

Sinmag Equipment Corporation
Minutes of 2023 Annual General Shareholders' Meeting

Time: 9 a.m., Monday, June 19, 2023

Address: Room 504, 5F, No. 9, Wugong 6th Road, Wugu Dist., New Taipei City (New Taipei City Labor Activity Center)

Method of Convening the Meeting: Physical Shareholders' Meeting

Attendance: A total of 34,885,816 shares attended in person, by proxy and electronically (including 4,338,065 shares attended electronically), accounting for 69.45% of the total number of 50,230,242 shares issued by the Company.

Attending Directors: Hsieh, Shun-Ho, Wu, Yao-Tsung, Chang, Jui-Jung, Chang, Yu-Chuan ,
Hsieh, Ming-Ching, Hsiao, Shu-Chuan

Attending Independent Directors: Chan, Shih Hung, Tu, San-Chien, Huang, Huei-Wang

Participants without voting rights: CPA Chen, Chiang-Hsun, Deloitte & Touche, Attorney
Lo, Yuan-Hsiu, Primordial Law Firm

Chairman: Hsieh, Shun-Ho

Minute taker: Lo, Wei-Lun

- I. Called to order: When the total number of shares attending exceeds the quorum, the Chairperson calls the meeting to order in accordance with the law.
- II. Chairman Remarks: (omitted)
- III. Report Items
 1. For the 2022 Business Report, please refer to Attachment 1.
 2. For the 2022 Audit Committee's Review Report, please refer to Attachment 2.
 3. For the 2022 Employees' and Director's Compensation Distribution Report, please refer to the Meeting Handbook.
 4. For the 2022 Earnings distribution in the form of cash dividends, please refer to the Meeting Handbook.
 5. For the undertaking issued by the Company and its subsidiaries to the overseas listing of its subsidiary Sinmag Equipment (China) Co., Ltd. and the resolutions of the Board of Directors, please refer to the Meeting Handbook.

IV. Proposals

Motion 1: (Proposed by the Board of directors)

Motion: To approve the 2022 Business Report and Financial Statements.

Explanation:

1. The Company's 2022 financial statements and consolidated financial statements and Business Report have been reviewed by the Audit Committee, and a written audit report has been issued.
2. Business Report and financial statements for the year 2022, please refer to Attachment 1 and Attachment 3.
3. Please proceed to the ratification of the proposal.

Resolution: The number of approval votes: 34,404,359, the number of votes against: 1,142, the number of disapproval votes: 480,315, the number of approval votes accounted for 98.61% of the 34,885,816 votes of attending shareholders. The motion was approved as proposed.

Motion 2: (Proposed by the Board of Directors)

Motion: To approve the proposed item for 2022 Earnings Distribution.

Explanation:

1. The Company's 2022 Earnings Distribution Proposal is as follows:

Sinmag Equipment Corporation
Earnings Distribution Table

2022

Unit: NT\$

Unappropriated retained earnings at the beginning of the period	884,255,375
Plus: Net profit in 2022	336,568,814
Remeasurement of defined benefit plans	9,777,533
Less: Adjustment arising from investments accounted for using equity method	(4,249,816)
Net profit for the period plus adjustment	342,096,531
Plus: Reversal of special reserves	67,057,983
Retained earnings available for distribution	1,293,409,889
Item for distribution:	
Dividends to shareholders	
Cash dividends (NT\$6 per share)	(301,381,452)
Unappropriated retained earnings at the end of the period	992,028,437

Chairman: Hsieh, Shun-Ho

General Manager: Hsieh, Shun-Ho

Accounting Manager: Chen, Yi-Wen

2. Please proceed to the ratification of the proposal.

Resolution: The number of approval votes: 34,454,417, the number of votes against: 1,174, the number of disapproval votes: 430,225, the number of approval votes accounted for 98.76% of the 34,885,816 votes of attending shareholders. The motion was approved as proposed.

V. Discussions

Motion 1: (Proposed by the Board of Directors)

Motion: Discussion of the amendments to the Procedures for Acquisition or Disposal of Assets.

