

Sinmag Equipment Corporation
Minutes of 2024 Annual General Shareholders' Meeting

Time: 9 a.m., Friday, June 21, 2024

Address: Room A, 3F, No. 9, Wugong 6th Road, Wugu Dist., New Taipei City
(New Taipei City Labor Activity Center)

Method of Convening: Physical Shareholders' Meeting

Attendance: A total of 35,824,063 shares attended in person and by proxy (including 6,205,301 shares attended electronically), accounting for 71.31% of the total number of 50,230,242 shares issued by the Company.

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

Attending Independent Directors: Chan, Shih Hung(Convener of the Audit Committee),
Tu, San-Chien, Huang, Huei-Wang

Participants without voting rights: CPA Keng-Hsi Chang, Deloitte & Touche, Attorney Po-Cheng Lin, Primordial Law Firm

Chairman: Hsieh, Shun-Ho

Minute taker: Lo, Wei-Lun

I. Called to order: When the total number of shares attending exceeds the quorum, the Chairperson calls the meeting to order in accordance with the law.

II. Chairman Remarks: (omitted)

III. Report Items

1. For the 2023 Business Report, please refer to Attachment 1.
2. For the 2023 Audit Committee's Review Report, please refer to Attachment 2.
3. For the 2023 Employees' and Director's Compensation Distribution Report, please refer to the Meeting Handbook.
4. For the 2023 Earnings distribution in the form of cash dividends, please refer to the Meeting Handbook.

Summary of shareholder's questions:(No. 10587)

- 1.Regarding the current situation of the expansion of the subsidiary's manufacturing plant in China, how is production capacity and capacity utilization?

- 2.How is the current situation of leased manufacturing plant of the subsidiary in China?
- 3.What are the marketing strategies of overseas subsidiaries other than the subsidiary in China?
- 4.What is your opinion of other competitors in the same industry?
- 5.Does the company disclose more detailed information about its research and development?

Summary of Directors Hsieh, Ming-Ching's response:

- 1.Regarding the manufacturing plant expansion, it is being completed in phases. In the initial stages, we are dismantling and moving concurrently. The full production capacity expansion has not yet been achieved. As of now, the second manufacturing plant, covering 14,000 square meters, has been completed this year. Production capacity from the old manufacturing plant will be transferred to the second manufacturing plant, with demolition scheduled for August, followed by renovation.
- 2.The leased manufacturing plant involve renting from related parties and it is also included in the expansion plan to facilitate production capacity turnover between old and new manufacturing plant.
- 3.Direct sales yield higher gross profits, but there are additional operational costs, such as expenses for engineers frequently visiting customers for maintenance. The complexity arises from the time-consuming nature of personnel training, making it challenging to replicate this sales model overseas. The distributors have invested significant time in this aspect and replicating this model will require time. Considering manpower constraints, export primarily relies on distribution channels.
- 4.The sale account of ovens is over 30% of total revenue. We have some small competitors who buy cheaper products. If there are quality issues, it may affect their store opening and prompt them to turn to purchasing products from Sinmag. Sinmag will attract customers by offering high-quality products and excellent services.
- 5.The company will further deliberate on the disclosure of research and development content.

IV. Proposals

Motion 1: (Proposed by the Board of Directors)

Motion: To approve the 2023 Business Report and Financial Statements.

Explanation:

1. The Company's 2023 financial statements and consolidated financial statements and Business Report have been reviewed by the Audit Committee, and a written audit report has been issued.
2. Business Report and financial statements for the year 2023, please refer to Attachment 1 and Attachment 3.

3. Please proceed to the ratification of the proposal.

Resolution: The number of approval votes: 34,926,639, the number of votes against: 3,788, the number of disapproval votes: 893,636, the number of approval votes accounted for 97.49% of the 35,824,063 votes of attending shareholders. The motion was approved as proposed.

Motion 2: (Proposed by the Board of Directors)

Motion: To approve the proposed item for 2023 Earnings Distribution.

