

Stock Code: 1580

**SINMAG**

***SINMAG EQUIPMENT  
CORPORATION***

**2023 Annual Shareholders' Meeting**

**Meeting Handbook**

Date: June 19, 2023

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

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## Sinmag Equipment Corporation

### Meeting Procedure for the 2023 Annual General Shareholders' Meeting

- I. Call the Meeting to Order
- II. Chairman Remarks
- III. Report Items
- IV. Proposed Items
- V. Discussion Items
- VI. Extempore Motions

Sinmag Equipment Corporation  
Agendas 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

- I. Call the Meeting to Order (Reporting number of shares attending)
- II. Chairman Remarks
- III. Report Items
  1. 2022 Business Report
  2. 2022 Audit Committee's Review Report
  3. 2022 Employees' and Director's Compensation Distribution Report
  4. 2022 Earnings distribution in the form of cash dividends
  5. 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
- IV. Proposed Items
  1. To approve 2022 Business Report and Financial Statements
  2. To approve the proposal for 2022 Earnings Distribution
- V. Discussion Items
  1. Amendments to the Procedures for Acquisition or Disposal of Assets
- VI. Extempore Motions
- VII. Adjournment

## Report Items

I. To report 2022 Business Report

Explanation: For the Company's Business Report (2022), please refer to Attachment 1 on Page 9 to 15 of this meeting handbook.

II. To report 2022 Audit Committee's Review Report

Explanation: For the Audit Committee's Review Report (2022), please refer to Attachment 2 on Page 16 of this meeting handbook.

III. To report 2022 Employees' and Directors' Distribution Report

Explanation:

1. According to Article 29 of Articles of Incorporation, if the Company makes a profit in the year, 2% to 10% of the profits shall be allocated as Employees' compensation and no more than 5% of the profit as Directors' compensation. In the presence of the accumulated loss, the Company shall allocate an amount to recover such loss before allocating any employees' and Directors' compensation.
2. The Board of Directors resolved that the Company allocated NT\$11,092,246 as employees' compensation and NT\$6,758,702 as directors' compensation, and all were paid in cash.

IV. To report 2022 earnings distribution in the form of cash dividends

Explanation:

1. Pursuant to Article 29-1 of the Articles of Incorporation of the Company, when the earnings are distributed in the form of cash, the Company authorizes the Board of Directors to distribute them by resolution adopted by a majority in a meeting attended by two-thirds or more of the Directors, and the distribution shall then be reported to the shareholders' meeting.
2. Approved by the resolution of the Board of Directors, the after-tax net profit in 2022 is distributed first in the amount of the 2022 earnings distribution. NT\$301,381,452 in dividends for shareholders is to be distributed, amounting to NT\$6 being distributed per share. The Board of Directors will set another dividend distribution record date, payment date and other related matters.
3. The cash dividends are calculated based on NT\$1. The amount less than NT\$1 is rounded. For the fractional amount of the sum less than NT\$1, shareholders' amounts are adjusted according to the number after the decimal point from big to small and the shareholder number from front to back until it confirms to the total cash dividends.

V. To report 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

Explanation:

1. Pursuant to Article 8-2 of the Taipei Exchange Rules Governing Securities Trading on the TPEX, the Company has reviewed the impact of the undertaking on the finances, business, or shareholders' equity of the Company or its subsidiaries.
2. 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 the ChiNext of the Shenzhen Stock Exchange have been discussed and approved by the Company's Board of Directors and the Shareholders' Meeting on March 15, 2022 and May 31, 2022, respectively. The said subsidiary has submitted the ChiNext listing application documents on December 26, 2022, which is still under review.
3. To comply with the regulations concerning the submission of the application, the Company, LUCKY UNION LIMITED, SINMAG LIMITED, Ximai Enterprises Management (Wuxi) Co., Ltd. and Sinmag Equipment (China) Co., Ltd. issued relevant undertakings as follows:

No.	Undertaking Items	Sinmag Equipment Corporation	LUCKY UNION LIMITED	SINMAG LIMITED	Ximai Enterprises Management (Wuxi) Co., Ltd.	Sinmag Equipment (China) Co., Ltd.
1	Letter of undertaking on reducing and regulating related party transactions	V	V	V		
2	Letter of undertaking on avoiding competition within the same industry (amended on April 14, 2023)	V	V	V		
3	Undertaking on IPO and being listed to fill diluted immediate returns	V	V	V		V
4	Undertaking on book closure and intention to reduce holdings	V	V	V	V	
5	Plan and undertaking to stabilize the company's stock price within three years after listing	V	V	V		V
6	Undertaking on share repurchase of fraudulent issuance and listing	V	V	V		V
7	Undertaking on earnings distribution policy					V
8	Undertaking that there are no false records, misleading statements or material omissions in the prospectus and other documents	V	V	V		V
9	Undertaking on the binding measures for failure to comply with undertakings	V	V	V	V	V

No.	Undertaking Items	Sinmag Equipment Corporation	LUCKY UNION LIMITED	SINMAG LIMITED	Ximai Enterprises Management (Wuxi) Co., Ltd.	Sinmag Equipment (China) Co., Ltd.
10	Undertaking on the specific disclosure of information on shareholders by the issuer					V
11	Confirmation of the controlling shareholder's opinion on the prospectus	V	V	V		
12	Letter of undertaking on the consistency between electronic documents of application and the original documents reserved					V
13	Letter of undertaking on the assurance of non-disruption and non-interference with the audit (letter of understanding concerning the assurance of non-disruption and non-interference with the audit previously adopted on October 17, 2022)	V	V	V		V
14	Letter of undertaking on matters related to temporary buildings	V	V	V		
15	Letter of undertaking on matters related to lease of land or real estates	V	V	V		
16	Letter of undertaking on matters related to tax incentives	V	V	V		
17	Letter of undertaking on matters related to social insurance and Housing Provident Fund	V	V	V		
18	Statement on the legality of shareholding and information disclosure	V	V	V	V	
19	Letter of undertaking on maintaining the issuer's assets, personnel, finance, organization and business independence	V	V	V		
20	Explanation on legal compliance	V	V	V		
21	Letter of undertaking on matters related to historical equity changes and distribution of dividends (letter of understanding concerning the historical equity changes adopted on October 17, 2022)	V	V	V		
22	Letter of undertaking on historical equity changes (new addition)	V		V	V	
23	Statement on no major violations of laws and regulations					V

No.	Undertaking Items	Sinmag Equipment Corporation	LUCKY UNION LIMITED	SINMAG LIMITED	Ximai Enterprises Management (Wuxi) Co., Ltd.	Sinmag Equipment (China) Co., Ltd.
24	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	V				V
25	Specific undertaking on investment in kind	V		V		
26	Statement and undertaking on matters related to historical mergers			V		V

4. The impact of the relevant undertakings on the finance, business or shareholders' equity of the Company and its subsidiaries has been reviewed by the Audit Committee and approved by the Board of Directors on October 17, 2022, November 11, 2022, March 15, 2023, and April 14, 2023. Please refer to Attachment 4 on Page 37 to 43 of this meeting handbook.



## Proposed Items

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. For the Business Report and financial statements for the year 2022, please refer to Attachment 1 on Page 9 to 15 and Attachment 3 on Page 17 to 36 of this meeting handbook.
3. Please proceed to the ratification of the proposal.

Resolution:

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:

## **Discussion Items**

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 on Page 44 to 45 of this meeting handbook.
3. It is hereby submitted for discussion.

Resolution:

## **Extempore Motions**

## **Adjournment**

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, inm, and Ganso for customers demonstrate that the prospects for the bakery retail market in Mainland China are promising. In May 2022, the Annual Shareholders' Meeting of Sinmag approved the application for listing in Mainland China, and in December, it completed the submission of application to be listed on ChiNext of the Shenzhen Stock Exchange.

With 39 years of deep cultivation of baking equipment, Sinmag Group has rich experience in many markets around the world. With flexible production and marketing strategy, good product quality, perfect sales network and fast and perfect after-sales services, in the face of the gradual recovery of global economic situation in the post pandemic era, the Company will continue to focus on the development of the Mainland Chinese market, continue to enter the U.S. market, and moderately adjust its sales strategy in Southeast Asia and other markets, to maintain its leading position in the market. Therefore, entering the capital market in Mainland China can provide more efficient financing channels for the Company's future working capital and capital expenditure needs more effectively, and is also conducive to optimizing the financing flexibility for the Group. The funds raised can be used to expand and transform production lines and equipment, strengthen new product research and development, increase production capacity, introduce outstanding talents, and improve the Company's innovation and development capabilities to enhance market competitiveness. Meanwhile, local listing helps to enhance the Company's image, cement the position of being the leading brand for the Company, and recreate the brand value. It is helpful for the Company in expanding the Group's business development prospects.

Sinmag is about to celebrate its 40th anniversary, and will face the challenges of changes in the market with a brand-new corporate culture of "integrity, excellence, innovation, and mutual benefit", and will not fear the rapid changes in the economy and the unpredictable environment. The Company abides by the core value of its sustainable development,



achieves flexible adjustment based on market trends, reduces the risk of economic fluctuations, enhances international competitiveness, and builds a macro and stable structure.

Chairman: Hsieh, Shun-Ho

General Manager: Hsieh, Shun-Ho

Accounting Manager: Chen, Yi-Wen

【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	%
<b>CURRENT ASSETS</b>				
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>
<b>NON-CURRENT ASSETS</b>				
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>
<b>TOTAL</b>	<u>\$ 2,987,252</u>	<u>100</u>	<u>\$ 3,010,098</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
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>
<b>NON-CURRENT LIABILITIES</b>				
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>
<b>EQUITY (Notes 4 and 20)</b>				
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>
<b>TOTAL</b>	<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)

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	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	%
<b>CURRENT ASSETS</b>				
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>
<b>NON-CURRENT ASSETS</b>				
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>
<b>TOTAL</b>	<u>\$ 3,719,305</u>	<u>100</u>	<u>\$ 3,717,863</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
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>
<b>NON-CURRENT LIABILITIES</b>				
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>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4 and 21)</b>				
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
<b>NON-CONTROLLING INTERESTS (Notes 4 and 21)</b>	<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>
<b>TOTAL</b>	<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
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
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>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
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>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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 shareholders' meeting for resolution.</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 shareholders' meeting for resolution.</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
	The Company should still maintain the substantial control and operation rights over Sinmag Limited in order to safeguard the rights and interests of shareholders.	The Company should still maintain the substantial control and operation rights over Sinmag Limited in order to safeguard the rights and interests of shareholders.	

【Appendix 1】

Sinmag Equipment Corporation

Articles of Incorporation

**Chapter 1. General Provisions**

- Article 1. The Company is organized in accordance with the provisions of the Company Act, and is named as Sinmag Equipment Corporation.
- Article 2. The Company's businesses are as follows:
1. F113010: Wholesale of Machinery
  2. F213080: Retail Sale of Machinery and Equipment
  3. CB01010: Machinery and Equipment Manufacturing
  4. F401010: International Trade
  5. ZZ99999: All business items that are not prohibited or restricted by law, except those that are subject to special approval.
- Article 3. The Company has its head office in New Taipei City. If necessary, it may set up branches in Taiwan and abroad after the resolution of the Board of Directors and the approval of the competent authority.
- Article 4. The announcement method of the Company shall be made in accordance with the provisions of the Company Law and the competent authority.
- Article 5. The Company may act as a guarantor for other party upon the Board of Directors' resolution if necessary for its operations.
- Article 6. The total foreign investment of the Company is not subjected to the limit of 40% of the paid-in capital as stipulated in Article 13 of the Company Act, and the Board of Directors is authorized to execute.
- Article 6-1. When a public issue of shares is proposed to be revoked, the Company shall propose to the shareholders' meeting for resolution and this article shall not be changed during listing period.