Explanation:

1. On March 15, 2022, the Board of Directors of the Company approved the shareholding restructuring of its subsidiary Sinmag Equipment (China) Co., Ltd., and on June 13, 2022, the restructuring was approved by the Wuxi Market Supervision and Administration Bureau. The Company name was changed from "Sinmag Equipment (China) Co., Ltd." to "Sinmag Equipment (China) Co., Ltd." Some provisions of "Procedures for Acquisition or Disposal of Assets" are to be amended.
2. For the Comparison Table for the Procedures for Acquisition or Disposal of Assets Before and After Revision, please refer to Attachment 5.
3. It is hereby submitted for discussion.

Resolution: The number of approval votes: 34,458,328, the number of votes against: 1,258, the number of disapproval votes: 426,230, the number of approval votes accounted for 98.77% of the 34,885,816 votes of attending shareholders. The motion was approved as proposed.

VI. Extempore Motion: No provisional motion was proposed after the chairperson solicits all attending shareholders.

VII. Adjournment: The meeting was adjourned by the Chairperson at 9:29 a.m. on the same day and was approved by all attending shareholders without objection.

【Attachment 1】

Sinmag Equipment Corporation
2022 Business Report

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, inn, 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

【Attachment 2】

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

【 Attachment 3 】
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	502,302	17	502,302	17
Capital surplus	206,827	7	77,765	2
Retained earnings				
Legal reserve	586,956	20	586,956	20
Special reserve	191,235	6	159,572	5
Unappropriated earnings	1,226,352	41	1,267,530	42
Total retained earnings	2,004,543	67	2,014,058	67
Other equity	(124,177)	(4)	(191,235)	(6)
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			Other Equity Exchange Differences on Translating the Financial Statements of Foreign Operations	Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings		
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)

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Sinmag Equipment Corporation

Opinion

We have audited the accompanying consolidated financial statements of Sinmag Equipment Corporation (the “Company”) and its subsidiaries (collectively referred to as the “Group”), which comprise the consolidated balance sheets as of December 31, 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	502,302	13	502,302	14
Capital surplus	206,827	6	77,765	2
Retained earnings				
Legal reserve	586,956	16	586,956	16
Special reserve	191,235	5	159,572	4
Unappropriated earnings	1,226,352	33	1,267,530	34
Total retained earnings	2,004,543	54	2,014,058	54
Other equity	(124,177)	(3)	(191,235)	(5)
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)

【Attachment 4】

For the Company's subsidiary Sinmag Equipment (China) Co., Ltd.'s initial public offering of ordinary shares denominated in CNY (A shares) and application for listing on overseas stock exchanges, the undertaking issued by the Company and its subsidiaries and the impact of listing to the Company and its subsidiaries on the finances, business, or shareholders' equity

I. Sinmag Equipment (China) Co., Ltd., a subsidiary of the Company (hereinafter referred to as "the issuer"), is intended to apply for the initial public offering of ordinary shares denominated in CNY (A shares) and its listing on ChiNext under Shenzhen Stock Exchange (hereinafter referred to as "the listing case"). In order to further protect the rights and interests of investors, Sinmag Equipment Corporation, LUCKY UNION LIMITED, and SINMAG LIMITED (hereinafter referred to as "the Company") are the controlling shareholders of the issuer, while Ximai Enterprises Management (Wuxi) Co., Ltd. (hereinafter referred to as "subsidiary") is the other shareholders of the issuer. The Company provides relevant undertakings in accordance with the regulations of the China Securities Regulatory Commission (hereinafter referred to as the "CSRC"). The contents of the letters of undertaking which may have a significant impact on the finance, business or shareholders' equity of the Company and its subsidiary are explained as follows:

(I). Plan and undertaking to stabilize the company's stock price within three years after listing

Within three years after the issuer's listing, if the closing price of the issuer's stock for 20 consecutive trading days is lower than the issuer's audited net assets per share in the most recent year, the Company promises to, under the premise of complying with laws and regulations, review and approve the issuer's repurchase of shares or increase the issuer's stock holdings at the shareholders' meeting, and an announcement shall be made in advance. Generally speaking, there is little impact on the finance, business or shareholders' equity of the Company and its subsidiary.

