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: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact of the application of the above standards and interpretations 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

For the convenience of readers, the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the ROC. 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 financial statements shall prevail.

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) assets 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 Group.

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.

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and any investment retained in the former subsidiary at its fair value at the date when control is lost and (ii) the assets (including any goodwill) and liabilities and any non-controlling interests of the former subsidiary at their carrying amounts at the date when control is lost. The Group accounts for all amounts recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required had the Group directly disposed of the related assets or liabilities.

See Note 11 and Tables 5 and 6 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 denominated in a foreign currency and measured at historical cost is stated at the reporting currency as originally translated from the foreign currency.

For the purpose of presenting financial statements, the financial statements of the Company's foreign operations (including subsidiaries, associates, joint ventures and branches in other countries) that are prepared using functional 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.

On the disposal of a foreign operation (i.e., a disposal of the Company's entire interest in a foreign operation, or a disposal involving the loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

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 other 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 other 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 into the following categories: Financial assets at FVTPL and financial assets at amortized cost.

i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such financial assets are mandatorily classified or designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, and interest earned on such financial assets are recognized in interest income.

ii. 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.

A financial asset is credit impaired when one or more of the following events have occurred:

- i) Significant financial difficulty of the issuer or the borrower;
- ii) Breach of contract, such as a default;
- iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or
- iv) The disappearance of an active market for that financial asset because of financial difficulties.

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.

l. 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. For a lease modification that is not accounted for as a separate lease, the Group accounts for the remeasurement of the lease liability by (a) decreasing the carrying amount of the right-of-use asset of lease modifications that decreased the scope of the lease, and recognizing in profit or loss any gain or loss on the partial or full termination of the lease; (b) making a corresponding adjustment to the right-of-use asset of all other lease modifications. 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. Share-based payment arrangements

1) Employee share options granted to employees

The fair value at the grant date of the employee share options is expensed on a straight-line basis over the vesting period, based on the Group's best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in capital surplus - employee share options.

At the end of each reporting period, the Group revises its estimate of the number of employee share options that are expected to vest. The impact of the revision of the original estimates is recognized in profit or loss such that the cumulative expenses reflect the revised estimate, with a corresponding adjustment to capital surplus - employee share options.

2) Equity-settled share-based payment arrangements granted to the employees of a subsidiary

The grant by the Group of its equity instruments to the employees of a subsidiary under employee share options is treated as a capital contribution. The fair value of employee services received under the arrangement is measured by reference to the grant-date fair value and is recognized over the vesting period as an addition to the investment in the subsidiary, with a corresponding credit to capital surplus - employee share options.

r. 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 Act 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 judgements, estimations and assumptions on 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 possible impact of the recent development of the COVID-19 and its economic environment implications when making its critical accounting estimates on cash flows, growth rates, discount rates, profitabilities, etc. 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	
	2022	2021
Cash on hand	\$ 3,803	\$ 4,455
Checking accounts	110,243	88,505
Demand deposits	366,103	479,278
Cash equivalents		
Time deposits with original maturities of less than 3 months	<u>262,240</u>	<u>62,423</u>
	<u>\$ 742,389</u>	<u>\$ 634,661</u>

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

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Bank balance (including time deposits)	0.001%-4.7%	0.001%-1.755%

7. FINANCIAL ASSETS AT AMORTIZED COST

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Current</u>		
Time deposits with original maturities over 3 months from the date of acquisition (Note a)	\$ 176,498	\$ 37,794
Restricted assets - bank deposits (Note c)	<u>294</u>	<u>915</u>
	<u>\$ 176,792</u>	<u>\$ 38,709</u>
<u>Non-current</u>		
Restricted assets - time deposits with original maturities over 3 months from the date of acquisition (Notes a and c)	\$ 50	\$ 50
Time deposits with original maturities over 3 months from the date of acquisition (Note a)	<u>154,280</u>	<u>325,800</u>
	<u>\$ 154,330</u>	<u>\$ 325,850</u>

- a. The ranges of interest rates for time deposits with original maturities of more than 3 months were approximately 0.6%-3.9% and 0.45%-3.9% per annum as of December 31, 2022 and 2021, respectively.
- b. Refer to Note 8 for information relating to the credit risk management and impairment of investments in financial assets at amortized cost.
- c. Refer to Note 32 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

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Gross carrying amount	\$ 331,122	\$ 364,559
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>
	<u>\$ 331,122</u>	<u>\$ 364,559</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 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, 2022 and 2021, 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

	<u>December 31</u>	
	2022	2021
<u>Notes receivable</u>		
At amortized cost		
Gross carrying amount	\$ 14,356	\$ 9,012
Less: Allowance for impairment loss	<u>(92)</u>	<u>(84)</u>
	<u>\$ 14,264</u>	<u>\$ 8,928</u>
<u>Trade receivables</u>		
At amortized cost		
Gross carrying amount	\$ 464,008	\$ 568,832
Less: Allowance for impairment loss	<u>(23,826)</u>	<u>(25,484)</u>
	<u>\$ 440,182</u>	<u>\$ 543,348</u>
<u>Overdue receivables</u>		
At amortized cost		
Gross carrying amount	\$ 4,996	\$ 7,550
Less: Allowance for impairment loss	<u>(4,996)</u>	<u>(7,550)</u>
	<u>\$ -</u>	<u>\$ -</u>
<u>Other receivables</u>		
Tax refund receivables	\$ 462	\$ 21
Interest receivables	16,625	12,907
Others	<u>7,233</u>	<u>11,027</u>
	<u>\$ 24,320</u>	<u>\$ 23,955</u>

a. Notes receivable

The average credit period for notes receivable is 60-120 days. 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 notes receivable at the end of the year 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 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 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	
	2022	2021
Expected credit loss rate	0%-1.45%	0%-2.02%
Gross carrying amount	\$ 14,356	\$ 9,012
Loss allowance (Lifetime ECLs)	<u>(92)</u>	<u>(84)</u>
Amortized cost	<u>\$ 14,264</u>	<u>\$ 8,928</u>

The movements of the loss allowance of notes receivable were as follows:

	For the Year Ended December 31	
	2022	2021
Balance at January 1	\$ 84	\$ 90
Foreign exchange gains and losses	<u>8</u>	<u>(6)</u>
Balance at December 31	<u>\$ 92</u>	<u>\$ 84</u>

b. Trade receivables

The average credit period for sales of goods is 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, 2022

	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	0.06%-6.19%	0.24%-11.77%	2.63%-26.16%	5.83%-100%	9.35%-80.79%	13.84%-100%	
Gross carrying amount	\$ 347,438	\$ 75,247	\$ 22,509	\$ 3,638	\$ 3,615	\$ 11,561	\$ 464,008
Loss allowance (Lifetime ECLs)	<u>(10,162)</u>	<u>(2,768)</u>	<u>(1,301)</u>	<u>(427)</u>	<u>(1,637)</u>	<u>(7,531)</u>	<u>(23,826)</u>
Amortized cost	<u>\$ 337,276</u>	<u>\$ 72,479</u>	<u>\$ 21,208</u>	<u>\$ 3,211</u>	<u>\$ 1,978</u>	<u>\$ 4,030</u>	<u>\$ 440,182</u>

December 31, 2021

	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	0.14%-9.76%	0.48%-12.67%	2.74%-34.41%	6.76%-99.71%	9.45%-100%	14.69%-100%	
Gross carrying amount	\$ 379,321	\$ 145,050	\$ 25,563	\$ 6,339	\$ 4,826	\$ 7,733	\$ 568,832
Loss allowance (Lifetime ECLs)	<u>(13,215)</u>	<u>(5,575)</u>	<u>(1,886)</u>	<u>(699)</u>	<u>(589)</u>	<u>(3,520)</u>	<u>(25,484)</u>
Amortized cost	<u>\$ 366,106</u>	<u>\$ 139,475</u>	<u>\$ 23,677</u>	<u>\$ 5,640</u>	<u>\$ 4,237</u>	<u>\$ 4,213</u>	<u>\$ 543,348</u>

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

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Balance at January 1	\$ 25,484	\$ 35,002
Less: Net remeasurement of loss allowance reversed	(2,236)	(8,833)
Less: Amounts written off	(53)	(105)
Foreign exchange gains and losses	<u>631</u>	<u>(580)</u>
Balance at December 31	<u>\$ 23,826</u>	<u>\$ 25,484</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, 2022 and 2021, 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	
	2022	2021
Balance at January 1	\$ 7,550	\$ 5,552
Add: Net remeasurement of loss allowance	-	2,012
Less: Net remeasurement of loss allowance reversed	(2,580)	-
Foreign exchange gains and losses	<u>26</u>	<u>(14)</u>
Balance at December 31	<u>\$ 4,996</u>	<u>\$ 7,550</u>

d. Other receivables

Other receivables consist of tax refund receivables, interest 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, 2022 and 2021, the rate of expected credit loss of other receivables was 0%.