Explanation:

1. The Company's 2023 Earnings Distribution Proposal is as follows:

Sinmag Equipment Corporation Earnings Distribution Table 2023		Unit:NT\$
Unappropriated retained earnings at the beginning of the period		992,028,437
Plus: Net profit in 2023		603,037,304
Remeasurement of defined benefit plans		(3,352,480)
Net profit for the period plus adjustment		599,684,824
Less: Appropriated as special reserves		(31,060,761)
Retained earnings available for distribution		1,560,652,500
Item for distribution:		
Dividends to shareholders		
Cash dividends (NT\$9 per share)		(452,072,178)
Unappropriated retained earnings at the end of the period		1,108,580,322

Chairman: Hsieh, Shun-Ho

General Manager: Hsieh, Shun-Ho

Accounting Manager: Chen, Yi-Wen

2. Please proceed to the ratification of the proposal.

Resolution: The number of approval votes: 35,009,628, the number of votes against: 4,871, the number of disapproval votes: 809,564, the number of approval votes accounted for 97.72% of the 35,824,063 votes of attending shareholders. The motion was approved as proposed.

V. Discussions

Motion 1: (Proposed by the Board of Directors)

Motion: Discussion of the amendments to the Rules of Procedures for Shareholders' Meetings.

Explanation:

1. According to Letter No. 11200552441 issued by the Taiwan Stock Exchange on March 23, 2023 and in response to the operational needs of the Company, it is proposed to revise certain articles of the "Rules of Procedure for Shareholders' Meetings"
2. For the Comparison Table for the Rules of Procedure for Shareholders' Meeting Before and After Revision, please refer to Attachment 4.
3. It is hereby submitted for discussion.

Resolution: The number of approval votes: 35,004,466, the number of votes against: 8,024, the number of disapproval votes: 811,573, the number of approval votes accounted for 97.71% of the 35,824,063 votes of attending shareholders. The motion was approved as proposed.

VI. Extempore Motion:

Summary of shareholder's questions:(No. 14175)

- 1.Outlook on this year's revenue and views on stainless steel costs.
- 2.Does the company have plans to increase stock market trading volume or listing on Taiwan Stock Exchange?

Summary of Directors Hsieh, Ming-Ching's response:

- 1.The Chinese market has not performed as expected this year, while the U.S. market has shown stronger performance. There is a possibility that this year's revenue could surpass last year's, but we remain cautious about achieving a new revenue high for the year. Regarding the prices of stainless steel, the company does not typically make forecasts unless there is a significant and obvious cycle of price fluctuations. Only when there are major fluctuations in stainless steel prices, the company will stock up in advance and respond by improving production efficiency and reducing scrap rates.
- 2.The company has no plans to increase trading volume. One reason for the decrease in trading volume is the increase in value-oriented shareholders. Currently, there are also no list on Taiwan Stock Exchange.

Summary of Chairman Hsieh, Shun-Ho's response:

The company does not belong to a popular high-tech industry, so its stock trading volume is lower. The company will continue to pursue steady development and is not seeking to increase trading volume.

Summary of shareholder's questions:(No. 10587)

- 1.The company should consider listing on Taiwan Stock Exchange to meet shareholder expectations.
- 2.Concerns about the inability to repatriate earnings from the subsidiary in China and the company's consideration of downsizing the subsidiary in China.

Summary of Chairman Hsieh, Shun-Ho's response:

Regarding listing on Taiwan Stock Exchange, the company will reassess but currently has no plans. Regarding the subsidiary in China, the company finds continued development in China beneficial due to its significant market potential. Currently, there are no issues with repatriating earnings from the subsidiary in China. Shareholders do not need to worry about this matter.

No other provisional motion was proposed after the chairperson solicits all attending shareholders.

VII. Adjournment: The meeting was adjourned by the Chairperson at 9:45 a.m. on the same day and was approved by all attending shareholders without objection.

(The minutes only summarize the main points of the proceedings. For detailed content, please refer to the audio and video recordings of the session.)

Sinmag Equipment Corporation
2023 Business Report

I. 2023 Business Report

(I) Implementation Results of Business Plan

In 2023, the world grappled with a pervasive sense of weakness and fatigue. The global economy experienced a slowdown, while the geopolitical landscape grew increasingly turbulent. Confrontations between the United States and China, the war between Russia and Ukraine, and the Israeli-Palestinian conflict unfolded one after another. Regional conflicts erupted with alarming frequency, compounded by escalating natural and man-made disasters, all of which exacerbated global economic challenges and threatened social stability.

In 2023, the first year following the lifting of the three-year pandemic restrictions, initial expectations were for the Chinese economy to bottom out and begin its recovery. However, challenges such as real estate defaults, declining export momentum, and sluggish consumption may impede the pace of Mainland China's economic recovery, putting the resilience and responsiveness of companies to the test. Nevertheless, both the global and Chinese baking markets are anticipated to see growth throughout 2023. While global inflation has significantly cooled down, eating habits have undergone notable changes across different regions. In Sinmag's overseas markets in 2023, there has been a rising demand for supermarket equipment in America and Australia, alongside substantial growth in Southeast Asian countries following the post-pandemic recovery. Despite facing a downward economic trend in the domestic market of Mainland China, where market growth has not yet rebounded to the scale seen in 2021, Sinmag has nonetheless achieved impressive results.