**Chapter 2. Shares**

- Article 7. The total capital of the Company is NT\$600 million, divided into 60,000,000 shares, at NT\$10 each. The Board of Directors is authorized to issue the Company's shares in installments according to the business of the Company. Within the aforementioned capital, NT\$21,000,000 divided into 2,100,000 shares at a par value NT\$10, is for employee stock options.
- Article 7-1. According to Article 56-1 of Regulations Governing the Offering and Issuance of Securities by Securities Issuers and Article 10-1 of Regulations Governing Share Repurchase by Exchange-Listed and OTC-Listed Companies, the Company shall issue the employee's executive stock option at the price lower than the closing price of the Company's common stock in the issuing date and repurchase the treasury stock at an average price lower than average price of the actual share redemption price, and transfers it to the employee, with the consent of more than two-thirds of the voting rights of the shareholders present in the shareholders' meeting by shareholders representing more than half of total number of voting shares.
- Article 8. The Company's shares are registered, and shall be signed or stamped by three or more directors, and shall be affixed with the logo and number of the Company, and shall be issued upon signing by competent authority or the issuing agency approved by the competent authority according to the Law.
- When the Company issues new shares, it is exempted from printing stocks, but it



should be registered with the securities centralized depository institutions. The same procedures shall be followed for other securities.

Article 9. Administration of shareholder service shall be in accordance with Regulations Governing the Administration of Shareholder Service of Public Companies and relevant laws and regulations issued by the competent authority.

Article 10. Registration for transfer of shares shall be suspended 60 days before the date of regular shareholders' meeting, within 30 days before the date of extraordinary shareholders' meeting or within five days before the record dates for distribution of dividends, bonuses or other benefits of the Company.

### **Chapter 3. Shareholders' Meeting**

Article 11. The shareholders' meeting of the Company shall be of two types, namely extraordinary meeting and temporary meeting. The regular meeting is held once a year and within six months after the end of each fiscal year. The extraordinary meeting shall be convened in accordance with the relevant laws when necessary. When the company's shareholders' meeting is held, it may be held by video conferencing or other methods announced by the central competent authority in a public announcement.

Article 12. The shareholders' meeting shall be convened by the Board of Directors and chaired by the Chairman. When the Chairman is absent, the Chairman shall designate one director as his representative. If no representative is designated, the directors shall elect one director to act as Chairman. When a meeting is convened by any other person having the convening right, the Chairman shall be the convener. If the conveners have one or more persons, the Chairman shall be elected among themselves.

Article 13. The date, place and cause of the meeting shall be notified to the shareholders 30 days before the date of the shareholders' meeting, and 15 days before the date of the extraordinary shareholders' meeting.

The notice of the convening of the shareholders' meeting may be delivered in electronic transmission after obtaining consent from the recipients.

For the shareholders holding less than 1,000 shares of registered shares, the convening notice of the shareholders' meeting may be notice by announcing on Market Observation Post System.

Article 14. A shareholder who is unable to attend a shareholders' meeting, he/she may appoint a proxy to attend the meeting by providing a power of attorney printed by the Company specifying the scope of authorization, or by electronic means. In addition to the provisions of the Company Act, the procedure for proxy for attendance of the shareholders shall be in accordance with Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Company promulgated by the competent authority.

Article 15. The shareholders' meeting of the Company shall be in accordance with the "Rules of Procedures for Shareholders' Meetings" unless otherwise stipulated by law.

Article 16. Shareholders of the Company have one vote per share and may be exercised in writing or electronically. However, this restriction does not apply to any non-voting shares having a restricted right or those with non-voting right under Article 179, Paragraph 2 of the Company Act.

Article 17. Resolution at a shareholder's meeting shall, unless otherwise provided for in the Company Act, be adopted by a majority vote of shareholders present, who represent

more than half of the total voting shares.

Article 18. The resolution of the shareholders' meeting shall be recorded in the minute. The minute shall be made in accordance with Article 183 of the Company Act.

**Chapter 4. Directors and Audit Committee**

Article 19. The Company shall be seven to nine directors, who shall be elected by the shareholders' meeting from among the persons with disposing capacity, with a term of three years. They shall be eligible for re-election. The election of directors of the Company adopts a cumulative voting system. Each share has the same voting rights as the number of directors to be elected. One person may be collectively elected, or several persons may be allocated for election. The person represented by more votes will be elected as directors.

Article 19-1. The Company shall appoint Independent Directors in the abovementioned Directors in accordance with Article 14-2 of the Securities and Exchange Act. Independent directors shall not be less than three in numbers, and not less than one-fifth of the number of directors.

The election and appointment of directors of the Company shall be subject to the system of nomination of candidates under Article 192-1 of the Company Law, and directors shall be elected by shareholders on the list of candidates for directors. The matters to be complied with in relation to the independent directors shall be handled in accordance with the provisions of the Company Act and the securities competent authority.

Article 19-2. The Company shall establish an audit committee, which shall consist of all independent directors in accordance with Article 14-4 of the Securities and Exchange Act. The audit committee is responsible for the implementation of the functions and powers of the supervisor stipulated in the Company Act, the Securities and Exchange Act and other laws. The audit committee shall be composed of all independent directors and the relevant organizational rules are determined by the resolutions of the Board of Directors.

Article 20. When the vacancy of positions of directors reaches one third, the Board of Directors shall convene an extraordinary shareholders' meeting within 60 days for a by-election, and the term of office shall be limited to the period of replenishment of the original term.

Article 21. When a director's term expires and another director cannot be elected in time, he or she shall extend his or her duties until the re-elected director takes office.

Article 22. The Board of Directors' meeting is organized by the directors and shall be attended by more than two-thirds of the directors, among whom the Chairman of the board shall be elected with the consents of more than one-half of the directors. The Chairman of the Board of Directors represents the Company.

Article 23. Except for the first meeting of each term of the Board of Directors shall be convened in accordance with Article 203 of the Company Act, any meeting of the Board of Directors shall be convened by the Chairman who also serves as Chairman of the Board of Directors' meeting. Except as otherwise stipulated in the Company Act, the resolutions of the Board of Directors shall be attended by more than half of all the directors shall obtain the consents of more than half of the directors present. If a director is unavailable to attend the Board of Directors' meeting in person for some reasons, he/she may issue a power of attorney to entrust another director to attend the meeting on his/her behalf in accordance with Article 205 of the Company Act. However, the proxy may only be entrusted by one person.

When the Board of Directors' meeting is in the form of a video conference, the directors attending the meeting by video are deemed to be present in person.

When convening of the Board of Directors' meeting of the Company, the reasons shall be stated and the directors shall be notified seven days before the meeting. However, in the event of an emergency, the meeting may be convened at any time. When convening of the Board of Directors' meeting of the Company, the directors shall be notified in writing, e-mail or fax.

Article 24. When the Chairman of the Board of Directors asks for leave or fails to perform his duties for any reason, the Chairman of the Board of Directors shall appoint one of the directors to be the proxy. If the Chairman does not appoint a proxy, the directors shall recommend a director as the Chairman.

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

Article 24-2. The Company shall purchase directors and officers liability insurance for its directors during their term.

Article 25. The board of directors' functions and responsibilities are as follows:

- I. Examination and review of operational policy and medium-term and long-term development plans.
- II. Review and supervision of the annual business plan.
- III. Review of the budget and final accounts.
- IV. Review of capital increase/decrease plans.
- V. Examinations of earnings distribution or deficit compensation.
- VI. Review and approval of important external contracts.
- VII. Review of the Company's Articles of Incorporation or its amendments.
- VIII. Review of the Company's organizational rules and important business rules.
- IX. Review and approve the branch's establishment, reorganization or cancellation.
- X. Approval of major capital expenditure plans.
- XI. Appointment and discharge of general manager.
- XII. Implementation of resolutions of the shareholders' meeting.
- XIII. Review of matters submitted by general manager.
- XIV. Convening of shareholders' meetings and preparing business reports.
- XV. Other business that shall be handled according to the law.

Article 26. Deleted.

#### **Chapter 5. Executive Officers**

Article 27. The Company has a general manager whose appointment, discharge and remuneration shall be in accordance with Article 29 of the Company Act.

#### **Chapter 6. Accounting**

Article 28. The Company's fiscal year begins on January 1 and ends on December 31. After fiscal year, the Board of Directors shall prepare the following reports and submit to the regular meeting of shareholders for audit and approval in accordance with legal procedures.

- I. Business Report
- II. Financial Statements
- III. Proposal for Earnings Distribution and Deficit Compensation

Article 29. The Company shall appropriate 2% to 10% of the net income before tax of the fiscal

year as employees' compensation and no more than 5% of the bonus to director from the current pre-tax profit before the appropriation of employee bonus and directors' bonus. The employees' compensation will be distributed in shares or cash by the resolution of the board of directors. The employees of the subordinate companies that meet certain conditions set by the Board of Directors may be granted such compensation. Directors compensation shall be paid in cash. The preceding two paragraphs shall be determined by the resolution of Board of Directors and reported to the shareholders' meeting. Where the Board of Directors has decided to reward employees in the form of shares, the same resolution may decide whether it will be made by issuing new shares or by buying off one's own shares.

The Company shall reserve the amount of compensations in advance if there is cumulative loss before appropriating employees' and directors' compensation in accordance with the aforementioned percentage.

Article 29-1. If there is a net profit after tax in the Company's annual final accounts, they shall be first appropriated to make up for the accumulated losses (including adjusting the retained surplus amount), and then appropriate 10% as legal capital reserve according to law, unless the legal capital reserve has reached the paid-up capital of the Company. Then, the Company shall set aside or reverse special reserve according to the regulations or the competent authority; the remaining surplus, together with the opening retained surplus (including adjustment of the retained surplus amount), shall be proposed by the Board of Directors with a surplus distribution proposal, and the shareholders' meeting shall propose the resolution of appropriation of the dividends of the shareholders.

When the Company sets aside the special surplus reserve according to the law, the amount of the "net increase in the fair value of investment real estate accumulated in the previous period" and the "net decrease in other equity accumulated in the previous period" shall be deducted prior to the distribution of earnings. The special surplus reserve of the same amount is withdrawn from the undistributed surplus of the previous period. If there is still insufficient, the current after-tax net profit is added to the current after-tax net profit and the items other than the current after-tax net profit are included in the undistributed surplus of the current period.

When the Company distributes cash from dividends in the preceding paragraph in accordance with the provisions of Article 240 of the Company Act, or from the legal reserve and capital reserve in accordance with the provisions of Article 241, the Company authorizes the Board of Directors to adopt resolution by a majority in a meeting attended by two-thirds or more of the directors, and the distribution shall then be reported to the shareholders' meeting.

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

## **Chapter 7. Supplementary Provisions**

Article 30. The Company's organizational rules and regulations shall be stipulated separately by the Board of Directors.

Article 31. Matters not specified in the Articles of Incorporation shall be handled in accordance with the provisions of the Company Act and the relevant laws and regulations.

Article 32. The 1st amendment was made on September 15, 1983.

The 2nd amendment was made on October 8, 1984.  
The 3rd amendment was made on September 12, 1985.  
The 4th amendment was made on September 17, 1991.  
The 5th amendment was made on July 9, 1995.  
The 6th amendment was made on February 18, 1997.  
The 7th amendment was made on May 14, 1997.  
The 8th amendment was made on March 29, 2002.  
The 9th amendment was made on November 20, 2003.  
The 10th amendment was made on June 16, 2004.  
The 11th amendment was made on June 25, 2005.  
The 12th amendment was made on June 24, 2006.  
The 13th amendment was made on May 30, 2007.  
The 14th amendment was made on June 13, 2008.  
The 15th amendment was made on June 16, 2009.  
The 16th amendment was made on June 17, 2010.  
The 17th amendment was made on June 19, 2012.  
The 18th amendment was made on June 28, 2013.  
The 19th amendment was made on June 23, 2014.  
The 20th amendment was made on June 30, 2015.  
The 21st amendment was made on June 6, 2016.  
The 22nd amendment was made on June 19, 2017.  
The 23rd amendment was made on June 13, 2018.  
The 24th amendment was made on June 14, 2019.  
The 25th amendment was made on May 31, 2022.