10. INVENTORIES

	December 31	
	2022	2021
Merchandise	\$ 167,830	\$ 140,760
Finished goods	177,710	191,525
Work in progress	184,441	158,241
Raw materials	251,270	281,305
Inventory in transit	<u>57,191</u>	<u>57,825</u>
	<u>\$ 838,442</u>	<u>\$ 829,656</u>

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

	For the Year Ended December 31	
	2022	2021
Cost of inventories sold	\$ 2,458,108	\$ 2,702,437
Inventory write-downs	7,872	5,126
Unallocated production overhead	<u>86</u>	<u>51</u>
	<u>\$ 2,466,066</u>	<u>\$ 2,707,614</u>

11. SUBSIDIARIES

a. Subsidiaries Included in the Consolidated Financial Statements

Investor	Investee	Nature of Activities	Proportion of Ownership (%)		Remark
			2022	2021	
Sinmag Equipment Corporation	Lucky Union Limited	Holding company	100.00	100.00	-
	Sinmag Equipment (Thailand) Co., Ltd. (Note 5)	Selling of bakery equipment	-	100.00	Main operating risk is exchange rate risk
	Benchmark Service Co., Ltd. (Note 1)	Maintenance service	-	-	Main operating risk is exchange rate risk
	LBC Bakery Equipment Inc. (Note 2)	Selling of bakery equipment	-	97.24	Main operating risk is exchange rate risk
Lucky Union Limited	Sinmag Limited	Holding company	100.00	100.00	-
	Sinmag Equipment (China) Co., Ltd. (Note 4)	Manufacturing and selling of bakery equipment	96.38	100.00	Main operating risk is political risk, exchange rate risk and interest rate risk
Sinmag Limited	Wuxi New Order Control Co., Ltd. (Note 6)	Manufacturing and selling of control panel and electromechanical control system	-	50.00	Main operating risk is political risk, exchange rate risk and interest rate risk
	Sinmag Bakery Equipment Sdn. Bhd. (Note 5)	Selling of bakery equipment	-	100.00	Main operating risk is exchange rate risk
	LBC Bakery Equipment Inc. (Note 2)	Selling of bakery equipment	-	-	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
Ximai Enterprises Management (Wuxi) Co., Ltd.	Ximai Enterprises Management (Wuxi) Co., Ltd. (Note 3)	Corporate management and investment	100.00	-	Main operating risk is political risk and exchange rate risk
	Sinmag Equipment (China) Co., Ltd. (Note 4)	Manufacturing and selling of bakery equipment	0.01	-	Main operating risk is political risk, exchange rate risk and interest rate risk
Sinmag Equipment (China) Co., Ltd.	Sinmag Equipment (Thailand) Co., Ltd. (Note 5)	Selling of bakery equipment	100.00	-	Main operating risk is exchange rate risk
	Wuxi New Order Control Co., Ltd. (Note 6)	Manufacturing and selling of control panel and electromechanical control system	50.00	-	Main operating risk is political risk, exchange rate risk and interest rate risk
	Sinmag Bakery Equipment Sdn. Bhd. (Note 5)	Selling of bakery equipment	100.00	-	Main operating risk is exchange rate risk
	LBC Bakery Equipment Inc. (Note 2)	Selling of bakery equipment	97.33	-	Main operating risk is exchange rate risk
	Qingdao Sheng Mai Enterprises Management Co., Ltd. (Note 7)	Corporate management and investment	Note 7	-	-
	Xiamen Sinmag Enterprises Management Co., Ltd. (Note 7)	Corporate management and investment	Note 7	-	-

Note 1: In June 2020, Benchmark Service Co., Ltd. was incorporated in Thailand. However, considering the Group's policy, the board of directors resolved on March 18, 2021 to liquidate Benchmark Service Co., Ltd. and to handle deregistration, and the relevant procedures were completed in August 2021.

- Note 2: After undertaking structural reorganization in April 2021, the Company directly held LBC Bakery Equipment Inc. In addition, the Company bought back 158,000 treasury shares in April 2021, and the shares of LBC Bakery Equipment Inc. held by the Company increased from 82.82 % to 97.24%. In addition, Sinmag Limited converted the preference shares into ordinary shares in January 2022, and the shares of LBC Bakery Equipment Inc. held by the Group increased from 97.24% to 97.33%. Refer to Note 27 for further information on equity transactions with non-controlling interests. In addition, after undertaking structural reorganization in May 2022, Sinmag Equipment (China) Co., Ltd. directly held LBC Bakery Equipment Inc.
- Note 3: In February 2022, Ximai Enterprises Management (Wuxi) Co., Ltd. was incorporated in China.
- Note 4: The board of directors resolved on March 15, 2022, Sinmag Limited transferred 0.01% shares of Sinmag Equipment (China) Co., Ltd. to Ximai Enterprises Management (Wuxi) Co., Ltd., and the equity transfer procedures were completed in April 2022. Sinmag Equipment (China) Co., Ltd. successfully transformed into a limited corporation on June 13, 2022. In addition, The Group subscribed for additional new shares of Sinmag Equipment (China) Co., Ltd. at a percentage different from its existing ownership percentage in June 2022, reducing its continuing interest from 100% to 96.39%. Among the continuing interest of 96.39%, the shares of Sinmag Equipment (China) Co., Ltd. held by Ximai Enterprises Management (Wuxi) Co., Ltd. remained at 0.01%. Refer to Note 27 for further information on equity transactions with non-controlling interests.
- Note 5: After undertaking structural reorganization in May 2022, Sinmag Equipment (China) Co., Ltd. directly held Sinmag Equipment (Thailand) Co., Ltd. and Sinmag Bakery Equipment Sdn. Bhd.
- Note 6: After undertaking structural reorganization in June 2022, Sinmag Equipment (China) Co., Ltd. directly held Wuxi New Order Control Co., Ltd. And the Group did not cease to have control over Wuxi New Order Control Co., Ltd. Refer to Note 27 for further information on equity transactions with non-controlling interests.
- Note 7: The registrations for the establishment of Qingdao Sheng Mai Enterprises Management Co., Ltd. and Xiamen Sinmag Enterprises Management Co., Ltd. were completed in May 2022, but no capital has been injected as of December 31, 2022.

b. Details of subsidiaries that have material non-controlling interests

Name of Subsidiary	Proportion Of Non-Controlling Interests Ownership And Voting Rights	
	December 31	
	2022	2021
Sinmag Equipment (China) Co., Ltd.	3.61%	-

Refer to Note 36, Tables 6 for the information on the places of incorporation and principal places of business.

Name of Subsidiary	Profit (Loss) Allocated to Non-controlling Interests		Non-Controlling Interests	
	For the Year Ended		December 31	
	2022	2021	2022	2021
Sinmag Equipment (China) Co., Ltd.	\$ 10,889	\$ -	\$ 92,336	\$ -

Summarized financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarized financial information below represents amounts before intragroup eliminations.

Sinmag Equipment (China) Co., Ltd.

	December 31	
	2022	2021
Current assets	\$ 1,380,136	\$ 1,426,549
Non-current assets	1,708,200	1,292,368
Current liabilities	(526,703)	(723,433)
Non-current liabilities	<u>(3,843)</u>	<u>(2,880)</u>
Equity	<u>\$ 2,557,790</u>	<u>\$ 1,992,604</u>
Equity attributable to:		
Owners of the Sinmag Equipment (China) Co., Ltd.	\$ 2,465,454	\$ 1,992,604
Non-controlling interests of Sinmag Equipment (China) Co., Ltd.	<u>92,336</u>	<u>-</u>
	<u>\$ 2,557,790</u>	<u>\$ 1,992,604</u>
	For the Year Ended December 31	
	2022	2021
Revenue	<u>\$ 3,164,676</u>	<u>\$ 3,610,761</u>
Profit for the year	\$ 438,993	\$ 518,434
Other comprehensive income (loss) for the year	<u>55,024</u>	<u>(13,113)</u>
Total comprehensive income for the year	<u>\$ 494,017</u>	<u>\$ 505,321</u>
Profit attributable to:		
Owners of the Sinmag Equipment (China) Co., Ltd.	\$ 428,104	\$ 518,434
Non-controlling interests of Sinmag Equipment (China) Co., Ltd.	<u>10,889</u>	<u>-</u>
	<u>\$ 438,993</u>	<u>\$ 518,434</u>
Total comprehensive income attributable to:		
Owners of the Sinmag Equipment (China) Co., Ltd.	\$ 488,324	\$ 505,321
Non-controlling interests of Sinmag Equipment (China) Co., Ltd.	<u>5,693</u>	<u>-</u>
	<u>\$ 494,017</u>	<u>\$ 505,321</u>

(Continued)

For the Year Ended December 31
2022 **2021**

Cash inflow/(outflow) from:		
Operating activities	\$ 528,290	\$ 363,571
Investing activities	(595,755)	(256,410)
Financing activities	(64,759)	(269,268)
Effects of exchange rate changes	<u>1,116</u>	<u>(4,424)</u>
 Net cash (outflow)	 <u>\$ (131,108)</u>	 <u>\$ (166,531)</u> (Concluded)

12. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Machinery and Equipment	Leasehold Improvements	Transportation Equipment	Office Equipment	Other Equipment	Property under Construction (Notes 17 and 28)	Total
<u>Cost</u>									
Balance at January 1, 2022	\$ 93,895	\$ 970,564	\$ 409,840	\$ -	\$ 16,614	\$ 62,252	\$ 163,363	\$ 2,674	\$ 1,719,202
Additions	-	613	26,266	15,101	218	6,001	34,953	9,375	92,527
Disposals	-	(1,282)	(14,785)	-	(1,467)	(5,760)	(4,757)	-	(28,051)
Effects of foreign currency exchange differences	2,398	24,618	6,484	(47)	364	3,916	3,108	(7)	40,834
Reclassification (Note)	-	-	29,334	-	-	91	18,194	-	47,619
Balance at December 31, 2022	\$ 96,293	\$ 994,513	\$ 457,139	\$ 15,054	\$ 15,729	\$ 66,500	\$ 214,861	\$ 12,042	\$ 1,872,131
<u>Accumulated depreciation</u>									
Balance at January 1, 2022	\$ -	\$ 255,997	\$ 255,467	\$ -	\$ 12,383	\$ 47,227	\$ 78,119	\$ -	\$ 649,193
Disposals	-	(697)	(13,374)	-	(1,315)	(5,609)	(4,418)	-	(25,413)
Depreciation expense	-	39,820	23,520	1,239	1,264	5,433	25,550	-	96,826
Effect of foreign currency exchange differences	-	5,123	4,278	(4)	276	3,004	1,322	-	13,999
Balance at December 31, 2022	\$ -	\$ 300,243	\$ 269,891	\$ 1,235	\$ 12,608	\$ 50,055	\$ 100,573	\$ -	\$ 734,605
Carrying amount at December 31, 2022	\$ 96,293	\$ 694,270	\$ 187,248	\$ 13,819	\$ 3,121	\$ 16,445	\$ 114,288	\$ 12,042	\$ 1,137,526
<u>Cost</u>									
Balance at January 1, 2021	\$ 94,530	\$ 995,145	\$ 355,703	\$ -	\$ 16,610	\$ 58,212	\$ 103,950	\$ -	\$ 1,624,150
Additions	-	940	26,890	-	1,393	4,791	41,020	2,674	77,708
Disposals	-	(14,149)	(15,931)	-	(929)	(1,825)	(3,247)	-	(36,081)
Effects of foreign currency exchange differences	(635)	(11,372)	(2,737)	-	(460)	(1,579)	(1,290)	-	(18,073)
Reclassification (Note)	-	-	45,915	-	-	2,653	22,930	-	71,498
Balance at December 31, 2021	\$ 93,895	\$ 970,564	\$ 409,840	\$ -	\$ 16,614	\$ 62,252	\$ 163,363	\$ 2,674	\$ 1,719,202
<u>Accumulated depreciation</u>									
Balance at January 1, 2021	\$ -	\$ 229,581	\$ 249,313	\$ -	\$ 12,130	\$ 44,365	\$ 68,417	\$ -	\$ 603,806
Disposals	-	(8,421)	(13,852)	-	(836)	(1,412)	(2,822)	-	(27,343)
Depreciation expense	-	36,859	21,982	-	1,416	5,411	13,192	-	78,860
Effect of foreign currency exchange differences	-	(2,022)	(1,976)	-	(327)	(1,137)	(668)	-	(6,130)
Balance at December 31, 2021	\$ -	\$ 255,997	\$ 255,467	\$ -	\$ 12,383	\$ 47,227	\$ 78,119	\$ -	\$ 649,193
Carrying amount at December 31, 2021	\$ 93,895	\$ 714,567	\$ 154,373	\$ -	\$ 4,231	\$ 15,025	\$ 85,244	\$ 2,674	\$ 1,070,009