The consolidated operating income of the Group in 2023 was NT\$4,498,686 thousand, an increase of 14.28% from NT\$3,939,519 thousand in 2022. The consolidated net profit after tax was NT\$603,037 thousand, an increase of 79.17% from NT\$336,569 thousand in 2022. The after tax earnings per share was NT\$12.01, an increase of 79.25% from that of 2022.

Comparison of operating results (combined profit and loss)

Unit: Thousand NT\$

	2023	2022	Increase (Decrease) Rate (%)
Operating Revenue	4,498,686	3,936,519	14.28%
Operating Costs	2,593,232	2,469,414	5.01%
Gross Profit	1,905,454	1,467,105	29.88%
Operating Expenses	1,030,555	914,278	12.72%
Operating Profit	874,899	552,827	58.26%
Non-operating Income and Expenses	60,382	73,868	(18.26%)
Profit Before Income Tax	935,281	626,695	49.24%
Profit After Income Tax	603,037	336,569	79.17%

(II) Revenue Forecast and Realization

The Company did not have a public financial forecasting for 2023.

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

Item			2023	2022
Financial Structure Analysis	Debt-to-Asset Ratio		25.14%	27.26%
	Long-Term Funds to Fixed Assets Ratio (%)		253.61%	238.80%
Liquidity Analysis	Current Ratio		290.34%	249.00%
	Quick Ratio		200.21%	154.78%
Profitability Analysis	Return on Assets		16.55%	9.66%
	Return on Shareholders' Equity		22.37%	13.82%
	Ratio of Paid- In Capital	Operating Profit	174.17%	110.05%
		Pre-Tax income	186.19%	124.76%
	Profit Ratio		14.14%	9.01%
	Earnings per Share (NT\$)		12.01	6.70

(IV) Research and Development

Sinmag possesses robust research and manufacturing capabilities and remains dedicated to enhancing the performance of commercial baking equipment continuously. This commitment aims to support bakers in crafting fashionable, nutritious, and healthy baked goods. In 2023, our Group invested a total of NT\$156,045 thousand in research and development expenses. In addition to actively expanding our product line and venturing into new product areas, we also engaged in various process and technology developments. In addition, we have improved our product structure in response to environmental protection concepts, with the aim of continuously expanding our market share in Mainland China and creating new markets and business opportunities. This strategic positioning is crucial to the sustainable operation of our company.

II. Summary of the Company's Business Plan for 2024

(I) Operating Strategies

The market development goal for Sinmag in 2024 is to deeply cultivate the recovering demand segment market, increase sales volume, strengthen sales and after-sales service efficiency, enhance equipment competitiveness in the market, consolidate existing markets, develop new channel customers, and increase sales volume in the market.

1. Sales in China Market

- (1) The emergence of new formats of baking (such as new Japanese, Korean, European baking, or Chinese pastry and cake combined with tea drinks, coffee, meals, mixed, fast food, light meals, etc.) has emerged like mushrooms after the rain in the post-pandemic era, necessitating corresponding equipment specifications and sales services.
- (2) In addition to the traditional baking industry passing down and nurturing its expertise in the newer generation, and actively pursuing business visits and development, an increasing number of newcomers are entering the baking market through various channels. These individuals are acquiring baking knowledge through avenues such as exhibitions, baking competitions, baking academies, urban baking promotion activities, electronic online platforms, and internet celebrity platforms, where they also engage with equipment suppliers. In 2024, Sinmag plans to strategically layout and participate in authoritative activity platforms in the market to explore more channels in the new baking market.