Sinmag Equipment Corporation

Chairman: Hsieh, Shun-Ho

【Appendix 2】

Sinmag Equipment Corporation  
Procedures for Acquisition or Disposal of Assets

- Article 1. Purpose  
This processing procedure is specially formulated to protect assets and implement information disclosure.
- Article 2. Legal basis  
The Procedures are established in accordance with Article 36-1 of the Securities Exchange Act and the Standards for the Processing of Assets Acquisition or Disposal by the Publicly Owned Corporation.
- Article 3. Scope of Assets
- I. Marketable securities: Include stocks, government bonds, corporate bonds, financial bonds, securities representing securities, depositary receipts, subscription (sales) warrants, beneficiary securities and asset-backed securities.
  - II. Real estate (including land, housing and building, investment property, inventory of construction enterprise) and equipment.
  - III. Membership card.
  - IV. Intangible assets: Include patents, copyrights, trademark rights, and franchise.
  - V. Right-of-use assets.
  - VI. Credit of financial institutions (including account receivables, bills purchase and discount, loans and overdue receivables).
  - VII. Derivative products
  - VIII. Assets acquired or disposed of by merger, demerger, acquisition or transfer of shares according to the law.
  - IX. Other important assets.
- Article 4. Definition
- I. Derivative instruments: The term refers to contracts with value derived from specified interest rates, financial instrument prices, commodity prices, foreign exchange rates, price or rate indexes, credit ratings or credit indexes or other variables. Contracts include forward contracts, option contracts, futures contracts, leverage contracts, swap contracts, hybrid contracts consisting of the above contracts, or hybrid contracts or structured products containing embedded derivatives. The term “forward contract” does not include insurance contracts, performance contracts, after-sales service contracts, long-term lease contracts and long-term import and sales contracts.
  - II. Assets acquired or disposed of by merger, demerger, acquisition or transfer of shares according to the law: The term refers to assets acquired or disposed of by merger, demerger or acquisition in accordance with Business Mergers and Acquisitions Act, Financial Holding Company Act, The Financial Institutions Merger Act or other laws, or by issuance of new shares as the result of the

acquisition of the shares of another company (hereinafter known as transfer of shares) in accordance with the provisions of Article 156-3 of the Company Act.

- III. Related parties and subsidiaries: The term shall be defined according to the regulations stipulated in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
- IV. Professional appraisers: The term refers to the real estate appraisers or other persons who are engaged in real estate and equipment valuation according to the law.
- V. Date of occurrence of the event: The term refers to the date of signing of the transaction, date of payment, date of consignment transaction, date of transfer, date of Board of Directors' resolution, or other dates that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier. However, for investment that shall be approved by the competent authority, the earlier of the above date or the date of receipt of approval by the competent authority shall prevail.
- VI. Investment in Mainland China: The term refers to the investment in Mainland China as stipulated in Regulations Governing Investment or Technology Cooperation in the Mainland Area governed by the Investment Commission, Ministry of Economic Affairs.

Article 5. 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 Bakery Equipment Sdn. Bhd. (Malaysia), and Sinmag Equipment (China) Co., Ltd., and Wuxi New Order Control Co., Ltd.

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.

Article 5-1. 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 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.

Article 6. The professional appraiser and appraisal personnel, independent auditor, lawyer or the securities underwriter who provides the appraisal report or opinions for the Company shall meet the following requirements:

- I. Not being sentenced to fixed-term imprisonment of more than one year because of violating this Law, Company Law, Banking Law, Insurance Law, Financial Holding Company Law or Commercial Accounting Law, or committing the crime of fraud, breach of trust, embezzlement, forgery of documents or other business crime. However, those whose execution is completed, probation period has expired or the pardon has been completed for three years are excluded.
- II. The transaction party shall not be a related party or a substantial related party.
- III. If the Company need to obtain appraisal reports from two or more professional appraisers, the different professional appraisers or appraisal personnel shall not be related parties to each other or have substantial relationship with each other.

When issuing the appraisal report or opinion, the personnel in the preceding paragraph shall comply with the self-regulatory rules of the industry associations to which they belong and follow the following procedures:

- I. They shall carefully assess their professional capabilities, practical experience and independence before accepting cases.
- II. When implementing the cases, appropriate operational procedures shall be planned and implemented to form the conclusion and issue a report or advice; and complete the procedures, data collected and conclusion. The detailed procedures for the implementation of the work, data collected and conclusion shall be recorded in the case working papers.
- III. The suitability and reasonableness of the data sources, parameters and information used shall be assessed one by one as the basis for issuing appraisal reports or opinions.
- IV. Matters to be declared shall include the professionalism and independence of relevant personnel, the reasonableness and appropriateness of the information used and the compliance with relevant laws and regulations.
- V. If the Company acquires or disposes of assets through the court auction process, the appraisal report or accountant's opinion shall be replaced by the certification documents issued by the court.

Article 7. The total amount of real estate and its right-of-use assets or securities of non-operating use obtained by the Company are as follows:

- I. The total amount of non-operating property for business use and right-of-use asset shall not exceed 15% of the net value.
- II. The total amount of investment in securities shall not exceed 70% of the net value.
- III. The amount of investment in individual securities shall not be greater than 50% of the net value.

In principle, subsidiaries shall not engage in real estate or right-of-use asset investment transactions that are not for business use.

Article 8. If a director expresses an objection to the procedures of acquisition or disposal of assets or other legal requirements that should be approved by the Board of Directors, and has a record or written statement, the Company should also send the director's



objection information to the audit committee.

When the acquisition or disposal of assets are submitted to the Board of Directors for discussion in accordance with the preceding paragraph, the Company shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the Board of Directors' meeting.

The company's major assets or derivative commodity transactions shall be approved by more than half of all members of the Audit Committee and shall be submitted to the Board of Directors for resolution. If there is no consent of more than half of the members of the Committee, it shall obtain the consent of more than two-thirds of the directors, and the resolutions of the audit committee shall be stated in the proceedings of the Board of Directors. The terms "all Audit Committee members" and "all directors" stated herein shall be actual incumbents.

Article 9. Procedures for acquisition or disposal of property, equipment or its right-of-use asset

I. Appraisal and operating procedures

The company's acquisition or disposal of real property, equipment, or its right-of-use asset shall be conducted in accordance with the Company's internal control system, the property, plant and equipment processing procedures.

II. Procedures for determining trading conditions and authorization limits

(I). In acquiring or disposing the real property or its right-of-use assets, the Company shall take publicly announced current value, appraisal value, and real transaction price of nearby real estate into consideration for the transaction criteria and price. The above information shall be compiled into an analysis report and submitted to the chairman. For transaction under NT\$20 million (inclusive), it shall be approved by the chairman and reported in the most recent Board of Directors' meeting; If the amount exceeds NT\$20 million, the transaction shall be approved by the Audit Committee and submitted to the Board of Directors for approval before implementation.

(II). Acquisition or disposal of equipment or its right-of-use asset shall be made by inquiry, price comparison, bargaining or bidding. If the amount is less than NT\$3 million (inclusive), it shall be approved level by level according to the right of approval; if the amount exceeds NT\$3 million and is less than NT\$10 million (inclusive), it shall be approved by the general manager; if the amount exceeds NT\$10 million and is less than NT\$30 million (inclusive), it shall be approved by the chairman and submitted to the the most recent Board of Directors' meeting on a post-event basis; if the amount exceeds NT\$30 million, it shall be approved by the Audit Committee and submitted to the Board of Directors for approval before implementation.

III. Execution Unit

The acquisition or disposal of real property, equipment or right-of-use assets shall be submitted for approval pursuant to the preceding paragraph, and then

be executed by the department which uses them, the department which procures them and the department bearing relevant authority and responsibility.

IV. Appraisal Report on Real Estate, Equipment or its Right-of-Use Asset

For the Company's acquisition or disposal of real estate or equipment, excluding transactions with domestic government agencies, construction of local land, construction of land leases, or acquisition or disposal of equipment for business use, if the transaction amount reaches 20% of the Company's paid-in capital or more than NT\$300 million, the appraisal report issued by the professional appraiser shall be obtained before the date of the fact, and the following procedures shall be followed:

- (I) When a fixed price, a specific price or a special price is required as the basis of reference for the transaction price for special reasons, the transaction shall be first approved by the Audit Committee and approved by the Board of Directors. If there is any change in the future trading conditions, the said transaction shall be handled in accordance with the above-mentioned procedures.
- (II) Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.
- (III) If any of the following situation occurs, unless all of the appraisal values for asset acquisition are higher than the trading amount or all of the appraisal values for asset disposal are lower than the transaction price, the accountant shall express specific comments on the reasons for the discrepancy and the fairness of the transaction price.
  1. The discrepancy between the appraisal results and the transaction amount is 20% or more of the transaction amount.
  2. The discrepancy between the appraisal results of two or more professional appraisers is 10% or more of the transaction amount.
- (IV) The date of report presented by the professional appraiser and the date of establishment of contract shall not be more than three months. However, if the publicly announced current value of the same period is used and the past six months have not elapsed, the original professional appraiser may issue an opinion.

Article 10. Acquisition or disposal of securities investment procedures

I. Appraisal and Procedures:

The Company's acquisition or disposal of securities shall be conducted in accordance with the Company's internal control system investment reversed.

II. Procedures for determining trading conditions and authorization limits

- (I) For trading of securities (excluding government bonds, short term notes traded by famous domestic bills finance companies, domestic bond funds and domestic currency funds) in the centralized securities exchange market or the business place of a securities firm, the responsible unit shall make a decision according to the market conditions, and the amount of

which is less than NT\$10 million (inclusive) shall be approved by the

general manager; the amount of which is more than NT\$10 million and less than NT\$30 million (inclusive) shall be approved by the chairman, and be submitted to the most recent Board of Directors' meeting on a post-event basis. If the amount exceeds NT\$30 million, it shall be approved by the audit committee and submitted to the Board of Directors for approval before implementation.

- (II) For trading of securities (excluding government bonds, short term notes traded by famous domestic bills finance companies, domestic bond funds and domestic currency funds) not in the centralized securities exchange market or the business place of a securities firm, the financial statements audited and certified or reviewed by the CPA of the target company for the most recent period shall be taken as the reference of transaction price before the date of occurrence of the fact, and the amount below NT\$10 million (including NT\$10 million) shall be approved by the general manager; the amount above NT\$10 million and below NT\$30 million (including) shall be approved by the chairman; if the amount is more than NT\$30 million, it shall be approved by the audit committee and approved by the board of directors before implementation.

### III. Execution Unit

The Company's acquisition or disposal of securities shall be approved by the financial unit in accordance with the approval of the aforementioned resolution.

### IV. Acquisition of expert opinions

For the Company's acquisition or disposal of marketable securities, it shall take the latest financial statements of the underlying company which have been checked by CPC before the facts occur as a reference for evaluating the transaction price. If the transaction amount reaches 20% of the Company's paid-in capital or more than NT\$300 million, it shall consult the accountant before the facts occur to express its views on the reasonableness of the transaction price. However, this restriction does not apply to any marketable securities with quoted prices in an active market or as otherwise provided by the Financial Supervisory Commission.