Note: Reclassified from other non-current assets - prepayments for equipment and inventories to property, plant and equipment.

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, 2022 and 2021 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
Leasehold improvements	5 years
Transportation equipment	5 years
Office equipment	3-10 years
Other equipment	3-10 years

The significant part of the Group's buildings includes 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 32.

13. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2022	2021
<u>Carrying amount</u>		
Land	\$ 79,134	\$ 78,236
Buildings	<u>7,976</u>	<u>9,407</u>
	<u>\$ 87,110</u>	<u>\$ 87,643</u>
	For the Year Ended December 31	
	2022	2021
Additions to right-of-use assets	<u>\$ 2,307</u>	<u>\$ 7,541</u>
Depreciation charge for right-of-use assets		
Land	\$ 1,687	\$ 1,651
Buildings	<u>5,119</u>	<u>4,848</u>
	<u>\$ 6,806</u>	<u>\$ 6,499</u>

As of December 31, 2022, the Group acquired the land use rights certificates, which are for land located in mainland China.

Right-of-use assets pledged as collateral for bank borrowings are set out in Note 32.

b. Lease liabilities

	December 31	
	2022	2021
<u>Carrying amount</u>		
Current	<u>\$ 4,704</u>	<u>\$ 4,401</u>
Non-current	<u>\$ 2,816</u>	<u>\$ 4,516</u>

Range of discount rates for lease liabilities was as follows:

	<u>December 31</u>	
	2022	2021
Buildings	1.00%-5.30%	1.00%-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

	<u>For the Year Ended December 31</u>	
	2022	2021
Expenses relating to short-term leases	<u>\$ 6,539</u>	<u>\$ 5,848</u>
Expenses relating to low-value asset leases	<u>\$ 450</u>	<u>\$ 485</u>
Total cash outflow for leases	<u>\$ (12,629)</u>	<u>\$ (11,290)</u>

The Group leases certain buildings which qualify as short-term leases, and transportation equipment 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:

	<u>December 31</u>	
	2022	2021
Lease commitments	<u>\$ -</u>	<u>\$ 354</u>

14. GOODWILL

	<u>For the Year Ended December 31</u>	
	2022	2021
<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, 2022	\$ 18,345
Additions	1,596
Disposals	(6,885)
Effect of foreign currency exchange differences	<u>139</u>
Balance at December 31, 2022	<u>\$ 13,195</u>
<u>Accumulated amortization and impairment</u>	
Balance at January 1, 2022	\$ 15,895
Amortization expense	1,071
Disposals	(6,885)
Effect of foreign currency exchange differences	<u>104</u>
Balance at December 31, 2022	<u>\$ 10,185</u>
Carrying amount at December 31, 2022	<u>\$ 3,010</u>
<u>Cost</u>	
Balance at January 1, 2021	\$ 18,279
Additions	184
Effect of foreign currency exchange differences	<u>(118)</u>
Balance at December 31, 2021	<u>\$ 18,345</u>
<u>Accumulated amortization and impairment</u>	
Balance at January 1, 2021	\$ 14,947
Amortization expense	1,041
Effect of foreign currency exchange differences	<u>(93)</u>
Balance at December 31, 2021	<u>\$ 15,895</u>
Carrying amount at December 31, 2021	<u>\$ 2,450</u>

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>2022</u>	<u>2021</u>
<u>Current</u>		
Other prepayments		
Prepayments for purchase	\$ 2,524	\$ 2,811
Prepaid expenses	<u>10,457</u>	<u>9,868</u>
	<u>\$ 12,981</u>	<u>\$ 12,679</u>
<u>Non-current</u>		
Other assets		
Refundable deposits (Note)	\$ 5,706	\$ 7,037
Prepayments for equipment	16,323	55,722
Prepayments - non-current	1,292	4,401
Interest receivables	<u>10,537</u>	<u>-</u>
	<u>\$ 33,858</u>	<u>\$ 67,160</u>

Note: The Group considers the historical default rates of each credit rating supplied by external rating agencies and the current financial condition of debtors to estimate 12-month or lifetime expected credit losses. As of December 31, 2022 and 2021, the Group evaluated the expected credit loss rates of its refundable deposits as 0%.

17. BORROWINGS

a. Short-term borrowings

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Secured borrowings (Note 32)</u>		
Bank loans	\$ -	\$ 90,000
<u>Unsecured borrowings</u>		
Line of credit borrowings	<u>76,500</u>	<u>260,784</u>
	<u>\$ 76,500</u>	<u>\$ 350,784</u>

- 1) The interest rate on bank loans was 1.00% as of December 31, 2021.
- 2) The range of weighted average effective interest rates on line of credit borrowings was 1.43% and 0.88%-1.30% per annum as of December 31, 2022 and 2021, respectively.

b. Long-term borrowings

	December 31	
	2022	2021
<u>Secured borrowings (Note 32)</u>		
Bank loans - UOB	\$ -	\$ 19,980
Long-term borrowings - Urban Regeneration (Note 28)	10,119	2,674
Less: Current portion	<u>-</u>	<u>(19,980)</u>
Long-term borrowings	<u>\$ 10,119</u>	<u>\$ 2,674</u>

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 (Note 32) and will be repayable on May 5, 2022. As of December 31, 2021, the Group used \$19,980 thousand (MYR3,144 thousand) of its long-term borrowing facilities, with an interest rate equivalent to the bank's effective interest rates of 3.44%-3.45%. 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.

The Group participated in the "Taipei City, Da-An District, Huaisheng Section 2, No. 316, 316-2 Urban Renewal Plan" (the "Plan"). The Plan, which was implemented by the original landowner and legal building owner with "Taipei City, Da-An District, Huaisheng Section 2, No. 316, 316-2 Association" (the "Association"), was approved by the municipal authority. To assure that the Plan would be carried out as expected, the Association signed the property trust contract with the Trust Department of Hua Nan Commercial Bank (Note 32), and the Association applied the property financing arrangement to Hua Nan Commercial Bank which states that the borrowings are managed by the trust account of Hua Nan Commercial Bank. Upon completion of the project, the expense accrued from the project will be allocated proportionately to the original landowner and legal building owner based on the value of the property rights within the scope of the area as stated in the Plan. As of December 31, 2022 and 2021, the expense allocated to the Group was \$10,119 thousand and \$2,674 thousand, and the borrowing rate was 2.33%-2.705% and 2.08%, respectively.

18. OTHER PAYABLES

	December 31	
	2022	2021
Payables for salaries or bonuses	\$ 138,243	\$ 152,694
Payables for professional service fees	5,093	3,568
Payables for employee welfare fund	5,791	5,891
Accrued interest payable	42	312
Payables for business tax	8,721	8,344
Payables for equipment (Note 28)	1,362	3,139
Others	<u>61,033</u>	<u>56,387</u>
	<u>\$ 220,285</u>	<u>\$ 230,335</u>

19. PROVISIONS

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Current</u>		
Warranties	<u>\$ 16,245</u>	<u>\$ 22,905</u>
	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Balance at January 1	\$ 22,905	\$ 24,332
Additional provisions recognized	18,763	20,917
Amount used	(26,457)	(22,015)
Effect of foreign currency exchange differences	<u>1,034</u>	<u>(329)</u>
Balance at December 31	<u>\$ 16,245</u>	<u>\$ 22,905</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 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 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	
	2022	2021
Present value of defined benefit obligation	\$ 32,381	\$ 48,210
Fair value of plan assets	<u>(38,535)</u>	<u>(42,289)</u>
(Surplus) deficit	(6,154)	5,921
Asset ceiling	<u>-</u>	<u>-</u>
Net defined benefit liabilities	<u>\$ (6,154)</u>	<u>\$ 5,921</u>