- (3) To support the upgrade and transformation of our existing customers' businesses, we will provide appropriate and complementary equipment for mutual growth.
- (4) Work with small and medium-sized wholesale bakeries to develop innovative bakery products and provide new production lines or increased automation equipment needs.
- (5) Enhance collaboration within the online kitchenware market to sell equipment, provide support, and engage in platform development activities to bolster the credibility and reputation of the Sinmag brand in the e-commerce sector. This entails combating counterfeit brands, fostering stable growth in e-commerce, and refining distribution and channel structures. Additionally, expand and cultivate further project sales collaborations to amplify sales volumes within the online baking market.
- (6) To extend the successful cooperation between Sinmag and Pizza Hut in Mainland China, we will expand the development of efficient and energy-saving equipment, as well as remote control of equipment and other advantageous technologies. This will promote the use of crawler furnace equipment by major customers in Mainland China and other international markets, as well as in the food and beverage industry, thereby increasing sales.
- (7) High-end bakery stores emphasize innovative, fashionable products, stylish décor and dining environments. Bakery equipment should move away from the traditional commercial kitchen model to an open front display that reflects the brand image and allows for on-site baking. Attention to aesthetics and consistent visual harmony between the appearance and layout of front-of-house and back-of-house equipment configurations is critical. Sinmag has commissioned an international industrial design company to redesign the high-end baking oven combination. The plan is to launch it in 2024 and compete in the high-end baking equipment market.

2. Overseas Market

- (1) Optimize customer order acceptance, production planning, and shipping arrangements in high-demand markets (United States, Mexico, Central America, Thailand, Malaysia, Indonesia) to reduce overseas sales lead time and increase agent competitiveness.

- (2) In 2023, visits or exchanges with national agents from Europe, Chile, Algeria, South Africa, South Korea, Vietnam, India and Kazakhstan were planned to discuss the development direction and work of markets and sales in each country. In 2024, we fully implemented these plans and initiatives to assist our agents in increasing sales.
- (3) In 2024, there will be more frequent business team trips to visit markets in various countries, aiming to grasp the changes and development trends in each country. We will conduct comprehensive reviews and analysis of the market alongside agents, distributors, and subsidiaries, and formulate response strategies to support agents in driving market sales.
- (4) In response to the increasing safety regulations for equipment use in various regions of the world, and in accordance with the requirements of various countries, we have carried out design specification revisions to proactively meet international safety standards and enhance the quality and long-term competitiveness of our equipment brand. These revisions include:
 - Stainless steel protection upgrades for equipment, food and clean environment contact parts
 - In accordance with the continuously updated international equipment safety standards and certifications.
 - Food safety and environmental certification for equipment in various countries
- (5) Strengthen the professional training of sales and after-sale teams for branches and agents, improve the management and efficiency of work and process, and improve the level of pre-sale and after-sale service standards for market customers.
- (6) Continue to promote equipment items that have not yet been sold in various countries, assist in promoting necessary equipment modifications and certifications, collaborate with agents and market feedback, and aid agents in promoting sales in local markets.

(II) Expected Sales Volume and Its Basis

The Company's main products are food machinery equipment. According to the expected growth rate of the food market and the estimated production capacity, the Company will continue to expand new customers and develop new products in 2024, other than sticking to the original market share and sales volume in Mainland China,

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. A comprehensive and regular training program for the business and engineering teams will be created in the national representative offices to strengthen the team's overall competence. This initiative aims to enhance the team's professional skills, and communication abilities, and foster mutual learning regarding sales, after-sales service work, and performance within each region. At the same time, the management of customer visits will be strengthened, the coverage and visit efficiency of the sales team for new and existing customers and the market will be improved, customer follow-up will be strengthened, and price inquiries from various regions will be promptly grasped.
3. To improve the timeliness, repair level, and service attitude of the after-sales engineering team, to increase the proactive shop and factory service by the regional engineering team, and to improve the after-sales service level for market customers.

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

Overall, the domestic baking market in Mainland China has a certain development prospect, and the scale of the industry continues to expand and grow every year. In the past few years, there has been a capital focus on this track, with various high-end baking brands and Internet-famous baking brands springing up like mushrooms, opening stores on a large scale, and receiving continuous consumer acclaim. Today, however, due to the non-essential nature of baked goods and the lack of characteristics such as "high growth" and "fast replication," coupled with the rationalization of consumer behavior in the post-pandemic market, capital's attitude toward the baking industry has clearly returned to rationality. The baking industry is undergoing accelerated restructuring, with some brands slowing their expansion, even closing and retreating, or even going bankrupt. The baking industry is now more focused on innovative products that meet consumer demand and drive market growth. In recent years, consumers have become increasingly interested in fashion, quality, identity and wellness. This has led to innovation in baked goods with a focus on fashion, variety

and personalization. And there are more investments from various non-baking aspects entering this market, bringing about a transformation in the diversified composite high-end decoration, catering and healthy food baking industry format, as well as changes in the supply chain and channels within the industry market.

Furthermore, the momentum behind sustainability is accelerating and becoming increasingly stringent. Sinmag will intensify its focus on sustainability indicators and information, striving towards sustainable goals.