## Article 11. Procedures for acquisition or disposal of intangible assets or the right-of-use assets or the memberships

### I. Appraisal and operating procedures

The Company's acquisition or disposal of membership, intangible assets or its right-of-use asset shall be conducted in accordance with the Company's internal control system, the property, plant and equipment processing procedures.

### II. Procedures for determining trading conditions and authorization limits

- (I) In acquiring or disposing of membership, an analysis report shall be prepared and submitted to the chairman with reference to the fair market price of the market and the trading conditions and the trading price determined. If the amount of the membership is less than 1% of the paid

in capital or NT\$3 million (inclusive), it shall be approved by the general manager and reported and recorded in the most recent Board meeting. If the amount of which exceeds NT\$3 million, it shall also be approved by the Audit Committee and submitted to the Board of Directors for approval before implementation.

- (II) In acquiring or disposing intangible assets or the right-of-use assets, the Company shall refer to expert appraisal report and fair market value, make resolution of trading conditions and transaction price, and compile them into an analysis report and submit them to the chairman. For transaction whose amount is no more than 10% of the Company's paid-in capital or NT\$20 million (inclusive), it shall be approved by the chairman and submitted to the most recent Board of Directors' Meeting on a post-event basis. If the amount of which exceeds NT\$20 million, the transaction shall be approved by the Audit Committee and submitted to the Board of Directors for approval before implementation.

### III. Execution Unit

The Company's acquisition or disposal of membership, intangible assets or its right-of-use assets shall be executed by the user department and relevant authorities and responsible departments after the approval according to the aforementioned jurisdiction.

### IV. Professional assessment reports on the memberships, intangible assets or their right-of-use assets

Except for transactions with government institutions, the transactions, whose amounts reach 20% of the Company's paid-in capital or NT\$300 million or more, shall require an accountant's opinion on the reasonableness of the transaction prices before the date of the actual event.

## Article 12. Procedures for dealing with related parties

- I. When acquiring or disposing assets, the Company and its related parties shall follow the relevant processing procedures and evaluate the reasonableness of the transaction conditions. Moreover, for transaction amounts that exceed 10% of the company's total assets, the company shall obtain appraisal reports from professional appraisers or consult opinions from CPAs according to the preceding sections.
- II. When the Company and its subsidiaries or their subsidiaries that directly or indirectly hold 100% of the issued shares or total capital are engaged in the acquisition or disposal of equipment for use in business or their right-of-use assets or real estate use rights assets, the Board of Directors shall authorize the chairman to make the decision first in the amount between NT\$10 million and NT\$30 million, and then submitted to the most recent audit committee and Board of Directors for ratification.
- III. Appraisal and operating procedures

Where the Company acquires or disposes of real estate or its right-of-use assets with a related party, or other assets other than real estate or its right-of-use assets with a related party, and the transaction amount reaches 20% of the

company's paid in capital, 10% of the company's total assets, or NT\$300 million or more, in addition to trading domestic government bonds, bonds with repurchase or resale conditions, subscription or repurchase of money market funds issued by domestic securities investment trust enterprise, the following data shall be submitted for approval by more than half of all members of the Audit Committee and submitted to the Board of Directors for approval before signing a transaction contract and making payment; when submitting to the Board of Directors for discussion, the opinions of each Independent Director shall be fully considered, and if the Independent Director has any objection or reservation, it shall be stated in the minutes of the board of directors.

If a public company or a subsidiary thereof that is not a domestic public company will have a transaction and the transaction amount will reach 10 percent or more of the public company's total assets, the public company shall submit the materials to the shareholders meeting for approval before the transaction contract may be entered into and any payment made. However, this restriction does not apply to transactions between the public company and its parent company or subsidiaries or between its subsidiaries.

- (I) The purpose, necessity and anticipated benefits of the acquisition or disposal of assets.
- (II) The reason for choosing a related party as a transaction object.
- (III) The relevant materials for appraising the reasonableness of the predetermined transaction conditions in accordance with Paragraph 4 of this Article when acquiring the real estate or its right to use assets from the related parties.
- (IV) Items like original date and price of acquisition by affiliate, transaction counterparty and relation between company and affiliate.
- (V) Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, the evaluation of the necessity of the transaction, and rationality of the funds utilization.
- (VI) Appraisal report from professional appraisers or CPA's opinion obtained in accordance with regulations.
- (VII) Restrictive covenants and other important stipulations associated with the transaction.

#### IV. Assessment for the Reasonableness of Transaction Cost

- (I) When the Company acquires real estate or its right-of-use assets from related parties, the reasonableness of transaction costs should be assessed as follows:
  - 1. Based on the transaction price of related party, plus necessary interest on funding and the cost legally borne by the buyer. "Necessary interest on funding" is imputed as the weighted average interest rate on borrowing in the year the Company purchases the property. This may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.
  - 2. If a related party has previously set up a mortgage loan to a financial

institution, the financial institution's loan evaluation value shall be assessed by financial institutions. However, the financial institution's actual loan-backed accumulated value of the subject matter shall be more than 70% of the total value of the evaluation and the loan period has been over one year. However, this is not applicable if a financial institution and one of the parties involved in the transaction are related to each other.

- (II) Where land and structures thereupon are combined as a single property purchased or leased in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed in the preceding paragraph.
- (III) When the Company acquires real estate or its right-of-use assets from its related parties, it shall assess the cost of the real property or its right-of-use assets in accordance with Subparagraphs 1 and 2, Paragraph 4 of this Article, and shall also entrust an accountant to perform the review and render specific opinions.
- (IV) Where the Company acquires real property or right-of-use assets thereof from a related party and one of the following circumstances exists, the acquisition shall only be conducted in accordance with the relevant appraisal and procedures in Paragraph 3 of this Article, and shall not apply to the provisions of Subparagraph (1), (2), and (3) of Paragraph 4 of this Article:
  - 1. The related party acquires real property or right-of-use asset from inheritance or as a gift.
  - 2. More than 5 years will have elapsed from the time the related party signed the contract to obtain the real property or right-of-use assets thereof to the signing date for the current transaction.
  - 3. The real property is acquired through signing of a joint development contract with the Related Party, or through engaging a Related Party to build real property, either on the Company's own land or on leased land.
  - 4. The company acquires the right-of-use asset for use in the business from its subsidiaries, or subsidiaries it directly or indirectly holds 100% of the total issued shares or capital.
- (V) When acquiring real estate or right-of-use assets thereof from a related party, if the value assessed in accordance with Subparagraphs 1 and 2, Paragraph 4 of this Article is lower than the transaction price, actions shall be taken in accordance with Subparagraphs 6, Paragraph 4 of this Article. However, this restriction does not apply to the following circumstances where objective evidence is raised and the specific opinions of real estate appraisers and CPAs on the reasonability are obtained:
  - 1. Where the related party acquires undeveloped land or leased land, it shall submit a proof of compliance with one of the following conditions:
    - (1) The undeveloped land shall be appraised according to the method

prescribed in the preceding article, and the appraisal of the house is based on the construction cost of the related parties plus the reasonable construction profit, which is more than the actual transaction price. The term “reasonable construction profit” shall be based on the average gross operating profit margin of the related party’s construction department for the recent three years or the gross profit margin of the construction industry in the most recent period announced by the Ministry of Finance, whichever is lower.

- (2) There is case transaction of other floors of the same subject-matter building or in neighboring areas within one year, provide that the area and condition are equivalent according to the reasonable appraisal of real estate.
2. Where the Company acquires real property or obtains right-of-use assets of real property through leasing from a related party and provides evidence that the terms of the transaction are similar to the terms of transactions for the acquisition of neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year. The above-mentioned completed transactions involving neighboring or closely valued parcels of land in the preceding paragraph in principle refer to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value; transactions involving similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50% of the property in the planned transaction; within the preceding year refers to the year preceding the date of occurrence of the acquisition of the real property or obtainment of the right-of-use assets thereof.
- (VI) When the appraised values of real estate or right-of-use assets thereof acquired by the Company from related parties according to Subparagraphs 1 to 5, Paragraph 4 of this Article is lower than the transaction price, the situation shall be handled in the manner as follows:
1. A special reserve shall be set aside in accordance with Paragraph 1, Article 41 of the Securities and Exchange Act against the difference between the transaction price and the appraised cost of real property or right-of-use assets thereof, and may not be distributed or used for capital increase or issuance of bonus shares. For the Company’s investment in the equity method, the Company shall set aside special reserve in proportion to the amount set aside for the said amount in accordance with Article 41(I) of the Securities and Exchange Act.
  2. The Audit Committee shall comply with Article 218 of the Company Act.
  3. The handling of the Company’s Items 1 and 2 of this Article shall be reported to the Shareholders’ Meeting and the details of the transaction

shall be disclosed in the annual report and the prospectus.

When the Company appropriates a special surplus reserve by the foregoing provisions, the assets purchased or leased at a high price shall be recognized as a loss or disposition or appropriate compensation or reinstatement, or have no other evidence proving irrationality and be approved by the Financial Supervision and Administration Commission before the special surplus reserve is used.

(VII) The company shall obtain real property or right-of-use assets from a related party. If there is other evidence indicating that the transaction is not a business irregular regular, the Company shall also comply with Paragraph IV, subparagraph (VI) of this Article.

Article 13. The calculation of the transaction amounts referred to in the preceding four articles shall be made in accordance with Paragraph 2 of Article 17 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been included in the evaluation report issued by the professional appraiser or CPA's opinions need not be counted toward the transaction amount. The transactions of related parties shall be approved by the audit committee and submitted to the shareholders' meeting and board of directors for approval in accordance with the regulations, and shall not be included again.

Article 14. For procedures for acquisition or disposal of financial institutions' claims, in principle, the Company does not engage in the acquisition or disposal of financial institutions' claims. In the future, if the Company intends to engage in such matters, the Company will submit the proposal to the Board of Directors for approval before stipulating its appraisal and operating procedures.

Article 15. Engaging in Derivatives Trading

I. Transaction categories

The trading scope of the company's derivative financial products is limited to the use of forward exchange, option, interest rate or FX swap, bond trading and repurchase. If other products need to be used, they should be approved by the board of directors before trading.

II. Operation (Hedging) Strategies

(I) The derivative products traded by the Company shall be for the purpose of hedging, and the traded goods shall be selected to avoid the risks arising from the business operations of the Company. The currency held shall be consistent with the foreign currency demand of the Company's actual import and export transactions, and based on the principle that the Company's overall internal positions (referring to foreign currency income and expenses) are squared off to reduce the Company's overall foreign exchange risk and foreign exchange operating costs.

(II) The Company shall carefully evaluate the transactions for specific purposes, which shall be approved by the audit committee and approved by the board of directors before implementation

(III) The company may conduct foreign exchange hedging operations in



response to the foreign currency financing needs of overseas subsidiaries.

### III. Powers and responsibilities

The following trading personnel in charge of derivatives and the personnel responsible for delivery and confirmation shall not concurrently hold positions with each other.

#### 1. Traders

- (1) Responsible for the strategy formulation of derivative financial products trading throughout the Company.
- (2) Trading personnel shall regularly calculate positions, collect market information and legal information, conduct trend analysis and risk assessment, and formulate trading strategies as the basis for trading.

#### 2. Delivery personnel:

- (1) Responsible for the delivery of derivatives transactions, and regularly review the cash flow status to ensure that the transaction contracts can be delivered as scheduled.
- (2) Evaluation of derivative products

#### 3. Confirmation personnel

- (1) Review whether the transaction has been conducted in accordance with the authorized rights and the formulated strategies.
- (2) Responsible for the accounting treatment and evaluation of derivatives transactions, to correctly and appropriately present the results of relevant transactions and profits and losses in the financial statements, and to make public announcement and report in accordance with the Securities and Futures Bureau of the Financial Supervisory Commission regulations.