Movements in net defined benefit liabilities (assets) were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2021	<u>\$ 58,241</u>	<u>\$ (57,325)</u>	<u>\$ 916</u>
Service cost			
Current service cost	240	-	240
Net interest expense (income)	<u>290</u>	<u>(292)</u>	<u>(2)</u>
Recognized in profit or loss	<u>530</u>	<u>(292)</u>	<u>238</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(670)	(670)
Actuarial loss - changes in demographic assumptions	1,286	-	1,286
Actuarial (gain) - changes in financial assumptions	(599)	-	(599)
Actuarial loss - experience adjustments	<u>6,919</u>	<u>-</u>	<u>6,919</u>
Recognized in other comprehensive income	<u>7,606</u>	<u>(670)</u>	<u>6,936</u>
Contributions from the employer	<u>-</u>	<u>(2,169)</u>	<u>(2,169)</u>
Benefits paid	<u>(18,167)</u>	<u>18,167</u>	<u>-</u>
Balance at December 31, 2021	<u>\$ 48,210</u>	<u>\$ (42,289)</u>	<u>\$ 5,921</u>
Balance at January 1, 2022	<u>\$ 48,210</u>	<u>\$ (42,289)</u>	<u>\$ 5,921</u>
Service cost			
Current service cost	110	-	110
Net interest expense (income)	<u>301</u>	<u>(264)</u>	<u>37</u>
Recognized in profit or loss	<u>411</u>	<u>(264)</u>	<u>147</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(3,885)	(3,885)
Actuarial (gain) - changes in financial assumptions	(2,774)	-	(2,774)
Actuarial (gain) - experience adjustments	<u>(5,563)</u>	<u>-</u>	<u>(5,563)</u>
Recognized in other comprehensive income	<u>(8,337)</u>	<u>(3,885)</u>	<u>(12,222)</u>
Benefits paid	<u>(7,903)</u>	<u>7,903</u>	<u>-</u>
Balance at December 31, 2022	<u>\$ 32,381</u>	<u>\$ (38,535)</u>	<u>\$ (6,154)</u>

Through the defined benefit plans under the Labor Standards Act, 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	
	2022	2021
Discount rate(s)	1.500%	0.625%
Expected rate(s) of salary increase	2.500%	2.500%

If possible reasonable changes in each of the significant actuarial assumptions occur and all other assumptions remain constant, the present value of the defined benefit obligation will increase (decrease) as follows:

	December 31	
	2022	2021
Discount rate(s)		
0.25% increase	\$ (732)	\$ (1,194)
0.25% decrease	\$ 758	\$ 1,238
Expected rate(s) of salary increase		
0.25% increase	\$ 737	\$ 1,194
0.25% decrease	\$ (716)	\$ (1,159)

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	
	2022	2021
Expected contributions to the plans for the next year	\$ _____ -	\$ _____ -
Average duration of the defined benefit obligation	9.2 years	10.0 years

21. EQUITY

a. Share capital

Ordinary shares

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Number of shares authorized (in thousands)	<u>60,000</u>	<u>60,000</u>
Shares authorized	<u>\$ 600,000</u>	<u>\$ 600,000</u>
Number of shares issued and fully paid (in thousands)	<u>50,230</u>	<u>50,230</u>
Shares issued	<u>\$ 502,302</u>	<u>\$ 502,302</u>

The Company reserved 2,100 thousand ordinary shares authorized for employee share options.

b. Capital surplus

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital*</u>		
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>
	75,738	75,738
<u>May only be used to offset a deficit**</u>		
Changes in percentage of ownership interests in subsidiaries (Note 27)	129,553	2,027
Share-based payment of subsidiaries (Note 26)	<u>1,536</u>	<u>-</u>
	<u>\$ 206,827</u>	<u>\$ 77,765</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).

** Such capital surplus arises from the effects of changes in ownership interests in subsidiaries resulting from equity transactions other than actual disposals or acquisitions or from changes in capital surplus of subsidiaries accounted for using the equity method.

c. Retained earnings and dividends policy

The shareholders of the Company held their regular meeting on May 31, 2022 and resolved the amendments to the Company's Articles of Incorporation (the "Articles").

Under the dividends policy as set forth in the amended 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.

In the event of a shortfall in "cumulative net increases in fair value measurement of investment properties from the prior period" and "cumulative net debit balance reserves from the prior period" when the Company sets aside a portion of distributable earnings for special reserve, it shall first set aside an equal amount of special reserve from undistributed earnings from the previous period. If any shortfall remains, the Company shall make an allocation from the undistributed earnings of the current period that also take account of net profit plus other items of the current period.

In accordance with Article 240 of the Company Law or Article 241 of the Company Law, if the Company used dividend bonus, legal reserve, capital surplus to distribute as cash dividends, the board of directors shall be authorized to resolve the proposal by the vote of at least half of the directors present, provided the number of directors present shall be at least two-thirds of the entire board of directors, and report the distribution to the shareholders' meeting.

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 shareholder'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 shareholders as dividends and bonuses, in the form of cash or share 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 the dividends policy as set forth in the Articles before the amendments, 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 shareholder'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 shareholders as dividends and bonuses, in the form of cash or share dividends, whilst cash dividends should not be lower than 20% of total bonuses to shareholders.

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 the deficit. 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. 1090150022 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 2021 and 2020 which were approved in the shareholders' meetings on May 31, 2022 and August 13, 2021, respectively, were as follows:

	Appropriation of Earnings	
	For the Year Ended December 31	
	2021	2020
Legal reserve	\$ -	\$ 34,201
Drawdown (reversal) of special reserve	<u>\$ 31,663</u>	<u>\$ (1,181)</u>
Cash dividends	<u>\$ 351,612</u>	<u>\$ 341,063</u>
Cash dividends per share (NT\$)	\$ 7	\$ 6.79

The appropriation of earnings for 2022, was proposed by the Company's board of directors on March 27, 2023. The appropriation and dividends per share were as follows:

	For the Year Ended December 31, 2022
Reversal of the special reserve	\$ (67,058)
Cash dividends	<u>\$ 301,381</u>
Cash dividends per share (NT\$)	\$ 6

The above appropriation for cash dividends has been resolved by the Company's board of directors; the other proposed appropriations will be resolved by the shareholders in their meeting to be held on June 19, 2023.

d. Special reserve

	December 31	
	2022	2021
Appropriation in respect of:		
Debit to other equity items	\$ 136,902	\$ 105,239
First-time adoption of IFRSs	<u>54,333</u>	<u>54,333</u>
	<u>\$ 191,235</u>	<u>\$ 159,572</u>

e. Other equity items

Exchange differences on the translation of the financial statements of foreign operations

	For the Year Ended December 31	
	2022	2021
Balance at January 1	\$ (191,235)	\$ (159,572)
Recognized for the year		
Exchange differences on the translation of the financial statements of foreign operations	79,573	(39,641)
Related income tax	(15,915)	7,928
Reclassification adjustments		
Disposal of foreign operations (Note 23)	4,250 (Note)	63
Related income tax	(850)	(13)
Other comprehensive income recognized for the year	<u>67,058</u>	<u>(31,663)</u>
Balance at December 31	\$ (124,177)	\$ (191,235)

Note: The disposal of LBC Bakery Equipment Inc. and Sinmag Equipment (Thailand) Co., Ltd. was a structural reorganization within the Group, and the relevant losses on disposal were transferred to retained earnings.

f. Non-controlling interests

	For the Year Ended December 31	
	2022	2021
Balance at January 1	\$ 22,012	\$ 63,054
Share in profit for the year	18,117	9,291
Other comprehensive income during the year		
Exchange differences on the translation of the financial statements of foreign operations	(4,050)	(773)
Cash dividend	(5,891)	(5,799)
The treasury share which was bought back by the subsidiary are calculated by proportion of equity transferring from non-controlling interests (Note 27)	-	(43,761)
Conversion of preference shares to ordinary shares by the subsidiary are calculated by proportion of equity transferring to non-controlling interests (Note 27)	19	-
Changes in non-controlling interest (Note 27)	86,586	-
Share-based payment of subsidiaries (Note 26)	<u>58</u>	<u>-</u>
Balance at December 31	\$ 116,851	\$ 22,012

22. REVENUE

	For the Year Ended December 31	
	2022	2021
Revenue from contracts with customers		
Revenue from the sale of goods	\$ 3,914,888	\$ 4,271,511
Revenue from the rendering of services	<u>21,631</u>	<u>22,992</u>
	\$ 3,936,519	\$ 4,294,503

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, 2022	December 31, 2021	January 1, 2021
Notes receivable (Note 9)	\$ 14,264	\$ 8,928	\$ 17,240
Trade receivables (Note 9)	440,182	543,348	477,393
Trade receivables from related parties (Note 31)	<u>490</u>	<u>2,051</u>	<u>432</u>
	<u>\$ 454,936</u>	<u>\$ 554,327</u>	<u>\$ 495,065</u>
Contract liabilities			
Sale of goods	<u>\$ 177,735</u>	<u>\$ 151,274</u>	<u>\$ 82,558</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>	
	2022	2021
From contract liabilities at the start of the year		
Sale of goods	<u>\$ 133,820</u>	<u>\$ 74,743</u>

c. Disaggregation of revenue

Refer to Note 37 for information on disaggregation of revenue.