Global economic growth is expected to slow, and the international economic environment is constantly changing. The recovery momentum is insufficient and geopolitical conflicts are intensifying. Mainland China is still facing significant downward pressure on its economy, and the outlook for real estate, employment, population and investment environment is not optimistic. Uncertainty and instability are on the rise. It is crucial to constantly monitor and take appropriate measures.

Sinmag Group will continue to strive to provide customers with high quality products and timely after-sales service, expand its global presence and enhance its competitiveness. Sinmag's management team and all employees will continue to work together towards common goals, creating more value for all shareholders, fulfilling corporate social responsibility and moving towards sustainable development.

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 2023 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,

2024 Annual Shareholders' Meeting of Sinmag Equipment Corporation

Sinmag Equipment Corporation

Convener of the Audit Committee _____

13 March, 2024

【 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, 2023 and 2022, the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including material accounting policy information (collectively referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of 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.

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, 2023. 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, 2023 is stated as follows:

**Occurrence of Sales Revenue of Investment in Subsidiaries Accounted for
Using the Equity Method**

Due to Sinmag Equipment Corporation being a publicly listed company, it is anticipated that there is pressure on the management to achieve projected financial goals. Among these goals, revenue is considered a key indicator of profitability and operational performance. Additionally, revenue recognition inherently carries higher risks. In fiscal year 2023, the subsidiary's sales revenue saw a significant increase. Some of the major customers had a higher level of growth volatility in operating revenue than the average level of changes in the Company's overall operating revenue, resulting 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 operating revenue a key audit matter.

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 Subsidiaries' 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.

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, 2023 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 13, 2024

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, 2023 AND 2022

(In Thousands of New Taiwan Dollars)

ASSETS	2023		2022	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 157,549	5	\$ 262,075	9
Notes receivable (Notes 4, 9 and 21)	6,750	-	7,654	1
Trade receivables (Notes 4, 9 and 21)	32,904	1	36,112	1
Trade receivables from related parties (Notes 4, 21 and 29)	8,769	1	6,154	-
Other receivables (Notes 4 and 9)	655	-	353	-
Inventories (Notes 4 and 10)	65,061	2	65,824	2
Prepayments (Note 15)	<u>1,208</u>	-	<u>947</u>	-
Total current assets	<u>272,896</u>	<u>9</u>	<u>379,119</u>	<u>13</u>
NON-CURRENT ASSETS				
Financial assets at amortized cost - non-current (Notes 4, 7, 8 and 30)	50	-	50	-
Investments accounted for using the equity method (Notes 4, 11, 25 and 29)	2,712,589	86	2,462,614	82
Property, plant and equipment (Notes 4, 12, 16, 26 and 30)	114,969	4	110,915	4
Right-of-use assets (Notes 4 and 13)	959	-	158	-
Other intangible assets (Notes 4 and 14)	31	-	48	-
Deferred tax assets (Notes 4 and 23)	30,988	1	26,220	1
Net defined benefit assets - non-current (Notes 4 and 19)	-	-	6,154	-
Other non-current assets (Notes 4 and 15)	<u>3,106</u>	-	<u>1,974</u>	-
Total non-current assets	<u>2,862,692</u>	<u>91</u>	<u>2,608,133</u>	<u>87</u>
TOTAL	<u>\$ 3,135,588</u>	<u>100</u>	<u>\$ 2,987,252</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 16 and 30)	\$ -	-	\$ 76,500	3
Contract liabilities (Notes 4 and 21)	2,585	-	4,681	-
Notes payable	-	-	704	-
Trade payables	21,514	1	26,316	1
Trade payables to related parties (Note 29)	16,557	-	14,846	1
Other payables (Note 17)	49,754	2	38,523	1
Current tax liabilities (Notes 4 and 23)	56,932	2	132,528	4
Provisions - current (Notes 4 and 18)	131	-	131	-
Lease liabilities - current (Notes 4 and 13)	<u>394</u>	-	<u>159</u>	-
Total current liabilities	<u>147,867</u>	<u>5</u>	<u>294,388</u>	<u>10</u>
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 16, 26 and 30)	13,861	-	10,119	-
Deferred tax liabilities (Notes 4 and 23)	116,552	4	93,250	3
Lease liabilities - non-current (Notes 4 and 13)	<u>570</u>	-	<u>-</u>	-
Total non-current liabilities	<u>130,983</u>	<u>4</u>	<u>103,369</u>	<u>3</u>
Total liabilities	<u>278,850</u>	<u>9</u>	<u>397,757</u>	<u>13</u>
EQUITY (Notes 4 and 20)				
Share capital				
Ordinary shares	<u>502,302</u>	<u>16</u>	<u>502,302</u>	<u>17</u>
Capital surplus	<u>206,827</u>	<u>7</u>	<u>206,827</u>	<u>7</u>
Retained earnings				
Legal reserve	586,956	18	586,956	20
Special reserve	124,177	4	191,235	6
Unappropriated earnings	<u>1,591,714</u>	<u>51</u>	<u>1,226,352</u>	<u>41</u>
Total retained earnings	<u>2,302,847</u>	<u>73</u>	<u>2,004,543</u>	<u>67</u>
Other equity	<u>(155,238)</u>	<u>(5)</u>	<u>(124,177)</u>	<u>(4)</u>
Total equity	<u>2,856,738</u>	<u>91</u>	<u>2,589,495</u>	<u>87</u>
TOTAL	<u>\$ 3,135,588</u>	<u>100</u>	<u>\$ 2,987,252</u>	<u>100</u>