#### 4. Review and resolution authority of derivative products

##### (1) Delegation of authorization of the hedge transaction

Authorized Signatory	Daily transaction authority	Net cumulative position trading authority
President	US\$0.5 million (inclusive) or less	US\$1.5 million (inclusive) or less
Chairman	US\$0.5 million ~ US\$1.5 million (inclusive)	US\$1.5 million ~ US\$3 million (inclusive)
Board of Directors	US\$1.5 million or more	US\$3 million or more

- (2) Approval authority for other specific-purpose hedging transactions: The approval by the chairman according to the approval authority shall be approved by the Audit Committee and passed by the Board of Directors before proceeding.

### IV. Performance evaluation

- (I) The company's profit and loss generated from the exchange rate and interest rate costs of its financial assets and derivatives shall be the basis of performance appraisal.
- (II) To fully grasp and express the evaluation risk of transactions, the Company adopts monthly evaluation method to evaluate profit and loss.

## V. Setting up of the total contract amount and loss limit

### (I) Total contract amount

The financial department shall master the overall position of the Company to avoid transaction risk, and the amount of hedging transaction shall not exceed the net position of the company's monthly trading foreign exchange risk.

### (II) Setting up of the loss limits

The amount of realized and unrealized losses arising from individual hedging contracts shall not exceed 20% of the contract amount, and the amount of realized and unrealized losses arising from all hedging contracts shall not exceed 5% of the net worth of the company's latest financial statements.

## VI. Risk management measures

### (I) Credit risk management

Due to changes in various factors in the market, it is easy to cause operational risks of derivative financial products. Therefore, in market risk management, the following principles are followed:

1. Transaction object: Mainly renowned domestic and foreign financial institutions.
2. Trading items: Limited to the commodities provided by renowned domestic and foreign financial institutions.
3. Transaction amount: Trading amount: at least 2 domestic and foreign famous financial institutions shall be included in the outstanding trading amount.

### (II) Market risk management

Based on the open foreign exchange market provided by banks, the futures market will not be considered for the time being.

### (III) Liquidity risk management

To ensure market liquidity, more liquid derivative products (which can be cashed out in the market at any time) will be considered. Financial institutions entrusted for the transaction should have sufficient information and possess the capability to trade in any market at any time.

### (IV) Cash Flow Risk Management

In order to ensure the stability of the company's working capital turnover, the company's source of funds for derivative commodity transactions is limited to its own funds, and its operating amount should consider the funding requirements for the cash revenue and expenditure forecast for the next three months.

### (V) Operational Risk Management

1. The Company's authorized transaction amount and operating procedures shall be fully complied, and internal audit shall be undertaken to avoid operational risk.
2. The personnel that deal with the transaction of derivative products, make confirmation of these transactions and make settlements of these

transactions shall not be the same group of people.

3. Risk measurement, monitoring, and control personnel shall be assigned to personnel of different departments from the preceding subparagraph, and shall report to the Board of Directors or senior management personnel with no responsibility in trading or position decision-making.

(VI) Risk Management of Financial Derivative Products

Internal traders should have complete and correct professional knowledge of derivative products and require banks to fully expose risks to avoid derivative product risks.

(VII) Legal risk management

Documents signed with financial institutions can only be formally signed after being reviewed by legal advisers to avoid legal risks.

VII. Internal audit system

- (I) The internal auditor shall regularly review the appropriateness of the internal control of derivatives trading, and check the compliance of the trading department with the transaction procedures for derivative commodity transactions on a monthly basis and analyze the trading cycle and make an audit report. If major violations are discovered, the audit committee shall be notified in writing
- (II) Internal auditors shall file the auditing report and the implementing status of annual auditing plans of internal audits to the competent authority before the end of February of next year and also shall report the improvement situation for any abnormal affairs to the competent authority before the end of May of next year.

VIII. Regular evaluation methods

- (I) When engaging in derivative transactions, a memorandum book shall be established, detailing the type and amount of derivative transactions, the date of adoption by the board of directors, and the matters that shall be carefully evaluated in accordance with Paragraph 8, Subparagraph 2, Paragraph 9, Subparagraph 2, and Paragraph 7, Subparagraph 1 of this Article.
- (II) Positions held in derivatives transactions shall be assessed at least once weekly. If the hedging transaction is conducted for business needs, the assessment report shall be performed twice a month. The assessment report shall be submitted to senior managers authorized by the Board of Directors.

IX. When engaging in the trading of derivative commodities, the Board of Directors shall strictly supervise and manage according to the following principles:

- (I) Designate senior managers to pay attention to the supervision and control the risks of derivatives product transaction at all times.
- (II) Regularly evaluate whether the performance of derivatives product transaction meets the established operational strategies and whether the risks are within the Company's permitted scope.

X. Senior executives authorized by the Board of Directors shall manage transactions in accordance with the following principles:

- (I) Periodically evaluate whether the risk management measures currently used are appropriate and faithfully implemented according to the “Standards for the Processing of Assets Acquisition or Disposal by the Publicly Owned Corporation” and the Processing Procedures for Transactions of Derivative Goods formulated by the Company.
  - (II) Supervising the transaction and profit/loss. When abnormality is found, necessary measures shall be taken. The incident shall also be immediately reported to the Audit Committee and the Board of Directors. The Board of Directors shall have independent directors present to express their opinions.
- XI. The Company shall report to the soonest meeting of the Board of Directors after it authorizes the relevant personnel to handle derivatives trading in accordance with its Procedures for Engaging in Derivatives Trading.

Article 16. Processing procedures for merger, demerger, acquisition or transfer of shares

I. Appraisal and operating procedures

- (I) For the merger, demerger, acquisition or transfer of shares, before the resolution of the Board of Directors is convened, the Company shall invite accountants, lawyers or securities underwriters to express their opinions on the rationality of the share exchange ratio, the purchase price or the cash or other property of the allotted shareholders, and submit them to the audit committee and the Board of Directors for discussion and approval. However, if the Company merges its subsidiaries directly or indirectly holding 100% of the issued shares or total capital, or merges between its subsidiaries directly or indirectly holding 100% of the issued shares or total capital, the reasonable opinions of the experts are not necessary.
- (II) The Company shall prepare a public document to shareholders before the shareholders' meeting, together with the expert opinions specified in Paragraph 1, Paragraph 1 of this Article, and the notice of the shareholders' meeting, together with the important agreed contents and related matters of merger, division or acquisition, and deliver it to shareholders as a reference for whether to agree to the merger, division or acquisition. However, this restriction shall not apply to those who, according to other laws, are exempted from holding shareholders' meetings to decide on merger, demerger or acquisition matters.

In addition, if the shareholders' meeting of a company participating in merger, demerger or acquisition is unable to convene, resolve or reject a proposal due to insufficient attendance, voting rights or other legal restrictions, the Company participating in merger, demerger or acquisition shall immediately make public the reasons for the occurrence, subsequent processing operations and the expected date of holding the shareholders' meeting.

II. Other precautions

- (I) Date of board of directors and shareholders' meeting
  - 1. The company participating in the merger, demerger or acquisition of the Company shall hold a Board of Directors' meeting and shareholders'

meeting on the same day to resolve matters related to the merger, demerger or acquisition, unless otherwise stipulated by other laws or subject to special factors that have been reported to the Financial Supervisory and Commission for approval in advance.

2. The company shall convene a Board of Directors' meeting on the day of the transfer of shares; unless otherwise stipulated by law or if special factors have been reported to the Financial Supervisory Commission in advance for consent.
3. When participating in a merger, demerger, acquisition, or transfer of another company's shares, the Company shall prepare a full written record of the following information and retain it for five years for reference:
  - (1) Personnel basic information: Including the title, name and identity No. (for foreigners, passport number) of all persons involved in the merger, demerger, acquisition or transfer of shares or the implementation of the plan before the disclosure of the information.
  - (2) Date of important matters: Including the date of signing letter of intent or memorandum, entrusting financial or legal adviser, signing contract and Board of Directors, etc.
  - (3) Important documents and proceedings: Including merger, demerger, acquisition, or transfer of shares, letter of intent or memorandum of understanding, important contracts and board proceedings.
4. When participating in a merger, demerger, acquisition, or transfer of another company's shares, the Company shall, within 2 days counting inclusively from the date of passage of a resolution by the Board of Directors, report (in the prescribed format and via the Internet-based information system) the information set out in Items 3-1 and 3-2 of this Article to the FSC for recording.
5. Where a company participating in a merger, demerger, acquisition, or share transfer is not a listed company or a company whose shares are traded on the business premises of a securities firm, the Company shall enter into an agreement with it and handle the matter in accordance with Items 3 and 4 of this subparagraph.

(II) Prior Confidentiality Undertaking

All participants involved in the merger, demerger, acquisition, or transfer of shares shall be required to issue a written letter of confidentiality to commit not to disclose the contents of the plan before the information is made public, nor do they use their own names or under the names of other people to buy or sell shares and other marketable securities with equity property of all the companies related to the merger, demerger, acquisition, or transfer of shares of.

(III) Determination and alteration of shareholding ratio and acquisition price

The company participating in a merger, demerger, acquisition, or transfer of shares may not arbitrarily alter the share exchange ratio or acquisition price unless under the below-listed circumstances, and shall stipulate the

circumstances permitting alteration in the contract for the merger, demerger, acquisition, or transfer of shares:

1. Cash capital increase, issuance of corporate bonds, distribution of shares, issuance of corporate bonds, preferred shares with warrants, stock warrants, and other equity-based securities.
2. Disposal of the Company's major assets and other activities that affect the Company's financial business.
3. Major disasters, major technological changes and other events affecting the rights and interests of shareholders or securities prices.
4. Any adjustment to the Company's stock repurchase by any party participating in the merger, demerger, acquisition, or transfer of shares.
5. Changes in the number of entities or companies participating in the merger, demerger, acquisition, or transfer of shares.
6. Other conditions stipulated in the contract change and have been disclosed publicly.

(IV) Contents of the contract

The company's participation in merger, demerger, acquisition or share transfer shall include the following:

1. Handling of breach of contract
2. Principles for handling equity-type securities previously issued or treasury stock previously bought back by a company that is extinguished in a merger or through a merger basis.
3. The number of treasury stock that shall be repurchased according to the law after calculating the base date of the exchange calculation ratio and their principles of disposal.
4. The method of handling changes in the number of participating entities or companies.
5. Expected execution progress and expected completion schedule.
6. The relevant procedures of the expected convening dates of shareholders' meeting based on laws when a plan is overdue and still undone

(V) When the number of companies participating in the merger, demerger, acquisition or share transfer changes: After public disclosure of the information, if any company participating in a merger, demerger, acquisition, or transfer of shares intends further to carry out another merger, demerger, acquisition, or transfer of shares with another company, any procedure or legal action already completed for the original merger, split, acquisition, or transfer of shares shall be carried out anew, with exceptions for cases where the number of participating companies is decreased, and where the shareholders' meeting resolved to authorize the Board of Directors to alter the limits of authority, this company shall be exempt from re-convening of shareholders' meeting to generate another resolution.

(VI) If a company participating in the merger, demerger, acquisition or transfer of shares is not a publicly-issued company, the Company shall sign an agreement with it and handle it in accordance with Articles 25, 26 and 29.