23. NET PROFIT FROM CONTINUING OPERATIONS

a. Interest income

	<u>For the Year Ended December 31</u>	
	2022	2021
Interest income		
Bank deposits	\$ 19,422	\$ 12,400
Financial assets at FVTPL	2,259	5,548
Financial products	<u>-</u>	<u>22</u>
	<u>\$ 21,681</u>	<u>\$ 17,970</u>

b. Other income

For the Year Ended December 31
2022 **2021**

Others	\$ <u>8,235</u>	\$ <u>6,740</u>
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c. Other gains and losses

For the Year Ended December 31
2022 **2021**

Loss on disposal of property, plant and equipment	\$ (2,533)	\$ (6,948)
Net foreign exchange gains (losses)	54,750	(145)
Gain on lease modification	5	594
Loss on disposal of investment (Note 21)	-	(63)
Others	<u>(2,308)</u>	<u>(4,730)</u>
	<u>\$ 49,914</u>	<u>\$ (11,292)</u>

d. Finance costs

For the Year Ended December 31
2022 **2021**

Interest on bank loans	\$ 5,619	\$ 3,169
Interest on lease liabilities	<u>343</u>	<u>397</u>
	<u>\$ 5,962</u>	<u>\$ 3,566</u>

e. Depreciation and amortization

For the Year Ended December 31
2022 **2021**

An analysis of depreciation by function		
Operating costs	\$ 57,817	\$ 43,531
Operating expenses	<u>45,815</u>	<u>41,828</u>
	<u>\$ 103,632</u>	<u>\$ 85,359</u>
An analysis of amortization by function		
Operating costs	\$ 21	\$ 20
Selling and marketing expenses	72	92
General and administrative expenses	563	406
Research and development expenses	<u>415</u>	<u>523</u>
	<u>\$ 1,071</u>	<u>\$ 1,041</u>

f. Employee benefits expense

	For the Year Ended December 31	
	2022	2021
Short-term benefits	\$ 868,220	\$ 911,653
Post-employment benefits		
Defined contribution plans	85,777	67,757
Defined benefit plans (Note 20)	<u>147</u>	<u>238</u>
	<u>85,924</u>	<u>67,995</u>
Share-based payment (Note 26)	<u>1,594</u>	<u>-</u>
Total employee benefits expense	<u>\$ 955,738</u>	<u>\$ 979,648</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 409,102	\$ 417,403
Operating expenses	<u>546,636</u>	<u>562,245</u>
	<u>\$ 955,738</u>	<u>\$ 979,648</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, 2022 and 2021, which have been approved by the Company's board of directors on March 27, 2023 and March 15, 2022, respectively, were as follows:

Accrual rate

	For the Year Ended December 31	
	2022	2021
Compensation of employees	2.20%	2.93%
Remuneration of directors	1.34%	1.32%

Amount

	For the Year Ended December 31	
	2022	2021
	Cash	Cash
Compensation of employees	\$ 11,092	\$ 17,479
Remuneration of directors	6,759	7,857

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, 2021 and 2020.

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

	<u>For the Year Ended December 31</u>	
	2022	2021
Foreign exchange gains	\$ 102,513	\$ 33,279
Foreign exchange losses	<u>(47,763)</u>	<u>(33,424)</u>
Net foreign exchange gains (losses)	<u>\$ 54,750</u>	<u>\$ (145)</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:

	<u>For the Year Ended December 31</u>	
	2022	2021
Current tax		
In respect of the current year	\$ 330,564	\$ 276,143
Income tax on unappropriated earnings	6,067	-
Adjustments for prior years	(1,142)	2,564
Withholding tax credits from overseas profits of the current year	(16,379)	(32,696)
Tax deduction	<u>(63,799)</u>	<u>(76,025)</u>
	<u>255,311</u>	<u>169,986</u>
Deferred tax		
In respect of the current year	<u>16,698</u>	<u>12,822</u>
Income tax expense recognized in profit or loss	<u>\$ 272,009</u>	<u>\$ 182,808</u>

A reconciliation of accounting profit and income tax expense is as follows:

	<u>For the Year Ended December 31</u>	
	2022	2021
Profit before tax from continuing operations	<u>\$ 626,695</u>	<u>\$ 702,266</u>
Income tax expense calculated at the statutory rate (20%)	\$ 125,339	\$ 140,453
Unrecognized deductible temporary differences - share of profit of subsidiaries accounted for using the equity method	(19,078)	(22,587)
Nondeductible expenses in determining taxable income	11,073	4,085
Repatriation of subsidiary's tax earnings	108,605	32,912
Income tax on unappropriated earnings	6,067	-
Withholding tax credits from overseas profits of the current year	(16,379)	(32,696)
Effect of different tax rates of entities in the Group operating in other jurisdictions	57,524	58,077
Adjustments for prior years' tax	<u>(1,142)</u>	<u>2,564</u>
Income tax expense recognized in profit or loss	<u>\$ 272,009</u>	<u>\$ 182,808</u>

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 2021 to 2023, 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 12.5% of its revenue at less than RMB1,000 thousand, and 25% and 50% of its revenue was more than RMB1,000 thousand but less than RMB3,000 thousand in 2022 and 2021, respectively.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2022	2021
<u>Current tax</u>	\$ -	\$ -
<u>Deferred tax</u>		
In respect of the current year		
Translation of foreign operations	15,915	(7,928)
Remeasurement of defined benefit plans	2,444	(1,387)
Arising from income and expenses reclassified from equity to profit or loss		
On disposal of foreign operation	<u>850</u>	<u>13</u>
Total income tax recognized in other comprehensive income	<u>\$ 19,209</u>	<u>\$ (9,302)</u>

c. Current tax assets and liabilities

	December 31	
	2022	2021
Current tax assets		
Tax refund receivable	<u>\$ 114</u>	<u>\$ 1,805</u>
Current tax liabilities		
Income tax payable	<u>\$ 201,942</u>	<u>\$ 95,945</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, 2022

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre- hensive Income	Exchange Differences	Closing Balance
<u>Deferred tax assets</u>					
Temporary differences					
Allowance for impairment loss	\$ 4,572	\$ (939)	\$ -	\$ 48	\$ 3,681
Unrealized loss on inventories	10,937	317	-	187	11,441
Unrealized gain on transactions with subsidiaries	3,341	(2,462)	-	-	879
Provisions	4,240	(1,243)	-	395	3,392
Defined benefit obligations	5,385	-	(2,444)	-	2,941
Exchange differences on translating the financial statements of foreign operations	32,589	-	(16,765)	-	15,824
Others	<u>4,641</u>	<u>1,034</u>	<u>-</u>	<u>256</u>	<u>5,931</u>
	<u>\$ 65,705</u>	<u>\$ (3,293)</u>	<u>\$ (19,209)</u>	<u>\$ 886</u>	<u>\$ 44,089</u>
<u>Deferred tax liabilities</u>					
Temporary differences					
Share of profit or loss of subsidiaries accounted for using the equity method	\$ 77,753	\$ 10,409	\$ -	\$ -	\$ 88,162
Pensions	5,118	(30)	-	-	5,088
Property, plant and equipment property tax difference	-	3,208	-	(6)	3,202
Others	<u>182</u>	<u>(182)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 83,053</u>	<u>\$ 13,405</u>	<u>\$ -</u>	<u>\$ (6)</u>	<u>\$ 96,452</u>

For the year ended December 31, 2021

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre- hensive Income	Exchange Differences	Closing Balance
<u>Deferred tax assets</u>					
Temporary differences					
Allowance for impairment loss	\$ 2,556	\$ 2,019	\$ -	\$ (3)	\$ 4,572
Unrealized loss on inventories	6,020	4,946	-	(29)	10,937
Unrealized gain on transactions with subsidiaries	2,340	1,001	-	-	3,341
Provisions	1,914	2,376	-	(50)	4,240
Defined benefit obligations	3,998	-	1,387	-	5,385
Exchange differences on translating the financial statements of foreign operations	24,674	-	7,915	-	32,589
Others	<u>3,492</u>	<u>1,246</u>	<u>-</u>	<u>(97)</u>	<u>4,641</u>
	<u>\$ 44,994</u>	<u>\$ 11,588</u>	<u>\$ 9,302</u>	<u>\$ (179)</u>	<u>\$ 65,705</u>

Deferred tax liabilities

Temporary differences					
Share of profit or loss of subsidiaries accounted for using the equity method	\$ 53,803	\$ 23,950	\$ -	\$ -	\$ 77,753
Pensions	4,731	387	-	-	5,118
Others	<u>109</u>	<u>73</u>	<u>-</u>	<u>-</u>	<u>182</u>
	<u>\$ 58,643</u>	<u>\$ 24,410</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 83,053</u>

- e. The aggregate amount of temporary differences associated with investments for which deferred tax liabilities have not been recognized

As of December 31, 2022 and 2021, the taxable temporary differences associated with investments in subsidiaries and branches for which no deferred tax liabilities have been recognized were \$899,524 thousand and \$1,048,741 thousand, respectively.

- f. Income tax assessments

The Company's tax returns through 2020 have been assessed by the tax authorities, and the Group had no litigation or claim regarding tax assessments as of December 31, 2022.

25. EARNINGS PER SHARE

Unit: NT\$ Per Share

	For the Year Ended December 31	
	2022	2021
Basic earnings per share		
From continuing operations	<u>\$ 6.70</u>	<u>\$ 10.16</u>
Diluted earnings per share		
From continuing operations	<u>\$ 6.68</u>	<u>\$ 10.12</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	
	2022	2021
Profit for the year attributable to owners of the Company	\$ 336,569	\$ 510,167
Effect of potentially dilutive ordinary shares		
Employees' compensation	<u> -</u>	<u> -</u>
Earnings used in the computation of diluted earnings per share	<u>\$ 336,569</u>	<u>\$ 510,167</u>

Weighted average number of ordinary shares outstanding (in thousands of shares)

	For the Year Ended December 31	
	2022	2021
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> 156</u>	<u> 188</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u> 50,386</u>	<u> 50,418</u>

The Group may settle the compensation of employees in cash or shares; therefore, the Group assumes that the entire amount of the compensation will be settled in shares, and the resulting potential shares will be 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. SHARE-BASED PAYMENT ARRANGEMENTS

The issuance of ordinary shares for cash of Sinmag Equipment (China) Co., Ltd., the subsidiary of the Group, was approved by the board of directors in June 2023. The Company reserved a portion of shares for subscription by employees. The fair value was priced using the Black-Scholes pricing model, and the inputs to the model are as follows:

	June 2022
Grant-date share price	\$16.45
Exercise price	\$16.34
Expected volatility	14.76%
Expected life	1 day
Expected dividend yield	-
Risk-free interest rate	2.81%

Compensation costs recognized were \$1,594 thousand for the year ended December 31, 2022.

27. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

Sinmag Limited converted the preference shares into ordinary shares in January 2022, and the shares of LBC Bakery Equipment Inc. held by the Group increased from 97.24% to 97.33%.

Sinmag Limited and Ximai Enterprises Management (Wuxi) Co., Ltd. subscribed for additional new shares of Sinmag Equipment (China) Co., Ltd. at a percentage different from its existing ownership percentage in June 2022, reducing The Group's continuing interest from 100% to 96.39%.

After undertaking structural reorganization in June 2022, Sinmag Equipment (China) Co., Ltd. directly held Wuxi New Order Control Co., Ltd. The shares of Wuxi New Order Control Co., Ltd. held by the Group decreased from 50% to 48.19%, and the Group did not cease to have control over Wuxi New Order Control Co., Ltd.