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

SINMAG EQUIPMENT CORPORATION

**STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

	2023		2022	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 21 and 29)				
Sales	\$ 363,633	94	\$ 446,208	95
Service revenue	<u>23,452</u>	<u>6</u>	<u>21,620</u>	<u>5</u>
Total operating revenue	<u>387,085</u>	<u>100</u>	<u>467,828</u>	<u>100</u>
OPERATING COSTS				
Cost of goods sold (Notes 10, 22 and 29)	(288,291)	(74)	(360,868)	(77)
Service cost	<u>(3,410)</u>	<u>(1)</u>	<u>(3,348)</u>	<u>(1)</u>
Total operating costs	<u>(291,701)</u>	<u>(75)</u>	<u>(364,216)</u>	<u>(78)</u>
GROSS PROFIT	95,384	25	103,612	22
UNREALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (Note 4)	(3,839)	(1)	(4,394)	(1)
REALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (Note 4)	<u>4,394</u>	<u>1</u>	<u>16,702</u>	<u>4</u>
REALIZED GROSS PROFIT	<u>95,939</u>	<u>25</u>	<u>115,920</u>	<u>25</u>
OPERATING EXPENSES (Notes 22 and 29)				
Selling and marketing expenses	(49,588)	(13)	(50,151)	(11)
General and administrative expenses	(48,507)	(13)	(44,549)	(10)
Research and development expenses	(7,170)	(2)	(6,690)	(1)
Expected credit gain (Notes 4 and 9)	<u>2,618</u>	<u>1</u>	<u>9,025</u>	<u>2</u>
Total operating expenses	<u>(102,647)</u>	<u>(27)</u>	<u>(92,365)</u>	<u>(20)</u>
(LOSS)/PROFIT FROM OPERATIONS	<u>(6,708)</u>	<u>(2)</u>	<u>23,555</u>	<u>5</u>
NON-OPERATING INCOME AND EXPENSES (Notes 4, 22 and 29)				
Interest income	3,306	1	2,663	1
Other income	808	-	139	-
Other gains and losses	(6,768)	(2)	15,420	3
Finance costs	(151)	-	(2,160)	-
Share of profit or loss of subsidiaries, associates and joint ventures	<u>683,894</u>	<u>177</u>	<u>446,725</u>	<u>95</u>
Total non-operating income and expenses	<u>681,089</u>	<u>176</u>	<u>462,787</u>	<u>99</u>

(Continued)

SINMAG EQUIPMENT CORPORATION

**STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

	2023		2022	
	Amount	%	Amount	%
PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS	\$ 674,381	174	\$ 486,342	104
INCOME TAX EXPENSE (Notes 4 and 23)	<u>(71,344)</u>	<u>(18)</u>	<u>(149,773)</u>	<u>(32)</u>
NET PROFIT FOR THE YEAR	<u>603,037</u>	<u>156</u>	<u>336,569</u>	<u>72</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	(411)	-	12,222	3
Income tax relating to items that will not be reclassified subsequently to profit or loss	<u>(2,941)</u>	<u>(1)</u>	<u>(2,444)</u>	<u>(1)</u>
	<u>(3,352)</u>	<u>(1)</u>	<u>9,778</u>	<u>2</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	(38,826)	(10)	83,823	18
Income tax relating to items that may be reclassified subsequently to profit or loss	<u>7,765</u>	<u>2</u>	<u>(16,765)</u>	<u>(4)</u>
	<u>(31,061)</u>	<u>(8)</u>	<u>67,058</u>	<u>14</u>
Other comprehensive income (loss) for the year, net of income tax	<u>(34,413)</u>	<u>(9)</u>	<u>76,836</u>	<u>16</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 568,624</u>	<u>147</u>	<u>\$ 413,405</u>	<u>88</u>
EARNINGS PER SHARE (Note 24)				
From continuing operations				
Basic	<u>\$ 12.01</u>		<u>\$ 6.70</u>	
Diluted	<u>\$ 11.98</u>		<u>\$ 6.68</u>	