Article 17. Information Disclosure Procedures

I. Items Required for Public Announcement and Report and its Standards

If the Company acquires or disposes of assets in the following circumstances, it shall, by nature and in accordance with the prescribed format, declare the relevant information shall be submitted to the website designated by the Financial Supervisory Commission for public announcement within 2 days from the date of the occurrence of the facts:

- (I) Acquiring or disposing of immovable property from the related party, or acquiring or disposing of other assets other than the real property with the related person, and the transaction amount reaches 20% of the Company's paid-up capital, 10% of the total assets or more than NT\$300 million. However, this restriction does not apply to trading of government bonds, bonds under repurchase and resale agreements, or to issue or repurchase domestic money market funds issued by domestic securities investment trust enterprises.
- (II) Merger, demerger, acquisition, or transfer of shares.
- (III) The loss of transaction in derivative goods has reached the maximum amount of all or individual contract losses specified in the processing procedures.
- (IV) Where the type of asset acquired or disposed is equipment for business use, the transaction object is not a related party, and the transaction amount reaches NT\$500 million.
- (V) Acquisition of real property by engaging others to build on the Company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, in which the amount the Company is expected to invest is NT\$500 million or above.
- (VI) Where an asset transaction other than any of those referred to in the preceding five Subparagraphs, a disposal of receivables by a financial institution, or an investment in Mainland China reaches 20% or more of paid-in capital or NT\$300 million. However, this does not apply to the following circumstances:
  - 1. Trading of domestic government bonds or foreign government bonds with a rating that is not lower than the sovereign rating of Taiwan.
  - 2. Trading of bonds under repurchase and resale agreements, or subscription or redemption of domestic money market funds issued by domestic securities investment trust enterprises.

II. The term "within the preceding year" as used in the preceding paragraph shall be calculated as a basis for the year preceding the date of occurrence of the current transaction. The period when announcement has been made in accordance with the regulations shall be exempted from re-counting.

- (I). The amount of each transaction.
- (II). The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same counterparty within the

- preceding year.
- (III). The cumulative transaction amount of real property acquisition and disposal (cumulative acquisitions and disposals, respectively) within the same development project within the preceding year.
- (IV). The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same securities within the preceding year.
- III. The provision of 10% of the total assets in this processing procedure is calculated based on the total assets in the most recent individual financial report as required by the securities issuer's financial reporting standards.
- If the Company's shares have no nominal amount or the denomination per share is not NT\$10, the transaction amount of 20% of paid-in capital shall be set out in the Procedures shall be calculated based on 10% of the equity vested in the owner of the parent company.
- IV. Announcement and Declaration Procedures
- (I). The company shall, on a monthly basis, input the information of the Company and its non-domestic publicly issued subsidiaries engaging in derivative product transactions as of the end of last month into the information reporting website designated by the financial regulatory commission before the tenth day of each month in accordance with the prescribed format.
- (II). When the Company and its subsidiaries that are non-public companies domestically reach the maximum loss limit on all or individual contract established in the Regulations while engaging in derivatives trading, they shall publicly announce and report the relevant information on the website designated by the competent authority within two days from the occurrence in a prescribed format based on its nature.
- (III). When the Company is required to announce the project according to the regulations, if there is any error or omission at the time of the announcement, all items shall be re-announced and declared within 2 days from the date of notification.
- (IV). In the acquiring or disposing of its assets, the Company shall keep the relevant contracts, minute book, memorandum book, appraisal report, opinions of accountants, lawyers or securities underwriters in the Company for at least five years, unless otherwise stipulated by law.
- (V). After the transaction announcement and declaration by the Company in accordance with the provisions of the preceding paragraph, if one of the following circumstances occurs, the relevant information shall be submitted to the website designated by the Financial Supervisory Commission for public announcement within 2 days from the date of the occurrence of the facts:
1. There are changes, terminations or rescission of relevant contracts signed in the original transaction.



2. The merger, demerger, acquisition, or transfer of shares is not completed by the scheduled date set forth in the contract.
3. There are changes in contents of the declaration in the original announcement.

Article 18. The Company's subsidiaries shall comply with the following provisions:

- I. Subsidiaries shall also formulate the "Procedures for Acquisition or Disposal of Assets" according to the Standards for the Processing of Assets Acquisition or Disposal by the Publicly Owned Corporation, and submit and report to the Board of Directors of the Company after being approved by the Board of Directors of the subsidiary. The same procedures shall be followed for its amendment.
- II. If a subsidiary is not a domestic publicly owned corporation, the Company shall handle the announcement and declaration when the assets acquired or disposed of by the subsidiary meet the announcement and declaration standards stipulated in the Standards for the Processing of Assets Acquisition or Disposal by the Publicly Owned Corporation.
- III. The provisions on the paid-in capital or total assets related to the subsidiaries' disclosure standards shall be based on the paid-in capital or total assets of the Company.

Article 19. Penalty provision

If it is verified that the employees of the Company engaging in the acquiring or disposing of assets violate the provisions of this procedure, they shall be punished according to the personnel management measures and related measures of the Company, depending on the seriousness of the circumstances.

Article 20. Implementation and Amendment

The company's "Procedures for Acquisition or Disposal of Assets" shall be approved by more than half of the members of the audit committee, submitted to the Board of Directors for resolution, and then reported to the shareholders' meeting for approval. The same procedure shall be followed for amendment.

If any matter has not been approved by more than one-half of all members of the audit committee, the consent of more than two-thirds of all directors shall be obtained, and the resolution of the audit committee shall be set forth in the proceedings of the Board of Directors.

All audit committee members and all directors as used herein shall be counted as the actual number of persons currently holding those positions.

When the Company has submitted the "Procedures for Acquisition or Disposal of Assets" to the Board of Directors for discussion, the Company shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the Board of Directors' meeting.

Article 21. Supplementary Provisions

Any matters not covered by the Procedures shall be governed by the relevant laws and regulations.

【Appendix 3】

Sinmag Equipment Corporation  
Rules of Procedure for Shareholders' Meetings

Article 1. Basis of the Rules

To establish a sound governance system and strengthen the supervisory and management functions for the Company's shareholders' meeting, the Rules are formulated in accordance with the Code of Practice of the Corporate Governance for TWSE/TPEX Listed Companies.

Article 2. The rules of procedure for the Company shareholders' meetings, except as otherwise provided by law or the Articles of Incorporation, shall be in accordance with the provisions of these Rules.

Article 3. Convention of Shareholders' Meeting and meeting notice

Unless otherwise provided by law, the shareholders' meeting of the Company shall be convened by the Board of Directors.

Changes to how this Corporation convenes its shareholders meeting shall be resolved by the board of directors, and shall be made no later than mailing of the shareholders meeting notice.

The Company shall, 30 days prior to the regular shareholders' meeting, or 15 days prior to the extraordinary meeting of shareholders, make electronic files of the notice of meeting, the power of attorney, the cause of action and explanatory materials on various motions concerning admission, discussion, appointment or removal of directors, and other relevant information and send it to the Market Observation Post System (MOPS). This Corporation shall prepare electronic versions of the shareholders meeting agenda and supplemental meeting materials and upload them to the MOPS 21 days before the date of the regular shareholders meeting or 15 days before the extraordinary shareholders' meeting. If, however, this Corporation has the paid-in capital of NT\$10 billion or more as of the last day of the most current fiscal year, or total shareholding of foreign shareholders and Mainland Chinese shareholders reaches 30% or more as recorded in the register of shareholders of the shareholders' meeting held in the immediately preceding year, transmission of these electronic files shall be made by 30 days before the regular shareholders' meeting. 15 days before the shareholders' meeting, the shareholders' meeting agenda handbook and supplementary information shall be prepared for shareholders to obtain a timely request and displayed in the Company and the Company's professional shareholder services agency, and they shall be distributed at the meeting.

The Company shall make the meeting agenda and supplemental meeting materials in the preceding paragraph available to shareholders for review in the following manner on the date of the shareholders' meeting:

- I. For physical shareholders meetings, to be distributed on-site at the meeting.

II. For hybrid shareholders meetings, to be distributed on-site at the meeting and shared on the virtual meeting platform.

III. For virtual-only shareholders meetings, electronic files shall be shared on the virtual meeting platform.

The reasons for convening meeting and public announcements shall be stated in the meeting notice. With the consent of addressees, the meeting notice may be given in electronic form. Election/dismissal of Directors, changes in the Articles of Incorporation, capital reduction, application of halting public offering, permission for the Directors to compete with the Company, capitalization of retained earnings, capitalization of capital reserves, dissolution/merging/splitting of the Company, or all items pertaining to Paragraph 1, Article 185 of the Company Act, Articles 26-1 and 43-6 of the Securities and Exchange Act, or items pertaining to Articles 56-1 and 60-2 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers shall be listed as reasons to convene the meeting, with their essential contents specified, and shall not be raised as extempore motions.

The reasons for the convening of the shareholders' meeting have indicated the full re-election of directors and the date of taking office. After the re-election of the shareholders' meeting is completed, the date of taking office shall not be changed by temporary motion or other means at the same meeting.

Shareholders holding 1% or more of the total number of issued shares may submit to the Company a proposal for discussion at a regular shareholders' meeting, provided that only one matter shall be allowed in each single proposal, and in case a proposal contains more than one matter, such proposal shall not be included in the agenda. If the circumstances in Article 172-1, Paragraph 4 of the Company Act are proposed by a shareholder, the Board of Directors may not list it as a proposal. Shareholders shall submit proposals to urge the Company to promote public interests or fulfill its social responsibilities. From a procedural point of view, only one matter shall be allowed in each proposal pursuant to Article 172-1 of the Company Act. Where a proposal contains more than one matter, such proposal shall not be included in the agenda.

Prior to the book closure date before a General Shareholders' Meeting is held, the Company shall publicly announce that it will receive shareholder proposals, written or electronic acceptance and the location and time period for their submission; the period for submission of shareholder proposals may not be less than 10 days.

A proposal submitted by a shareholder shall be limited to 300 words and proposals exceeding 300 words shall not be included in the agenda. A shareholder who submitted a proposal shall attend the general shareholders' meeting in person or by proxy, and shall participate in the discussion of the proposal.

The Company shall notify the shareholders of the results before the date of the notice of the meeting, and shall include the resolutions stipulated in this Article in the notice of the

meeting. For proposals by shareholders that are not included in the agenda, the board shall explain the reasons in the shareholders' meeting.

Article 4. Proxy Attendance and Delegation of Authority

For each shareholders' meeting, a shareholder may appoint a proxy to attend the meeting by providing a power of attorney issued by the Company, stating the scope of the proxy's authorization.

A shareholder shall issue a power of attorney, limited to one person, which shall be delivered to the Company five days prior to the date of the shareholders' meeting. When a written proxy is delivered, whichever one received first shall prevail. However, this restriction does not apply to the withdrawal of prior proxy declaration.

After the power of attorney is delivered to the Company, if a shareholder wishes to attend a shareholders' meeting in person or exercise his/her voting rights in writing or electronically, he shall, two days prior to the shareholders' meeting, issue the Company a written notice regarding the withdrawal of the proxy. In case of late cancellation, the voting right exercised by the proxy shall be adopted.

After the power of attorney is delivered to the Company, if a shareholder wishes to attend a shareholders' meeting in person or exercise his/her voting rights in writing or electronically, he shall, two days prior to the shareholders' meeting, issue the Company a written notice regarding the withdrawal of the proxy. In case of late cancellation, the voting right exercised by the proxy shall be adopted.

Article 5. Principle of Convening Shareholders' Meeting

The place of a shareholders' meeting shall be the Company location or a place where all shareholders are easy to attend. The meeting shall be held at a venue after 9 AM or not later than 3 PM. The meeting shall be held in a place agreed by all shareholders.

The restrictions on the place of the meeting mentioned in the preceding paragraph shall not apply when the Company convenes a virtual-only shareholders meeting.

Article 6. Preparation of Sign-in Book and Other Documents

The notice of meeting of the Company shall state the time and place of registration to shareholders, solicitors and proxies (hereinafter referred to as the shareholders), and other matters needing attention.