LBC Bakery Equipment Inc. bought back 158,000 treasury shares in April 2021, and the shares of LBC Bakery Equipment Inc. held by the Group increased from 82.82 % to 97.24%.

The transaction was recognized as investments accounted for using the equity method since there was no change of control in the subsidiaries.

	LBC Bakery Equipment Inc.	Sinmag Equipment (China) Co., Ltd.	Wuxi New Order Control Co., Ltd.
Consideration paid (Note)	\$ (9,875)	\$ -	\$ -
Cash consideration received	-	214,131	-
Carrying value of actual acquisition of equity in subsidiaries	9,856	-	-
The proportionate share of the carrying amount of the net assets of the subsidiary transferred (to) non-controlling interests	-	(86,712)	126
Differences recognized from equity transactions	<u>\$ (19)</u>	<u>\$ 127,419</u>	<u>\$ 126</u>

(Continued)

	LBC Bakery Equipment Inc.	Sinmag Equipment (China) Co., Ltd.	Wuxi New Order Control Co., Ltd.
<u>Line items adjusted for equity transaction</u>			
Capital surplus - changes in percentage of ownership interests in subsidiaries	\$ (19)	\$ 127,419	\$ 126 (Concluded)

Note: The consideration paid was converted from the preference shares; there was a cash outflow.

	LBC Bakery Equipment Inc.
Consideration paid	\$ (41,734)
The proportionate share of the carrying amount of the net assets of the subsidiary transferred from non-controlling interests	<u>43,761</u>
Differences recognized from equity transactions	<u>\$ 2,027</u>
<u>Line items adjusted for equity transaction</u>	
Capital surplus - changes in percentage of ownership interests in subsidiaries	<u>\$ 2,027</u>

28. 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, 2022 and 2021.

- 1) The Group acquired property, plant and equipment that had not yet paid in the amounts of \$1,362 thousand and \$3,139 thousand, which were recorded as other payables during the years ended December 31, 2022 and 2021, respectively.
- 2) The Group proportionately allocated and capitalized the expenses accrued from the urban regeneration project based on the value of the property rights within the scope of the area as stated in the Plan. In addition, the Association applied the property financing arrangement to Hua Nan Commercial Bank. As of December 31, 2022 and 2021, the amounts which were accounted as property under construction and long-term borrowings - Urban regeneration were \$10,119 thousand and \$2,674 thousand, respectively.

b. Changes in liabilities arising from financing activities

For the year ended December 31, 2022

	Cash Flows			Non-cash Changes			Exchange Differences on Translating the Financial Statements	Closing Balance
	Opening Balance	Increase (Decrease) in Principal	Finance Costs	Urban Regeneration/ New Leases	Lease Modification	Finance Costs		
Long-term borrowings and current portion of long-term borrowings	\$ 22,654	\$ (21,164)	\$ -	\$ 7,445	\$ -	\$ -	\$ 1,184	\$ 10,119
Short-term borrowings	350,784	(282,497)	-	-	-	-	8,213	76,500
Lease liabilities	8,917	(5,076)	(343)	2,307	1,081	343	291	7,520
	\$ 382,355	\$ (308,737)	\$ (343)	\$ 9,752	\$ 1,081	\$ 343	\$ 9,688	\$ 94,139

For the year ended December 31, 2021

	Cash Flows			Non-cash Changes			Exchange Differences on Translating the Financial Statements	Closing Balance
	Opening Balance	Increase (Decrease) in Principal	Finance Costs	Urban Regeneration/ New Leases	Lease Modification	Finance Costs		
Long-term borrowings and current portion of long-term borrowings	\$ 25,501	\$ (3,964)	\$ -	\$ 2,674	\$ -	\$ -	\$ (1,557)	\$ 22,654
Short-term borrowings	202,119	151,087	-	-	-	-	(2,422)	350,784
Lease liabilities	21,000	(4,899)	(397)	7,541	(14,463)	397	(262)	8,917
	\$ 248,620	\$ 142,224	\$ (397)	\$ 10,215	\$ (14,463)	\$ 397	\$ (4,241)	\$ 382,355

29. 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.

30. 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

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Financial assets</u>		
Amortized cost (1)	\$ 1,568,548	\$ 1,584,518
<u>Financial liabilities</u>		
Amortized cost (2)	360,310	758,017

- 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), interest receivables (account for other non-current assets) 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, short-term borrowings, 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 35.

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	
	2022	2021
Profit or loss	\$ 5,943	\$ 1,874

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 increased during the current year mainly due to an increase in USD denominated bank deposits, and a decrease in USD denominated payables.

b) Interest rate risk

The Group 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 Group's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	December 31	
	2022	2021
Fair value interest rate risk		
Financial assets	\$ 593,068	\$ 426,067
Financial liabilities	84,020	248,917
Cash flow interest rate risk		
Financial assets	366,397	480,193
Financial liabilities	10,119	133,438

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, 2022 and 2021 would have increased/decreased by \$891 thousand and \$867 thousand, respectively, which was mainly attributable to the Group's exposure to interest rates on its variable-rate bank deposits and borrowings.

The Group's sensitivity to the interest rate increased during the current year mainly due to a decrease 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 22% and 34% of the total trade receivables as of December 31, 2022 and 2021, 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 on unused amounts of financing facilities at December 31, 2022 and 2021.

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, 2022

	Within 3 Months	3 Months to 1 Year	1-5 Years
Short-term borrowings	\$ 76,568	\$ -	\$ -
Non-interest bearing liabilities	262,081	11,610	-
Lease liabilities	1,786	3,092	2,869
Long-term borrowings	<u>-</u>	<u>-</u>	<u>10,119</u>
	<u>\$ 340,435</u>	<u>\$ 14,702</u>	<u>\$ 12,988</u>

Additional information on the maturity analysis for lease liabilities

	Less than 1 Year	1-5 Years
Lease liabilities	<u>\$ 4,878</u>	<u>\$ 2,869</u>

December 31, 2021

	Within 3 Months	3 Months to 1 Year	1-5 Years
Short-term borrowings	\$ 240,777	\$ 111,518	\$ -
Non-interest bearing liabilities	377,864	6,715	-
Lease liabilities	1,766	2,907	4,615
Long-term borrowings	<u>1,141</u>	<u>19,061</u>	<u>2,674</u>
	<u>\$ 621,548</u>	<u>\$ 140,201</u>	<u>\$ 7,289</u>

Additional information on the maturity analysis for lease liabilities

	Less than 1 Year	1-5 Years
Lease liabilities	<u>\$ 4,673</u>	<u>\$ 4,615</u>

b) Financing facilities

	December 31	
	2022	2021
Unsecured bank loan facilities, reviewed annually and payable on demand:		
Amount used	\$ 76,500	\$ 260,784
Amount unused	<u>1,010,870</u>	<u>795,040</u>
	<u>\$ 1,087,370</u>	<u>\$ 1,055,824</u>
Secured bank loan facilities:		
Amount used	\$ -	\$ 109,980
Amount unused	<u>140,000</u>	<u>50,000</u>
	<u>\$ 140,000</u>	<u>\$ 159,980</u>

31. 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

<u>Related Party Name</u>	<u>Related Party Category</u>
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
Auto Control Co., Ltd.	Associate
Tehmag Foods Corporation Sdn. Bhd.	Associate
Wuxi Squires Kitchen Trading Co., Ltd. (Squires Kitchen Sugarcraft (Wuxi) Limited was renamed in July, 2022)	Associate
Sinmag Fitting Corporation	Associate
San Neng Japan Bake Ware Corporation	Associate

b. Sales of goods

Line Item	Related Party Category/Name	<u>For the Year Ended December 31</u>	
		2022	2021
Sales	Associates	<u>\$ 10,376</u>	<u>\$ 8,359</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

Line Item	Related Party Category/Name	For the Year Ended December 31	
		2022	2021
Purchases	Associates	\$ 44,594	\$ 53,110

The purchase prices from related parties were 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	
		2022	2021
Trade receivables	Associates	\$ 490	\$ 2,051

The outstanding trade receivables from related parties are unsecured. As of December 31, 2022 and 2021, all receivables from related parties were not past due. And for the years ended December 31, 2022 and 2021, 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	
		2022	2021
Notes payable	Associates	\$ -	\$ 570
Trade payables	Associates	\$ 2,562	\$ 13,745

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	
		2022	2021
Selling and marketing expenses - other expenses	Associates	\$ 2	\$ 22
General and administrative expenses - other expenses	Associates	\$ 2	\$ -

g. Compensation of key management personnel

	For the Year Ended December 31	
	2022	2021
Short-term employee benefits	\$ 53,578	\$ 50,453
Post-employment benefits	1,138	844
	\$ 54,716	\$ 51,297

The remuneration of directors and key executives was determined by the remuneration committee based on the performance of individuals and market trends.

32. 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:

	<u>December 31</u>	
	2022	2021
Financial assets at amortized cost - current		
Taxpayer accounts	\$ <u>294</u>	\$ <u>915</u>
Financial assets at amortized cost - non-current		
Pledged time deposits	\$ <u>50</u>	\$ <u>50</u>
	<u>December 31</u>	
	2022	2021
Others		
Right-of-use assets	\$ -	\$ 18,102
Freehold land	58,715	58,715
Buildings, net	22,850	63,078
Property under construction	<u>10,119</u>	<u>2,674</u>
	<u>\$ 91,684</u>	<u>\$ 142,569</u>

33. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

a. Unrecognized commitments were as follows:

	<u>December 31</u>	
	2022	2021
Acquisition of property, plant and equipment	\$ <u>19,383</u>	\$ <u>25,788</u>

34. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Sinmag Equipment (China) Co., Ltd., the subsidiary of the Group, has applied for an initial public offering of RMB ordinary shares denoted on the Shenzhen Stock Exchange and has completed the submission of application documents for listing on December 26, 2022. The Company issued “Commitments to Avoid Peer Competition” on March 15, 2023 according to the requirements of the China Securities Regulatory Commission. The content summary is as follows :

To avoid potential peer competition between the Company and Sinmag Equipment (China) Co., Ltd., the Company committed the proportion of the revenue of the Company and other enterprises controlled by the Company to export revenue (consolidated) of the issuer and set a limit to no more than 7% or the amount of export revenue not more than RMB35 million, within a reasonable range (the two standards cannot be broken at the same time).