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

(Concluded)

SINMAG EQUIPMENT CORPORATION

**STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars)**

			Retained Earnings			Other Equity Exchange Differences on Translating the Financial Statements of Foreign Operations	Total Equity
	Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings		
BALANCE AT JANUARY 1, 2022	\$ 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
Appropriation of 2022 earnings (Note 20)							
Reversal of special reserve	-	-	-	(67,058)	67,058	-	-
Cash dividends distributed by the Company	-	-	-	-	(301,381)	-	(301,381)
Net profit for the year ended December 31, 2023	-	-	-	-	603,037	-	603,037
Other comprehensive loss for the year ended December 31, 2023, net of income tax	-	-	-	-	(3,352)	(31,061)	(34,413)
Total comprehensive income (loss) for the year ended December 31, 2023	-	-	-	-	599,685	(31,061)	568,624
BALANCE AT DECEMBER 31, 2023	\$ 502,302	\$ 206,827	\$ 586,956	\$ 124,177	\$ 1,591,714	\$ (155,238)	\$ 2,856,738

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

SINMAG EQUIPMENT CORPORATION

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 674,381	\$ 486,342
Adjustments for:		
Depreciation expense	3,769	2,809
Amortization expense	17	16
Expected credit gain on receivables	(2,618)	(9,025)
Finance costs	151	2,160
Interest income	(3,306)	(2,663)
Share of profit of subsidiaries, associates and joint ventures	(683,894)	(446,725)
Write-downs of inventories	2,358	728
Unrealized gain on the transactions with subsidiaries, associates and joint ventures	3,839	4,394
Realized gain on the transactions with subsidiaries associates and joint ventures	(4,394)	(16,702)
Net gain on foreign currency exchange	(894)	(7,569)
Recognition of provisions	85	113
Changes in operating assets and liabilities		
Notes receivable	904	(2,871)
Trade receivables	5,183	112,154
Trade receivables from related parties	(2,895)	92,927
Other receivables	(272)	206
Inventories	(1,895)	13,024
Prepayments	(261)	756
Contract liabilities	(2,096)	(4,739)
Notes payable	(704)	(31,041)
Notes payable from related parties	-	(570)
Trade payables	(4,802)	19,363
Trade payables from related parties	2,162	(124,364)
Other payables	11,273	(12,654)
Provisions	(85)	(113)
Net defined benefit liabilities - non-current	5,743	147
Cash generated from operations	1,749	76,103
Interest received	3,276	2,574
Income tax paid	(123,582)	(38,994)
Net cash (used in)/generated from operating activities	(118,557)	39,683
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of financial assets at amortized cost	-	66
Acquisition of investments accounted for using the equity method	-	(1,340)
Net cash inflow on disposal of subsidiary	-	374,019
Proceeds from the capital reduction on investments accounted for using the equity method	-	60,882
Payments for property, plant and equipment	(1,791)	(1,269)

(Continued)

SINMAG EQUIPMENT CORPORATION**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars)**

	2023	2022
Increase in other non-current assets	\$ (2,732)	\$ (1,827)
Dividends received from subsidiaries	<u>395,648</u>	<u>232,765</u>
Net cash generated from investing activities	<u>391,125</u>	<u>663,296</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	111,810	793,372
Repayments of short-term borrowings	(188,310)	(956,872)
Repayment of the principal portion of lease liabilities	(386)	(379)
Dividends paid	(301,381)	(351,612)
Interest paid	<u>(193)</u>	<u>(2,234)</u>
Net cash used in financing activities	<u>(378,460)</u>	<u>(517,725)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>1,366</u>	<u>7,828</u>
NET (DECREASE)/INCREASE IN CASH	(104,526)	193,082
CASH AT THE BEGINNING OF THE YEAR	<u>262,075</u>	<u>68,993</u>
CASH AT THE END OF THE YEAR	<u>\$ 157,549</u>	<u>\$ 262,075</u>

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

(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, 2023 and 2022, 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 material accounting policy information (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and 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 Financial Statement Audit and Attestation Engagements of Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of 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.