(II). Undertaking on IPO and being listed to fill diluted immediate returns

The Company will not interfere with the issuer's business management activities beyond its authority, and will not encroach on the issuer's interests. The relevant measures of filling returns formulated by the issuer include strengthening the management of raised funds, accelerating the implementation of fundraising and investment projects, increasing investment returns, and reducing the risk of dilution of immediate returns after listing, improving product development capabilities, maintaining their own market position, and increasing product research and development, production and sales, and continue to improve corporate governance and reduce management risks of the issuer. Generally speaking, there is little impact on the finance, business or shareholders' equity of the Company and its subsidiary.

(III). Letter of undertaking on avoiding competition within the same industry

For market regions that neither the Company nor the issuer has developed, if the Company and other companies controlled by the Company obtain any business opportunities that may engage in, participate in or acquire shares that may constitute horizontal competition with the main business of the issuer and its holding subsidiaries, the Company shall promptly notify the issuer of the aforementioned opportunities and urge the transfer of such business opportunities to the issuer, unless the issuer rejects the transferred business opportunities. For existing customers in some markets, the Company will no longer accept orders from relevant customers in some markets from January 2024, and will not seek other companies in some markets which are able to engage in, participate in or invest in any business opportunity that the main businesses of the issuer and its holding subsidiaries constitute horizontal competition within the same industry. For some markets, the Company and other companies controlled by the Company promise to control the total amount of business scale in 2023. Generally

speaking, there is little impact on the finance, business or shareholders' equity of the Company and its subsidiary.

- (IV). Letter of undertaking on the assurance of non-disruption and non-interference with the audit

In response to the issuer's "Letter of undertaking on the assurance of non-disruption and non-interference with the audit", the undertaking requires the Company to abide by local laws and regulations and has nothing to do with the Company's operations; thus, it obviously does not affect the finance, business or shareholders' equity of the Company and its subsidiary.

II. The excerpts of all the undertakings issued by the Company due to the listing case are as follows:

- (I). Letter of undertaking on reducing and regulating related party transactions

The Company will avoid or reduce related transactions with the issuer as much as possible. For related transactions that cannot be avoided or occur for reasonable grounds, the Company will facilitate such transactions to be carried out in accordance with the requirements of laws and regulations and in strict compliance with the provisions of the issuer's Articles of Incorporation and the decision-making system for connected transactions, and fulfill information disclosure obligations.

- (II). Letter of undertaking on avoiding competition within the same industry

Please refer to I.(III) above.

- (III). Undertaking on IPO and being listed to fill diluted immediate returns

Please refer to I.(II) above.

- (IV). Undertaking on book closure and intention to reduce holdings

For a period of 36 months from the date of the issuer's initial public offering and listing on the Shenzhen Stock Exchange, the Company will not transfer or entrust others to manage the issuer's shares held directly or indirectly by the Company before this issuance, nor will the issuer repurchase such shares. If the closing price of the shares of the issuer is lower than the issue price for 20 consecutive trading days within six months after the listing, or if the closing price at the end of the six-month period after the listing is lower than the issue price, the book closure period for the shares of the issuer held by the Company shall be automatically extended for six months. If the amount of the issuer's stocks held by the Company are reduced within two years after the book closure period expires, the reduction price shall not be lower than the issue price. If the Company fails to fulfill the aforementioned undertaking and sells stocks or reduces its holdings, all proceeds arising therefrom will belong to the issuer. If the issuer or other investors suffer losses due to failure to fulfill the aforementioned undertaking, the Company shall be liable for compensation to the issuer or other investors pursuant to laws and regulations.

- (V). Plan and undertaking to stabilize the company's stock price within three years after listing

Please refer to I.(I) above.

- (VI). Undertaking on share repurchase of fraudulent issuance and listing

The Company guarantees that the issuer will not have any fraudulent issuance in this initial public offering and listing. If the issuer does not meet the conditions for issuance and listing, the Company will start the share repurchase procedure within 5 working days from the date when the China Securities Regulatory Commission and other competent authorities legally punish the issuer, and repurchase all new shares of the issuer's initial public offering according to law.