The registration time of shareholders mentioned in the preceding paragraph shall be at least 30 minutes before the meeting begins. There shall be clear signs at the registration area and adequate personnel shall be designated for handling the registration procedure. For virtual shareholders' meetings, shareholders may begin to register on the virtual meeting platform 30 minutes before the meeting starts. Shareholders completing registration will be deemed as attend the shareholders' meeting in person.

Shareholders shall attend the shareholders' meeting. The Company shall not offer a written record of the shareholders' meeting. The Company shall not request the shareholders to

attend the meeting for the purpose of providing for the request of the proxy documents; the solicitors who are soliciting by the solicitors shall bring their identification documents for verification.

The Company shall prepare an attendance book for attending shareholders, or attending shareholders submit the attendance cards in lieu of signing.

The Company shall furnish attending shareholders with the meeting agenda handbook, annual report, attendance card, speaker's slips, voting slips and other meeting materials. Where there is an election of directors (including independent directors), pre-printed ballots shall also be furnished.

When a government unit or a judicial person is a shareholder, a representative of a shareholder attending a meeting is not limited to one. When a juristic person is appointed to attend a shareholders' meeting, it may designate one person to attend the meeting.

In the event of a virtual shareholders meeting, shareholders wishing to attend the meeting online shall register with this Corporation two days before the meeting date.

In the event of a virtual shareholders meeting, this Corporation shall upload the meeting agenda book, annual report and other meeting materials to the virtual meeting platform at least 30 minutes before the meeting starts, and keep this information disclosed until the end of the meeting.

Article 6-1. Convening virtual shareholders meetings and particulars to be included in shareholders meeting notice

To convene a virtual shareholders meeting, this Corporation shall include the following particulars in the shareholders meeting notice:

- I. How shareholders attend the virtual meeting and exercise their rights.
- II. Actions to be taken if the virtual meeting platform or participation in the virtual meeting is obstructed due to natural disasters, accidents or other force majeure events, at least covering the following particulars:
  - (I) To what time the meeting is postponed or from what time the meeting will resume if the above obstruction continues and cannot be removed, and the date to which the meeting is postponed or on which the meeting will resume.
  - (II) Shareholders not having registered to attend the affected virtual shareholders meeting shall not attend the postponed or resumed session.
  - (III) In case of a hybrid shareholders meeting, when the virtual meeting cannot be continued, if the total number of shares represented at the meeting, after deducting those represented by shareholders attending the virtual shareholders meeting online, meets the minimum legal requirement for a shareholder meeting, then the shareholders meeting shall continue. The shares represented by shareholders attending the virtual meeting online shall be counted towards the total number of shares represented by shareholders present at the meeting,

and the shareholders attending the virtual meeting online shall be deemed abstaining from voting on all proposals on meeting agenda of that shareholders meeting.

(IV) Actions to be taken if the outcome of all proposals have been announced and extraordinary motion has not been carried out.

III. To convene a virtual-only shareholders meeting, appropriate alternative measures available to shareholders with difficulties in attending a virtual shareholders meeting online shall be specified.

#### Article 7. Chairman and Chief Executive Officer

If a shareholder is convened by the Board of Directors, the Chairman shall be the Chairman of the board. If the Chairman asks for leave or cannot exercise his/her power for some reason, the vice chairman shall act as his/her proxy. If there is no vice chairman or if the vice chairman asks for leave or cannot exercise his/her power for some reason, the Chairman shall appoint a managing director to act as his/her proxy. If there are no managing directors, the Chairman shall appoint a director to act as his/her proxy. Where the Chairman of the board has not appointed a proxy, the managing director or the directors shall appoint one person as Chairman among themselves.

The Chairman referred to in the preceding paragraph shall be the managing director or director who serves for six months or more, and understand the Company's financial operations. The same rules will prevail to the Chairman who is the proxy of the judicial person.

Shareholders' meetings convened by the Board of Directors shall be held by Chairman of the board. The Chairman shall be held by a majority of the Directors, and a majority of the functional committee members shall be present at least one-half of the Board and the attendance record shall be recorded in the minute book.

If a shareholders' meeting is convened by a convener other than the Board of Directors, the convener shall be the Chairman. If there are two or more conveners, they shall elect one chairman from among themselves.

The Company may designate its attorneys, certified public accountants, or related persons to attend the shareholders' meeting.

#### Article 8. Recording of the Shareholder's Meeting

The Company shall, upon receiving the shareholders' report, keep recording the entire shareholders' meeting, the proceedings and the counting of voting.

The aforementioned video information shall be kept for at least one year. However, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the ballots shall be kept until the conclusion of the litigation.

Where a shareholders meeting is held online, this Corporation shall keep records of shareholder registration, sign-in, check-in, questions raised, votes cast and results of votes

counted by this Corporation, and continuously audio and video record, without interruption, the proceedings of the virtual meeting from beginning to end.

The information and audio and video recording in the preceding paragraph shall be properly kept by this Corporation during the entirety of its existence, and copies of the audio and video recording shall be provided to and kept by the party appointed to handle matters of the virtual meeting.

In case of a virtual shareholders meeting, this Corporation is advised to audio and video record the back-end operation interface of the virtual meeting platform.

Article 9. Calculation of number of shares present and meeting commencement

Attendance at shareholders' meetings shall be calculated based on the number of shares. The number of attended shares shall be calculated according to the number of shares issued by the Company and sign-in cards and the shares checked in on the virtual meeting platform, plus the number of shares that may be exercised in writing or electronically.

At the time scheduled for the meeting, the Chairman shall immediately announce the meeting, and at the same time announce the relevant information such as the number of non-voting rights and the number of shares present.

However, if no shareholders representing more than half of the total number of issued shares are present, the Chairman may announce a postponement of the meeting. However, there shall not be more than two postponements in total and the total time accumulated in the postponement(s) shall not exceed one hour. If the quorum is not met after two postponements and the attending shareholders still represent less than one third of the total number of issued shares, the chair shall declare the meeting adjourned. In the event of a virtual shareholders meeting, this Corporation shall also declare the meeting adjourned at the virtual meeting platform.

If the aforementioned two postponements still fail according to the preceding paragraph, if the number of shares that represent more than one-third of the total number of issued shares is still less than one-third of the total number of issued shares, the tentative resolution may be determined as a tentative resolution in accordance with Article 175-1 of the Company Act, and the shareholders will be notified of the tentative resolution for each one month to convene a new meeting within one month. In the event of a virtual shareholders meeting, shareholders intending to attend the meeting online shall re-register to this Corporation in accordance with Article 6.

If, prior to the conclusion of the meeting, the attending shareholders represent a majority of the total number of shares, the Chairman may resubmit the tentative resolution for a vote by the shareholders' meeting pursuant to Article 174 of the Company Act.

Article 10. Proposal Discussion

If the shareholders' meeting is convened by the Board of Directors, its agenda shall be determined by the Board of Directors. Relevant motions, including temporary motions and

amendments to the original motion, shall be decided by vote. The meeting shall be held according to the determined agenda and shall not be changed without the resolution of the Board of Shareholders.

The provisions of the preceding paragraph apply to a shareholders' meeting convened by a convener other than the Board of Directors.

Before the end of the proceedings (including provisional motions), the Chairman shall not announce the adjournment of the meeting without a resolution. If the Chairman violates the rules of procedure and announces the adjournment, the other members of the Board of Directors shall promptly assist the attending shareholders to elect another Chairman and continue the meeting with the consent of more than half of the voting rights of the shareholders present.

The Chairman shall give the opportunity to fully explain and discuss the proposals, as well as the amendments or motions proposed by the shareholders. When the Chairman is of the opinion that a proposal has been sufficiently discussed to a degree of putting to a vote, the Chairman may announce the discussion closed and bring the proposal to vote. The Chairman shall also allocate sufficient time for voting.

#### Article 11. Shareholder's Speech

Before speaking, an attending shareholder must fill in a speaker's slip specifying the subject of the speech, the shareholder account number (or attendance card number) and account name, and the sequence of the speech shall be determined by the Chairman.

A shareholder who has submitted a speaker's slip but does not actually speak shall be deemed to have not spoken. When the content of the speech does not correspond to the subject given on the speaker's slip, the spoken content shall prevail.

Each shareholder shall not speak more than twice on the same proposal without the consent of the Chairman, and shall not speak for more than five minutes at a time. The chairman shall stop the shareholder from speaking if the shareholder violates the regulations or exceeds the scope of the topic.

When a shareholder attends the meeting, other shareholders may not speak or interrupt unless they have sought and obtained the consent of the Chairman. The Chairman has the right to stop any violation.

When a judicial person shareholder appoints two or more representatives to attend the shareholders' meeting, only one of the representatives for the same proposal may speak.

After the shareholders' speech, the Chairman may respond in person or designate relevant personnel to respond.

Where a virtual shareholders meeting is convened, shareholders attending the virtual meeting online may raise questions in writing at the virtual meeting platform from the chair declaring the meeting open until the chair declaring the meeting adjourned. No more than two questions for the same proposal may be raised. Each question shall contain no more



than 200 words. The regulations in paragraphs 1 to 5 do not apply.

As long as questions so raised in accordance with the preceding paragraph are not in violation of the regulations or beyond the scope of a proposal, it is advisable the questions be disclosed to the public at the virtual meeting platform.

Article 12. System of Calculation and Withdrawal of the Number of Voting Shares

Voting at a shareholders' meeting shall be calculated based on the number of shares.

Resolutions of the board of shareholders regarding the number of shares of non-voting shareholders shall not be counted as the total number of shares issued.

When a shareholder's interest in the meeting may lead to damage to the interests of the Company, the shareholder shall not vote and shall not exercise his voting rights on behalf of other shareholders.

The number of shares unexecuted voting rights under the preceding paragraph shall not be calculated as part of the voting rights represented by attending shareholders.

When a person accepts the entrustment of more than two shareholders at the same time, the voting rights of the person acting shall not exceed 3% of the total number of shares issued, except for trust undertakings or the stock agency approved by the regulator. If the voting rights exceed 3%, the voting rights representing the exceeding part shall not be counted.

Article 13. Voting, Monitoring and Counting Methods

A shareholder shall be entitled to one vote per share, except the non-voting shares under Article 179, Paragraph 2 of the Company Act.

When the Company convenes a shareholders' meeting, shareholders shall exercise their voting rights by electronic means and may exercise their voting rights in writing. The method for exercising voting rights in writing or by electronic means shall be indicated in the notice of shareholders' meeting. A shareholder exercising voting rights in writing or electronically shall be deemed to have attended the meeting in person. However, in respect of the extempore and motions and amendments to the original proposals of that meeting, the shareholder shall be deemed to have waived his/her rights and it is therefore advisable that the Company avoid the submission of provisional motions and amendments to the original proposals.

A shareholder intending to exercise voting rights in writing or electronically as stated in the preceding paragraph, its intention shall be delivered to the Company two days before the shareholders' meeting. When a duplicate declaration is delivered, whichever one is received earlier shall prevail. However, those who express their intention before revoking the declaration shall not be subject to this restriction.

If a shareholder wishes to attend a shareholders' meeting in person after the exercise of his voting rights in writing or electronically, the shareholder shall, two days prior to the meeting of shareholders' meeting or virtual meeting, cancel his intention to exercise the voting rights referred to in the preceding paragraph in the same manner as he exercised his voting rights;

in case of late cancellation, the voting right shall be exercised in writing or electronically. Where a shareholder is entitled to exercise voting rights in writing or electronically and a proxy is appointed to attend a shareholder's meeting, the voting right exercised by the proxy shall prevail.

Except as otherwise provided in the Company Act and in the Company's Articles of Incorporation, a proposal shall be adopted by a majority of the attending shareholders who attend a meeting. At the time of a vote, the Chairman or designated personnel shall announce the total number of voting rights represented by the attending shareholders, and the shareholders shall then conduct the vote for each proposal case by case. On the same day, the meeting is held, the results of consent, objection or abstentions for each proposal shall be entered into the MOPS.