35. 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, 2022

	Foreign Currency (In Thousands)	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 8,052	30.70 (USD:NTD)	\$ 247,198
USD	12,481	6.96 (USD:RMB)	383,180
USD	32	4.42 (USD:MYR)	<u>993</u>
			<u>\$ 631,371</u>
<u>Financial liabilities</u>			
Monetary items			
USD	494	30.70 (USD:NTD)	\$ 15,181
USD	480	6.96 (USD:RMB)	14,752
USD	232	34.58 (USD:THB)	<u>7,137</u>
			<u>\$ 37,070</u>

December 31, 2021

	Foreign Currency (In Thousands)	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 9,054	27.68 (USD:NTD)	\$ 250,608
USD	8,382	6.37 (USD:RMB)	232,000
USD	47	4.36 (USD:MYR)	<u>1,311</u>
			<u>\$ 483,919</u>
<u>Financial liabilities</u>			
Monetary items			
USD	5,046	27.68 (USD:NTD)	\$ 139,668
USD	4,720	6.37 (USD:RMB)	130,661
USD	756	4.36 (USD:MYR)	20,920
USD	189	33.16 (USD:THB)	<u>5,230</u>
			<u>\$ 296,479</u>

For the years ended December 31, 2022 and 2021, realized and unrealized net foreign exchange gains (losses) were \$54,750 thousand and \$(145) 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.

36. SEPARATELY DISCLOSED ITEMS

a. Information on 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 (Table 2)
- 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 3)
- 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 4)

b. Information on investees (Table 5)

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 6)
- 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 7):
 - 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. 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 8)
- e. 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 5 and 6
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 4
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.	Note 34
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 5 and 6
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.

35. 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 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 2022	2021	For the Year Ended December 31 2022	2021
Manufacturing and selling of bakery equipment segment	\$ 4,672,684	\$ 5,614,040	\$ 693,926	\$ 849,369
Manufacturing and selling of control panel and electromechanical control system segment	103,300	124,117	(86,383)	(105,658)
Eliminations	<u>(839,465)</u>	<u>(1,443,654)</u>	-	-
Continuing operations	<u>\$ 3,936,519</u>	<u>\$ 4,294,503</u>	607,543	743,711
Interest income			21,681	17,970
Other income			8,235	6,740
Other gains and losses			49,914	(11,292)
Compensation of key management personnel			(54,716)	(51,297)
Finance costs			<u>(5,962)</u>	<u>(3,566)</u>
Profit before tax (continuing operations)			<u>\$ 626,695</u>	<u>\$ 702,266</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	
	2022	2021
<u>Segment assets</u>		
Continuing operations		
Manufacturing and selling of bakery equipment segment	\$ 3,307,220	\$ 3,249,305
Manufacturing and selling of control panel and electromechanical control system segment	35,910	36,489
Unallocated assets	<u>376,175</u>	<u>432,069</u>
Consolidated total assets	<u>\$ 3,719,305</u>	<u>\$ 3,717,863</u>
<u>Segment liabilities</u>		
Continuing operations		
Manufacturing and selling of bakery equipment segment	\$ 655,149	\$ 720,775
Manufacturing and selling of control panel and electromechanical control system segment	15,797	19,750
Unallocated liabilities	<u>342,013</u>	<u>552,436</u>
Consolidated total liabilities	<u>\$ 1,012,959</u>	<u>\$ 1,292,961</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, 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	
	2022	2021	2022	2021
Manufacturing and selling of bakery equipment segment	\$ 103,770	\$ 82,594	\$ 142,963	\$ 151,637
Manufacturing and selling of control panel and electromechanical control system segment	<u>933</u>	<u>3,806</u>	<u>734</u>	<u>4,182</u>
	<u>\$ 104,703</u>	<u>\$ 86,400</u>	<u>\$ 143,697</u>	<u>\$ 155,819</u>

Note: Non-current assets include property, plant and equipment, other intangible assets, right-of-use assets and prepayments for equipment.

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	
	2022	2021
Bakery equipment products	\$ 3,914,888	\$ 4,271,511
Services	<u>21,631</u>	<u>22,992</u>
	<u>\$ 3,936,519</u>	<u>\$ 4,294,503</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 on its non-current assets by location of assets are detailed below.

	Revenue from External Customers		Non-current Assets	
	For the Year Ended		December 31	
	2022	2021	2022	2021
Taiwan	\$ 381,767	\$ 657,337	\$ 113,094	\$ 105,379
China	2,535,634	2,789,952	970,780	961,211
United States	762,627	593,734	102,782	95,317
Others	<u>256,491</u>	<u>253,480</u>	<u>78,102</u>	<u>68,609</u>
	<u>\$ 3,936,519</u>	<u>\$ 4,294,503</u>	<u>\$ 1,264,758</u>	<u>\$ 1,230,516</u>

Non-current assets exclude financial instruments, deferred tax assets, and post-employment benefit assets.

f. Information on major customers

No single customer contributed 10% or more to the Group's revenue for both 2022 and 2021.

SINMAG EQUIPMENT CORPORATION AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2022
(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% \$ 1,294,748	\$ 41,714 (RM 6,000)	\$ - (RM -)	\$ - (RM -)	\$ -	-	Net value 50% \$ 1,294,748	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 or reviewed 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, 2022.

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.

SINMAG EQUIPMENT CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COSTS OR PRICES OF AT LEAST NTS300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2022

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

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance		
					Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Carrying Amount	Gain (Loss) on Disposal (Note 2)	Other Remeasurements (Note 1)	Number of Shares	Amount
Sinmag Equipment Corporation and Sinmag Limited	LBC Bakery Equipment Inc.	Investments accounted for using the equity method	Sinmag Equipment (China) Co., Ltd.	From parent and sub-sub-subsidiary to third-tier subsidiary	882,000	\$ 263,899	28,682	\$ 9,875 (Note 3)	910,682	\$ 298,686	\$ 310,531	\$ -	\$ 36,757	-	\$ -
Sinmag Limited	Sinmag Bakery Equipment Sdn. Bhd.	Investments accounted for using the equity method	Sinmag Equipment (China) Co., Ltd.	From sub-sub-subsidiary to third-tier subsidiary	300,000	105,325	-	-	300,000	110,297	118,083	-	12,758	-	-
Sinmag Equipment (China) Co., Ltd.	LBC Bakery Equipment Inc.	Investments accounted for using the equity method	Sinmag Equipment Corporation and Sinmag Limited	From third-tier subsidiary to parent and sub-sub-subsidiary	-	-	910,682	298,686	-	-	-	-	64,460	910,682	363,146
Sinmag Equipment (China) Co., Ltd.	Sinmag Bakery Equipment Sdn. Bhd.	Investments accounted for using the equity method	Sinmag Limited	From third-tier subsidiary to sub-sub-subsidiary	-	-	300,000	110,297	-	-	-	-	20,186	300,000	130,483

Note 1: The remeasurements include share of profit or loss from the investments accounted for using the equity method and remeasurement of other comprehensive income.

Note 2: The transaction was a structural reorganization within the Group, the difference between the selling price and the book cost was to adjust capital surplus and retained earnings.

Note 3: Sinmag Limited converted the preference shares into ordinary shares in January 2022; therefore, there was no actual cash outflow.

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, 2022

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

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	\$ 212,123	71	B/L 45 day	Note 1	Note 2	\$ (14,577)	(35)	Note 3
Sinmag Equipment (China) Co., Ltd.	Sinmag Equipment Corporation	The ultimate parent company	(Sale)	(212,123)	(7)	B/L 45 day	"	"	14,577	5	-
LBC Bakery Equipment Inc.	Sinmag Equipment (China) Co., Ltd.	Parent company	Purchase	288,215	79	B/L 90 day	"	"	(27,116)	(87)	-
Sinmag Equipment (China) Co., Ltd.	LBC Bakery Equipment Inc.	Subsidiary	(Sale)	(288,215)	(9)	B/L 90 day	"	"	27,116	10	-
Sinmag Equipment (China) Co., Ltd.	Wuxi New Order Control Co., Ltd.	Subsidiary	Purchase	103,300	6	Monthly payment: 30 days	"	"	(7,343)	(4)	-
Wuxi New Order Control Co., Ltd.	Sinmag Equipment (China) Co., Ltd.	Parent company	(Sale)	(103,300)	(100)	Monthly payment: 30 days	"	"	7,343	100	-

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 upon consolidation.

SINMAG EQUIPMENT CORPORATION AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
 FOR THE YEAR ENDED DECEMBER 31, 2022
 (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. LBC Bakery Equipment Inc.	From parent to subsidiary From parent to subsidiary	Sales Sales	\$ 44,618 38,122	Cost with a margin, B/L 90 days Cost with a margin, B/L 180 days	1 1
1	Lucky Union Limited	Sinmag Equipment Corporation	From subsidiary to parent	Surplus repatriation Investments accounted for using the equity method	221,883 60,882	- Capital reduction	6 2
2	Sinmag Limited	Lucky Union Limited	Between subsidiaries	Surplus repatriation Investments accounted for using the equity method	221,883 60,882	- Capital reduction	6 2
3	Sinmag Equipment (China) Co., Ltd.	Sinmag Equipment Corporation Sinmag Limited Sinmag Bakery Equipment Sdn. Bhd. LBC Bakery Equipment Inc. Sinmag Equipment (Thailand) Co., Ltd.	From subsidiary to parent Between subsidiaries Between subsidiaries Between subsidiaries Between subsidiaries	Investments accounted for using the equity method Sales Trade receivables Investments accounted for using the equity method Surplus repatriation Sales Sales Trade receivables Sales	374,019 212,123 14,577 135,010 156,031 65,239 288,215 27,116 63,505	Structural reorganization Cost with a margin, B/L 45 days - Structural reorganization - - Cost with a margin, B/L 60 days Cost with a margin, B/L 90 days - Cost with a margin, B/L 90 days	10 5 - 4 4 2 7 1 2
4	Wuxi New Order Control Co., Ltd.	Sinmag Equipment (China) Co., Ltd.	Between subsidiaries	Sales	103,300	Negotiated case by case, monthly payment: 30 days	3
5	LBC Bakery Equipment Inc.	Sinmag Equipment (China) Co., Ltd.	Between subsidiaries	Sales	17,220	Negotiated case by case, monthly payment: 60 days	-
6	Sinmag Equipment (Thailand) Co., Ltd	Sinmag Equipment Corporation.	From subsidiary to parent	Surplus repatriation	10,882	-	-

(Continued)

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. Ximai Enterprises Management (Wuxi) Co., Ltd., Qingdao Sheng Mai Enterprises Management Co., Ltd. and Xiamen Sinmag Enterprises Management Co., Ltd. are mainly engaged in enterprise management and investment.