- (VII). Undertaking that there are no false records, misleading statements or material omissions in the prospectus and other documents

There are no false records, misleading statements or material omissions in the issuer's

- prospectus, and the Company assumes full legal responsibility for the authenticity, accuracy and completeness of the content contained in the issuer's prospectus.
- (VIII). Undertaking on the binding measures for failure to comply with undertakings
If the Company fails to fulfill the relevant undertakings disclosed in the issuer's prospectus, the Company will publicly explain the specific reasons for the failure to fulfill the undertakings and apologize to the issuer's shareholders and investors at the issuer's shareholders' meeting and on the media designated by the CSRC for the information to be disclosed. If such an incident causes loss to the issuer or other investors, the Company will be liable for compensation according to law.
- (IX). Confirmation of the controlling shareholder's opinion on the prospectus
The Company confirms that the relevant content in the prospectus is true, accurate, and complete, and that there are no false records, misleading statements, or material omissions of information, and that the Company does not instruct the issuer to disclose information in violation of regulations, or instruct the issuer to disclose false records, misleading statements or material omissions of information.
- (X). Letter of undertaking on matters related to temporary buildings
According to the requirements of the competent authorities, if the issuer and its subsidiary need to bear any fines or cause any disputes for the temporary buildings that existed before this issuance and listing, the Company will unconditionally and fully compensate the issuer and its subsidiary all expenses and all losses suffered thereby for the resulting damages.
- (XI). Letter of undertaking on matters related to lease of land or real estates
During the validity period of the lease contract, if the issuer and its subsidiary cannot use the leased land or real estate due to non-subjective reasons of the issuer and its subsidiary, and the inability to lease the land or real estate is formed during the period before the date of the issuer's current issuance and listing, the Company is willing to unconditionally and fully bear the expenses or losses incurred by the issuer and its subsidiary.
- (XII). Letter of undertaking on matters related to tax incentives
With respect to the policies of tax incentives enjoyed by the issuer and its subsidiary during the period from the date of establishment to the date of listing of the issuer in this listing, the Company will unconditionally compensate the issuer and its subsidiary in full for the relevant taxes if they are required to pay such taxes in accordance with the requirements or decisions of the competent authorities, after they have been borne by the issuer and its subsidiary.
- (XIII). Letter of undertaking on matters related to social insurance and Housing Provident Fund
If the issuer or its subsidiary are required by the relevant authorities to make retroactive payments of relevant social insurance premiums or the Housing Provident Fund for employees prior to the listing of the Company, or if the issuer or its subsidiary are liable for compensation as a result, the Company is willing to bear all retroactive payments or fines arising therefrom.
- (XIV). Statement on the legality of shareholding and information disclosure
The Company does not have (1) direct or indirect shareholding in the issuer by subjects whose shareholding is prohibited by law or regulation; (2) direct or indirect shareholding in the issuer through the Company by the issuer's agencies or its persons in charge, senior management or personnel involving in this listing; (3) non-compliance with shareholding regulations and apparently abnormal shareholding prices; (4) improper transfer of benefits with the issuer's equity; and (5) transfer of benefits to the Company through the issuer's equity by the issuer or a related party of the issuer. All data, documents and information provided by the Company to the issuer and intermediary agencies engaged by the issuer for this issuance and listing are true, accurate and complete. If the aforementioned undertakings are violated, the Company will bear all

legal consequences arising therefrom and compensate for the losses caused to the issuer and related intermediary agencies.

- (XV). Letter of undertaking on maintaining the issuer's assets, personnel, finance, organization and business independence

The Company promises to ensure that the issuer's personnel, assets, finance, organization, business, etc., are independent from one another, and that the issuer has the ability to operate independently and continue to face the market.

- (XVI). Explanation on legal compliance

The Company has not committed any criminal offenses of corruption, bribery, embezzlement of properties, misappropriation of properties or disruption of the socialist market economic order, no fraudulent issuance, material information disclosure violations or other material illegal acts in the areas of national security, public security, ecological security, production security or public health security, no administrative penalties related to the regulations involving the Company's operations, no material litigation or arbitration still pending, no suspected crimes being investigated by judicial authorities or suspected illegal violations being investigated by the CSRC.

- (XVII). Letter of undertaking on matters related to historical equity changes and distribution of dividends

If the issuer and its holding subsidiaries are required to bear any penalties, make any retroactive payments or have caused any disputes in connection with the establishment, successive capital contributions and changes in shareholdings prior to the issuance and listing of the Issuer, the Company will compensate the issuer and its holding subsidiaries in full and without compensation for all expenses incurred and all losses suffered as a result thereof, in accordance with the requirements of the competent authorities or if there are any defects in the establishment, capital contributions, changes in shareholdings or distribution of dividends of the Company, or any underpayment of taxes or other expenses.