When there is an amendment or an alternative to a proposal, the Chairman shall present the amended or alternative proposal together with the original proposal and decide which shall be put to a vote first. If one of the proposals has been passed, the other proposals shall be deemed rejected, and no further voting shall be required.

The Chairman shall appoint the controller of ballot and counting personnel for the votes. However, the controller of ballot shall be one of the shareholders.

Vote counting or election of the meeting shall be conducted at an open public at the venue of the shareholders' meeting. After counting, the results of voting shall be announced on the spot immediately after counting and recording.

When this Corporation convenes a virtual shareholders meeting, after the chair declares the meeting open, shareholders attending the meeting online shall cast votes on proposals and elections on the virtual meeting platform before the chair announces the voting session ends or will be deemed abstained from voting.

In the event of a virtual shareholders meeting, votes shall be counted at once after the chair announces the voting session ends, and results of votes and elections shall be announced immediately.

When this Corporation convenes a hybrid shareholders meeting, if shareholders who have registered to attend the meeting online in accordance with Article 6 decide to attend the physical shareholders meeting in person, they shall revoke their registration two days before the shareholders meeting in the same manner as they registered. If their registration is not revoked within the time limit, they may only attend the shareholders meeting online.

When shareholders exercise voting rights by correspondence or electronic means, unless they have withdrawn the declaration of intent and attended the shareholders meeting online, except for extraordinary motions, they will not exercise voting rights on the original proposals or make any amendments to the original proposals or exercise voting rights on amendments to the original proposal.

#### Article 14. Elections

When there is a director election in the shareholders' meeting, the election shall be conducted in accordance with the applicable election and appointment rules of the Company. The results of the election shall be announced immediately at the meeting on site, including the list of directors elected and the number of voting rights thereof, as well as the list of unelected directors and the number of voting rights thereof.

The ballots for the election referred to in the preceding paragraph shall be sealed with the signatures of the controller of ballot and kept properly and safely for at least one year. However, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the ballots shall be kept until the conclusion of the litigation.

#### Article 15. Minutes and Signatures of Meetings

Matters relating to the resolutions of a shareholders' meeting shall be recorded in the meeting minutes. The meeting minutes shall be signed or sealed by the Chairman of the meeting and a copy distributed to each shareholder within 20 days after the termination of the meeting. The production and distribution of the meeting minutes may be effected by electronic means.

The distribution of the meeting minutes as described in the preceding paragraph can be done through a public announcement on the Market Observation Post System.

The minutes of the meeting shall be recorded in accordance with the year, month, day, place, name of the Chairman, method of resolution, essentials of the meeting process and voting results (including the statistical votes). When there is an election of directors, the number of votes obtained by each candidate shall be disclosed. It shall be kept permanently for the duration of the Company.

Where a virtual shareholders meeting is convened, in addition to the particulars to be included in the meeting minutes as described in the preceding paragraph, the start time and end time of the shareholders meeting, how the meeting is convened, the chair's and secretary's name, and actions to be taken in the event of disruption to the virtual meeting platform or participation in the meeting online due to natural disasters, accidents or other force majeure events, and how issues are dealt with shall also be included in the minutes.

When convening a virtual-only shareholder meeting, other than compliance with the requirements in the preceding paragraph, this Corporation shall specify in the meeting minutes alternative measures available to shareholders with difficulties in attending a virtual-only shareholders meeting online.

#### Article 16. Announcements

On the day of a shareholders meeting, this Corporation shall compile in the prescribed format a statistical statement of the number of shares obtained by solicitors through solicitation, the number of shares represented by proxies and the number of shares represented by shareholders attending the meeting by correspondence or electronic means, and shall make an express disclosure of the same at the place of the shareholders meeting;

In the event a virtual shareholders meeting, this Corporation shall upload the above meeting materials to the virtual meeting platform at least 30 minutes before the meeting starts, and keep this information disclosed until the end of the meeting.

During this Corporation's virtual shareholders meeting, when the meeting is called to order, the total number of shares represented at the meeting shall be disclosed on the virtual meeting platform. The same shall apply whenever the total number of shares represented at the meeting and a new tally of votes is released during the meeting.

If matters put to a resolution at a shareholders meeting constitute material information under applicable laws or regulations or under Taiwan Stock Exchange Corporation (or GreTai Securities Market) regulations, the Company shall upload the content of such resolution to the MOPS within the prescribed time period.

Article 17. Rank and Security

Staff handling administrative affairs of a shareholders' meeting shall wear identification cards or arm bands.

The Chairman may direct the inspectors or security personnel to help maintain order at the meeting place. The pickets or security personnel shall wear armbands with the word "Picket" when maintaining order.

At the place of a shareholders' meeting, if a shareholder attempts to speak through any device other than the public address equipment set up by the Company, the Chairman may stop the shareholder from so doing.

If the shareholder violates the rules of procedures and defies the Chairman's instruction, and obstructs the proceedings and refuses to stop, the Chairman may direct the pickets or security personnel to escort the shareholder out of the venue.

Article 18. Break and Resume of Meeting

When the meeting is held, the Chairman may announce a break. When an unpreventable event occurs, the Chairman may decide to temporarily suspended the meeting and announce the time for the meeting to be resumed depending on the conditions.

The board of shareholders may decide to find another venue to continue the meeting if the venue cannot be used at that time before the end of the agenda (including provisional motions) scheduled by the board of shareholders.

The shareholders' meeting may resolve that the meeting be postponed or reconvened within five days in accordance with Article 182 of the Company Act.

Article 19. Disclosure of information at virtual meetings

In the event of a virtual shareholders meeting, this Corporation shall disclose real-time results of votes and election immediately after the end of the voting session on the virtual meeting platform according to the regulations, and this disclosure shall continue at least 15 minutes after the chair has announced the meeting adjourned.

Article 20. Location of the chair and secretary of virtual-only shareholders meeting

When this Corporation convenes a virtual-only shareholders meeting, both the chair and secretary shall be in the same location, and the chair shall declare the address of their location when the meeting is called to order.

Article 21. Handling of disconnection

In the event of a virtual shareholders meeting, this Corporation may offer a simple connection test to shareholders prior to the meeting, and provide relevant real-time services before and during the meeting to help resolve communication technical issues.

In the event of a virtual shareholders meeting, when declaring the meeting open, the chair shall also declare, unless under a circumstance where a meeting is not required to be postponed to or resumed at another time under Article 44-20, paragraph 4 of the Regulations Governing the Administration of Shareholder Services of Public Companies, if the virtual meeting platform or participation in the virtual meeting is obstructed due to natural disasters, accidents or other force majeure events before the chair has announced the meeting adjourned, and the obstruction continues for more than 30 minutes, the meeting shall be postponed to or resumed on another date within five days, in which case Article 182 of the Company Act shall not apply.

For a meeting to be postponed or resumed as described in the preceding paragraph, shareholders who have not registered to participate in the affected shareholders meeting online shall not attend the postponed or resumed session.

For a meeting to be postponed or resumed under the second paragraph, the number of shares represented by, and voting rights and election rights exercised by the shareholders who have registered to participate in the affected shareholders meeting and have successfully signed in the meeting, but do not attend the postpone or resumed session, at the affected shareholders meeting, shall be counted towards the total number of shares, number of voting rights and number of election rights represented at the postponed or resumed session.

During a postponed or resumed session of a shareholders meeting held under the second paragraph, no further discussion or resolution is required for proposals for which votes have been cast and counted and results have been announced, or list of elected directors and supervisors.

When this Corporation convenes a hybrid shareholders meeting, and the virtual meeting cannot continue as described in second paragraph, if the total number of shares represented at the meeting, after deducting those represented by shareholders attending the virtual shareholders meeting online, still meets the minimum legal requirement for a shareholder meeting, then the shareholders meeting shall continue, and not postponement or resumption thereof under the second paragraph is required.

Under the circumstances where a meeting should continue as in the preceding paragraph, the shares represented by shareholders attending the virtual meeting online shall be counted

towards the total number of shares represented by shareholders present at the meeting, provided these shareholders shall be deemed abstaining from voting on all proposals on meeting agenda of that shareholders meeting.

When postponing or resuming a meeting according to the second paragraph, this Corporation shall handle the preparatory work based on the date of the original shareholders meeting in accordance with the requirements listed under Article 44-20, paragraph 7 of the Regulations Governing the Administration of Shareholder Services of Public Companies.

For dates or period set forth under Article 12, second half, and Article 13, paragraph 3 of Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies, and Article 44-5, paragraph 2, Article 44-15, and Article 44-17, paragraph 1 of the Regulations Governing the Administration of Shareholder Services of Public Companies, this Corporation shall handle the matter based on the date of the shareholders meeting that is postponed or resumed under the second paragraph.

Article 22. Handling of digital divide

When convening a virtual-only shareholders meeting, this Corporation shall provide appropriate alternative measures available to shareholders with difficulties in attending a virtual shareholders meeting online.

Article 23. These Rules shall be implemented after approval by the shareholders' meeting. The same procedure applies for amendments.

Article 24. The shareholders' meeting agreed to implement these Rules on April 30, 2003.

The 1st amendment was made on June 24, 2006.

The 2nd amendment was made on June 19, 2012.

The 3rd amendment was made on June 28, 2013.

The 4th amendment was made on June 30, 2015.

The 5th amendment was made on June 6, 2016.

The 6th amendment was made on June 19, 2017.

The 7th amendment was made on June 20, 2020.

The 8th amendment was made on August 13, 2021.

The 9th amendment was made on May 31, 2022.

【Appendix 4】

Sinmag Equipment Corporation  
Shareholding of Directors

- I. The Company's paid-in capital is NT\$502,302,420 and the total number of issued shares is 50,230,242 shares.
- II. According to Article 26 of the Securities and Exchange Act, the minimum number of shares required to be held by all Directors shall be 4,018,419 shares. As the Company has established an Audit Committee, there is no provision for the number of shares required by the Supervisors to be held. (Note)
- III. As of 2023 Annual Shareholders' Meeting (April 21, 2023), the number of shares held by individual and all directors recorded in the Shareholder Register is as follows, which meets the percentage standard specified in Article 26 of the Securities and Exchange Act.

Title	Name	Number of shares held recorded in the shareholder's roster book on the book closure date	
		Number of Shares	Shareholding Ratio
Chairman	Hsieh, Shun-Ho	2,211,267	4.40%
Director	Wu, Yao-Tsung	1,788,616	3.56%
Director	Chang, Jui-Jung	380,981	0.76%
Director	Hsieh, Ming-Ching	2,112,980	4.21%
Director	Hsiao, Shu-Chuan	123,813	0.25%
Director	Chang, Yu-Chuan	11,517	0.02%
Independent Director	Chan, Shih-Hung	0	0.00%
Independent Director	Tu, San-Chien	0	0.00%
Independent Director	Huang, Huei-Wang	0	0.00%
Number of Shares Held by all Directors and Shareholding ratio		6,629,174	13.20%

Note: According to Article 2 of the "Rules Governing the Equity Percentage of the Company's Director and Supervisors and the Audit Implementation Rules," if more than two independent directors are elected, the number of shares held by all directors and supervisors other than the independent directors will be reduced to 80%.

**【Appendix 5】**

The effect of proposed stock dividends in this Shareholders' Meeting on the Company's operating performance, earnings per share, and return on equity:

The Company did not have any proposed distribution of stock dividends in 2023, and the Company does not need to make any financial forecast according to regulations, therefore it is not applicable.



Thank you for attending the General Shareholders'  
Meeting!

Any comments or suggestions will be appreciated.