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.

(Concluded)

SINMAG EQUIPMENT CORPORATION AND SUBSIDIARIES

**INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2022
(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, 2022				Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2022	December 31, 2021	Number of Shares	%	Carrying Amount	Net Worth Per Share			
Sinmag Equipment Corporation	Lucky Union Limited	Samoa	Holding company	\$ 88,735	\$ 148,277	-	100.00	\$ 2,462,614	\$ -	\$ 434,436	\$ 434,436	Notes 2, 3 and 7
	Sinmag Equipment (Thailand) Co., Ltd.	Thailand	Selling of bakery equipment	-	74,897	-	-	-	-	933	(774)	Notes 2, 3 and 6
	LBC Bakery Equipment Inc.	United States	Selling of bakery equipment	-	17,241	-	-	-	-	71,764	13,063	Notes 1, 2, 3 and 5
Lucky Union Limited	Sinmag Limited	Samoa	Holding company	103,987	163,529	-	100.00	2,463,622	-	434,534	434,534	Notes 2, 3 and 8
Sinmag Limited	Sinmag Bakery Equipment Sdn. Bhd.	Malaysia	Selling of bakery equipment	-	12,340	-	-	-	-	21,852	8,136	Notes 2, 3 and 6
	LBC Bakery Equipment Inc.	United States	Selling of bakery equipment	-	-	-	-	-	-	71,764	370	Notes 1, 2, 3 and 5
	Sinmag Bakery Machine India Private Limited	India	Manufacturing and selling of bakery equipment	54,748	54,748	-	100.00	2,298	-	508	508	Notes 2 and 3
Sinmag Equipment (China) Co., Ltd.	Sinmag Equipment (Thailand) Co., Ltd.	Thailand	Selling of bakery equipment	84,759	-	20,600,000	100.00	73,336	3.56	933	1,644	Notes 2, 3 and 6
	LBC Bakery Equipment Inc.	United States	Selling of bakery equipment	298,686	-	910,682	97.33	363,146	398.62	71,764	56,045	Notes 1, 2, 3 and 5
	Sinmag Bakery Equipment Sdn. Bhd.	Malaysia	Selling of bakery equipment	110,297	-	300,000	100.00	130,483	434.94	21,852	13,228	Notes 2, 3 and 6

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 6.

Note 5: Sinmag Limited converted the preference shares into ordinary shares in January 2022, and the shares of LBC Bakery Equipment Inc. held by the Group increased from 97.24% to 97.33%. In addition, after undertaking structural reorganization in May 2022, Sinmag Equipment (China) Co., Ltd. directly held LBC Bakery Equipment Inc.

Note 6: After undertaking structural reorganization in May 2022, Sinmag Equipment (China) Co., Ltd. directly held Sinmag Equipment (Thailand) Co., Ltd. and Sinmag Bakery Equipment Sdn. Bhd.

Note 7: Lucky Union Limited reduced and returned its capital in the amount of US\$2,050 thousand, and the procedures were completed in June 2022.

Note 8: Sinmag Limited reduced and returned its capital in the amount of US\$2,050 thousand, and the procedures were completed in June 2022.

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.

SINMAG EQUIPMENT CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2022

(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, 2022	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2022	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2022	Accumulated Repatriation of Investment Income as of December 31, 2022	Note
					Outward	Inward							
Sinmag Equipment (China) Co., Ltd. (Note 3)	Manufacturing and selling of bakery equipment	\$ 1,626,034 (RM 362,055)	b	\$ 349,938 (US\$ 10,594)	\$ -	\$ -	\$ 349,938 (US\$ 10,594)	\$ 438,993	96.39	\$ 436,062 (Note 2 b.(2))	\$ 2,457,173	\$ 4,408,504 (US\$ 144,685)	Notes 5 and 7
Wuxi New Order Control Co., Ltd.	Manufacturing and selling of control panel and electromechanical control system	4,961 (US\$ 150)	c	3,348 (US\$ 104)	-	-	3,348 (US\$ 104)	10,624	48.20	5,236 (Note 2 b.(2))	9,783	67,543 (US\$ 2,232)	Notes 5 and 8
Ximai Enterprises Management (Wuxi) Co., Ltd.	Corporate management and investment	1,340 (US\$ 47)	b	- (US\$ -)	1,340 (US\$ 47)	-	1,340 (US\$ 47)	10	100.00	10 (Note 2 b.(2))	1,362	- (US\$ -)	Notes 5 and 6
Qingdao Sheng Mai Enterprises Management Co., Ltd.	Corporate management and investment	- (RM -)	c	- (US\$ -)	-	-	- (US\$ -)	-	96.39	- (Note 2 a.)	-	- (US\$ -)	Note 9
Xiamen Sinmag Enterprises Management Co., Ltd.	Corporate management and investment	- (RM -)	c	- (US\$ -)	-	-	- (US\$ -)	-	96.39	- (Note 2 a.)	-	- (US\$ -)	Note 9

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2022	Investment Amount Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
\$354,626 (Note 4)	\$1,676,146	\$1,623,808

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. Investment through a subsidiary established in China (Sinmag Equipment (China) Co., Ltd.)

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) 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 \$4,476,047 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 transactions. Balances and transactions between the Company and its subsidiaries, which are related parties of the Group, have been eliminated on consolidation.

Note 6: In February 2022, Ximai Enterprises Management (Wuxi) Co., Ltd. was incorporated in China.

Note 7: The board of directors resolved on March 15, 2022, Sinmag Limited transferred 0.01% shares of Sinmag Equipment (China) Co., Ltd. to Ximai Enterprises Management (Wuxi) Co., Ltd., and the equity transfer procedures were completed in April 2022. Sinmag Equipment (China) Co., Ltd. was successfully transformed into a limited corporation on June 13, 2022. In addition, the Group subscribed for additional new shares of Sinmag Equipment (China) Co., Ltd. at a percentage different from its existing ownership percentage in June 2022, reducing its continuing interest from 100% to 96.39%. Among the continuing interest of 96.39%, the shares of Sinmag Equipment (China) Co., Ltd. held by Ximai Enterprises Management (Wuxi) Co., Ltd. remained at 0.01%.

Note 8: After undertaking structural reorganization in June 2022, Sinmag Equipment (China) Co., Ltd. directly held Wuxi New Order Control Co., Ltd., and the Company did not cease to have control over Wuxi New Order Control Co., Ltd.

Note 9: The registrations for the establishment of Qingdao Sheng Mai Enterprises Management Co., Ltd. and Xiamen Sinmag Enterprises Management Co., Ltd. were completed in May 2022, but no capital has been injected as of December 31, 2022.

Note 10: Except for Note 7, 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.

(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, 2022
(In Thousands of New Taiwan Dollars)

- The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
- 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.	Purchase	\$ 212,123	71	Cost with a margin	B/L 45 days	Note 1	\$ (14,577)	(35)	\$ 8,280	Notes 2 and 3
	Sales	(44,618)	(10)	Cost with a margin	B/L 90 days	"	6,154	12	4,394	Notes 2 and 4
	Purchase	65,239	67	Cost with a margin	B/L 60 days	"	-	-	7,234	Notes 2 and 5
	Purchase	288,215	79	Cost with a margin	B/L 90 days	"	(27,116)	(87)	25,346	Notes 2 and 6
	Purchase	63,505	77	Cost with a margin	B/L 90 days	"	(6,511)	(85)	13,167	Notes 2 and 7
	Sales	(103,300)	(100)	Negotiated case by case	Monthly payment: 30 days	"	7,343	100	3,708	Notes 2 and 8
	Sales	(17,220)	(2)	Negotiated case by case	Monthly payment: 60 days	"	6,004	4	-	Notes 2 and 9
	Wuxi New Order Control Co., Ltd.	Purchase	103,300	6	Negotiated case by case	Monthly payment: 30 days	"	(7,343)	(4)	-

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.

Note 3: Sinmag Equipment Corporation purchased from Sinmag Equipment (China) Co., Ltd.

Note 4: Sinmag Equipment Corporation sold to Sinmag Equipment (China) Co., Ltd.

Note 5: Sinmag Bakery Equipment Sdn. Bhd. purchased from Sinmag Equipment (China) Co., Ltd.

Note 6: LBC Bakery Equipment Inc. purchased from Sinmag Equipment (China) Co., Ltd.

Note 7: Sinmag Equipment (Thailand) Co., Ltd. purchased from Sinmag Equipment (China) Co., Ltd.

Note 8: Wuxi New Order Control Co., Ltd. sold to Sinmag Equipment (China) Co., Ltd.

Note 9: LBC Bakery Equipment Inc. sold to Sinmag Equipment (China) Co., Ltd.

Note 10: Sinmag Equipment (China) Co., Ltd. purchased from Wuxi New Order Control Co., Ltd.

- The amount of property transactions and the amount of the resultant gains or losses: None.
- The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes: None.
- The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds: None.
- 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 8**SINMAG EQUIPMENT CORPORATION****INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2022**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Sheng Chia Investment Co., Ltd.	3,105,545	6.18

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