- (XVIII). Letter of undertaking on historical equity changes

The Company confirms that it has no objection to the procedures performed for each change in the equity of the issuer since its establishment (including capital increase and transfer of equity) and the prices of capital increase and transfer of equity, and confirms that each change in equity has been performed, there is no holding equity agencies, no controversies or disputes, or any potential controversies or disputes.

- (XIX). Explanation on the reasons, legitimacy and rationality of establishing an overseas control structure and shareholders reinvesting in the issuer through LUCKY UNION and SINMAG LIMITED

The source of the Company's capital contributions to the issuer is its own funds, and the ownership of the issuer's shares held directly and indirectly by shareholders at all levels is clear and true, and there is no entrusted holding or holding by trust, etc. There are also no pledges, freezing of assets or any other restriction of rights.

- (XX). Specific undertaking on investment in kind

If the issuer is determined to have insufficient capital contribution due to the shareholder's capital contribution in December 1994 and the investment in kind involved in the capital increase in January 1996, resulting in the issuer needing to bear any expenses, compensation or other losses, the Company promises to fulfill the obligation of unconditionally compensating the issuer the equal amount.

- (XXI). Statement and undertaking on matters related to historical mergers

The issuer was a wholly-owned subsidiary of the Company when it was merged in 2008 and 2010.

The personnel involved have been resettled in accordance with the merger agreement, and the businesses and assets have been effectively transferred to the issuer, and the creditor's rights and debts have also been borne by the issuer of the surviving company,

without any controversies or disputes. The merger is implemented in accordance with the applicable laws and regulations at the time. If there is any unpaid payment, unpaid taxes or controversies or disputes, the Company promises to fully compensate the issuer for all expenses incurred, all the resulting expenses, and all losses suffered.

(XXII). Letter of undertaking on the assurance of non-disruption and non-interference with the audit

Due to changes in the laws and regulations of the CSRC, it is necessary to specify that the Company has submitted a new "Letter of undertaking on the assurance of non-disruption and non-interference with the audit" to the Shenzhen Stock Exchange, a summary of which is set out as follows:

- a. Comply with relevant regulations on communication, reception and contact, and recusal in the review of issuance and listing. When it is believed that there may be a relationship or situation where there may be a conflict of interest, file an application for recusal in a timely manner in accordance with relevant regulations and procedures;
- b. Do not organize, instruct or participate in the transfer of improper benefits to auditors, supervisors, the Listing Audit Committee of the Shenzhen Stock Exchange, etc., or other interested parties;
- c. Do not organize, instruct or participate in prying into undisclosed information related with the audit;
- d. Comply with laws and regulations, the CSRC and the Shenzhen Stock Exchange's provisions on confidentiality, and not disclose insider information, undisclosed information, commercial secrets and state secrets known during the audit process, and not use the aforementioned information directly or indirectly to obtain improper benefits for oneself or others.

In case of non-compliance, the undertaker is willing to accept measures such as termination of review by the Shenzhen Stock Exchange in accordance with its rules, non-acceptance of application documents within a certain period and public recognition of unsuitability to hold relevant positions. The undertaker will bear the corresponding legal responsibility for violation of laws and regulations.

III. The contents of all undertakings issued by the subsidiary in relation to the listing case are extracted as follows:

(I). Undertaking on book closure and intention to reduce holdings

For a period of thirty-six months from the date of the issuer's initial public offering and listing on the Shenzhen Stock Exchange, the subsidiary will not transfer or entrust others to manage the issued shares of the issuer already held directly or indirectly before the issue, nor will the issuer repurchase such shares. Within six months after listing, if the closing price of the issuer's stock is lower than the issue price for 20 consecutive trading days, or the closing price at the end of the six-month period after listing is lower than the issue price, the book closure period of the issuer's shares held by the subsidiary will be automatically extended for six months. If the subsidiary fails to perform the aforementioned undertakings, all proceeds arising therefrom shall belong to the issuer. If the failure to perform the aforementioned undertakings causes losses to the issuer or other investors, the subsidiary shall be liable for compensation to the issuer or other investors in accordance with law.

(II). Undertaking on the binding measures for failure to comply with undertakings

If the subsidiary fails to fulfill the relevant undertakings disclosed in the issuer's prospectus, the subsidiary will publicly explain the specific reasons for failure to perform and apologize to the issuer's shareholders and investors at the issuer's shareholders' meeting and on the media designated by the CSRC for the information to be disclosed. If the subsidiary fails to fulfill the relevant undertakings and causes losses to the Company or other investors, the subsidiary will be liable for compensation in

- accordance with the law.
 - (III). Statement on the legality of shareholding and information disclosure
Please refer to II.(XIV) above.
 - (IV). Letter of undertaking on historical equity changes
Please refer to II.(XVIII) above.
- IV. The contents of all undertakings issued by the issuer in relation to the listing case are extracted as follows:
- (I). Undertaking on IPO and being listed to fill diluted immediate returns
Please refer to I.(II) above.
 - (II). Plan and undertaking to stabilize the company's stock price within three years after listing
Within three years after the issuer's listing, if the closing price of the issuer's stock is lower than the audited net assets per share of the previous year for 20 consecutive trading days, the cumulative total amount of funds used by the issuer to repurchase shares shall not exceed the net amount of funds raised from the Company's initial public offering of new shares; the issuer's single use of funds for repurchasing shares shall not be less than RMB 10 million;
The issuer's single repurchase of shares shall not exceed 2% of the Company's total share capital, and if there is a violation with the aforementioned amounts, this item shall prevail; the price of the issuer's repurchase of shares shall not exceed the audited net assets per share at the end of the previous year.
 - (III). Undertaking on share repurchase of fraudulent issuance and listing
The issuer guarantees that there will be no fraudulent issuance in this initial public offering and listing. If the issuer does not meet the conditions for issuance and listing, the issuer will start the share repurchase procedure within five working days from the date when the CSRC and other competent authorities impose penalties according to law, and repurchase all new shares of the issuer's initial public offering according to law.
 - (IV). Undertaking on earnings distribution policy
The issuer's earnings distribution shall pay attention to the reasonable investment return to investors and take into account the sustainable development of the company. The issuer will distribute earnings to shareholders in strict accordance with the earnings distribution policies stipulated in relevant laws and regulations and the Company's Articles of Incorporation, and strictly perform the review procedures for earnings distribution plans.
 - (V). Undertaking that there are no false records, misleading statements or material omissions in the prospectus and other documents
There are no false records, misleading statements or material omissions in the prospectus of the issuer, and the issuer shall bear full legal responsibility for the authenticity, accuracy and completeness of the contents contained in the prospectus.
 - (VI). Undertaking on the binding measures for failure to comply with undertakings
If the issuer fails to fulfill the relevant undertakings disclosed in the issuer's prospectus, the issuer will publicly explain the specific reasons for failure to perform and apologize to its shareholders and investors at the shareholders' meeting and on the media designated by the CSRC for the information to be disclosed. If the issuer fails to fulfill the relevant undertakings and causes losses to the investors, the issuer will be liable for compensation to the investors in accordance with the law.
 - (VII). Undertaking on the specific disclosure of information on shareholders by the issuer
The issuer and the issuer's shareholders have provided true, accurate and complete information to the intermediary agencies of this issuance in a timely manner, disclosed the information of shareholders in the application files of this issuance in a true, accurate and complete manner in accordance with the law, and fulfilled the obligation of

information disclosure.

- (VIII). Letter of undertaking on the consistency between electronic documents of application and the original documents reserved

The issuer promises that the electronic listing application files submitted to the Shenzhen Stock Exchange is consistent with the reserved original physical files, and that there are no false records, misleading statements or major omissions, and that it will bear legal responsibility for its authenticity, accuracy and completeness.

- (IX). Letter of undertaking on the assurance of non-disruption and non-interference with the audit

The issuer assures that it will not directly or indirectly provide gifts such as funds, items, and other benefits to the auditors, and that it will not influence the auditors' judgment on the issuer by improper means; it will not interfere with the audit agency, the Listing Committee and other institutions and their personnel by any means. The issuer assures that the contents of the statement is true, objective, accurate, and concise, and does not contain contents irrelevant to this issuance audit; if the Company violates these undertakings, it will bear all legal responsibilities arising therefrom.

- (X). Statement on no major violations of laws and regulations

Since its establishment, the issuer has not been investigated by the judiciary for suspected crimes and has not yet reached a concrete and clear conclusion for these cases; there has been no fraudulent issuance, major information disclosure violations, or other material illegal acts involving national security, public security, ecological security, production safety, and public health and security, and there is no material illegal acts committed by the issuer which damage the legitimate rights and interests of investors and social and public interests.

- (XI). Explanation on the reasons, legitimacy and rationality of establishing an overseas control structure and shareholders reinvesting in the issuer through LUCKY UNION and SINMAG LIMITED

The source of the Company's capital contributions to the issuer is its own funds, and the ownership of the issuer's shares held directly and indirectly by shareholders at all levels is clear and true, and there is no entrusted holding or holding by trust, etc. There are also no pledges, freezing of assets or any other restriction of rights.

- (XII). Statement and undertaking on matters related to historical mergers

Please refer to II.(XXI) above.

【Attachment 5】

Sinmag Equipment Corporation

Comparison Table for the Procedures for Acquisition or Disposal of Assets Before and After

Revision

Article No.	Articles after the amendments	Articles before the amendments	Amendment Note
Article 5.	<p>The Company shall not waive its capital contribution to the Lucky Union Limited in the future years; Lucky Union Limited shall not waive its capital contribution to Sinmag Limited in the future years; Sinmag Limited shall not waive its capital contribution to Sinmag Equipment (China) Co., Ltd. in the future years; Sinmag Equipment (China) Co., Ltd. shall not waive its capital contribution to Sinmag Bakery Equipment Sdn. Bhd. (Malaysia) and Wuxi New Order Control Co., Ltd. in the future years. If the Company has not made any capital increase or disposal of the Company, it shall be approved by a special resolution of the Board of Directors of the Company. If there are any amendments to the above two items, the observatory should input important information on the open information observatory and report to the counter purchase center for reference.</p>	<p>The Company shall not waive its capital contribution to the Lucky Union Limited in the future years; Lucky Union Limited shall not waive its capital contribution to Sinmag Limited in the future years; Sinmag Limited shall not waive its capital contribution to Sinmag Equipment (China) Co., Ltd. in the future years; Sinmag Equipment (China) Co., Ltd. shall not waive its capital contribution to Sinmag Bakery Equipment Sdn. Bhd. (Malaysia) and Wuxi New Order Control Co., Ltd. in the future years. If the Company has not made any capital increase or disposal of the Company, it shall be approved by a special resolution of the Board of Directors of the Company. If there are any amendments to the above two items, the observatory should input important information on the open information observatory and report to the counter purchase center for reference.</p>	<p>The contents of this Article are amended due to the change of the company name of the subsidiary.</p>
Article 5-1	<p>The Company's shareholding ratio in Sinmag Limited is not less than 70%. If the company reduces its shareholding in the future or Sinmag Limited needs to apply for a capital increase, the Company's shareholding ratio will be reduced. When possible, the reasons for capital increase or reduction of shareholding, the impact on the Company's financial business, the proportion of shareholding expected to be reduced, and the basis for setting prices shall be submitted to the audit committee for deliberation, submitted to the board of directors for discussion, and submitted to the</p>	<p>The Company's shareholding ratio in Sinmag Limited is not less than 70%. If the company reduces its shareholding in the future or Sinmag Limited needs to apply for a capital increase, the Company's shareholding ratio will be reduced. When possible, the reasons for capital increase or reduction of shareholding, the impact on the Company's financial business, the proportion of shareholding expected to be reduced, and the basis for setting prices shall be submitted to the audit committee for deliberation, submitted to the board of directors for discussion, and submitted to the</p>	<p>The contents of this Article are amended due to the change of the company name of the subsidiary.</p>

Article No.	Articles after the amendments	Articles before the amendments	Amendment Note
	shareholders' meeting for resolution. The Company should still maintain the substantial control and operation rights over Sinmag Limited in order to safeguard the rights and interests of shareholders.	shareholders' meeting for resolution. The Company should still maintain the substantial control and operation rights over Sinmag Limited in order to safeguard the rights and interests of shareholders.	