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, 2023. 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, 2023 is stated as follows:

Occurrence of Sales Revenue

The Group has thousands of customers. The total revenue of major customers accounted for 36% of the total consolidated operating revenue. Some of the major customers have a higher level of growth volatility in operating revenue than the average level of changes in the Group's overall consolidated operating revenue, resulting in a significant impact on the financial performance of the Group. Therefore, we deemed the validity of the occurrence of sales revenue coming from the above customers 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 have also audited the parent company only financial statements of Sinmag Equipment Corporation as of and for the years ended December 31, 2023 and 2022 on which we have issued an unmodified opinion.

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, 2023 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 13, 2024

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, 2023 AND 2022
(In Thousands of New Taiwan Dollars)

ASSETS	2023		2022 (Restated)	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 989,384	25	\$ 742,389	20
Financial assets at amortized cost - current (Notes 4, 7, 8 and 32)	151,846	4	176,792	5
Notes receivable (Notes 4, 9 and 22)	14,055	-	14,264	-
Trade receivables (Notes 4, 9 and 22)	474,611	12	440,182	12
Trade receivables from related parties (Notes 4, 22 and 31)	811	-	490	-
Other receivables (Notes 4 and 9)	22,770	1	24,320	1
Current tax assets (Notes 4 and 24)	3,739	-	114	-
Inventories (Notes 4 and 10)	729,617	18	838,442	22
Prepayments (Note 16)	<u>16,394</u>	-	<u>12,981</u>	-
Total current assets	<u>2,403,227</u>	<u>60</u>	<u>2,249,974</u>	<u>60</u>
NON-CURRENT ASSETS				
Financial assets at amortized cost - non-current (Notes 4, 7, 8 and 32)	216,400	6	154,330	4
Property, plant and equipment (Notes 4, 12, 17, 28 and 32)	1,180,795	30	1,137,526	31
Right-of-use assets (Notes 4 and 13)	110,724	3	87,110	3
Goodwill (Notes 4 and 14)	3,254	-	3,254	-
Other intangible assets (Notes 4 and 15)	4,977	-	3,010	-
Deferred tax assets (Notes 4 and 24)	53,188	1	45,381	1
Net defined benefit assets - non-current (Notes 4 and 20)	-	-	6,154	-
Other non-current assets (Notes 4 and 16)	<u>9,553</u>	-	<u>33,858</u>	1
Total non-current assets	<u>1,578,891</u>	<u>40</u>	<u>1,470,623</u>	<u>40</u>
TOTAL	<u>\$ 3,982,118</u>	<u>100</u>	<u>\$ 3,720,597</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 17 and 32)	\$ -	-	\$ 76,500	2
Contract liabilities (Notes 4 and 22)	135,844	3	177,735	5
Notes payable	-	-	704	-
Trade payables	227,912	6	202,895	6
Trade payables to related parties (Note 31)	3,521	-	2,562	-
Other payables (Notes 18 and 28)	257,865	7	220,285	6
Current tax liabilities (Notes 4 and 24)	170,805	4	201,942	5
Provisions - current (Notes 4 and 19)	20,966	1	16,245	-
Lease liabilities - current (Notes 4, 13 and 31)	<u>10,789</u>	-	<u>4,704</u>	-
Total current liabilities	<u>827,702</u>	<u>21</u>	<u>903,572</u>	<u>24</u>
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 17, 28 and 32)	13,861	-	10,119	-
Deferred tax liabilities (Notes 4 and 24)	135,557	3	97,744	3
Lease liabilities - non-current (Notes 4, 13 and 31)	<u>24,173</u>	1	<u>2,816</u>	-
Total non-current liabilities	<u>173,591</u>	<u>4</u>	<u>110,679</u>	<u>3</u>
Total liabilities	<u>1,001,293</u>	<u>25</u>	<u>1,014,251</u>	<u>27</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4 and 21)				
Share capital				
Ordinary shares	<u>502,302</u>	<u>13</u>	<u>502,302</u>	<u>13</u>
Capital surplus	<u>206,827</u>	<u>5</u>	<u>206,827</u>	<u>6</u>
Retained earnings				
Legal reserve	586,956	15	586,956	16
Special reserve	124,177	3	191,235	5
Unappropriated earnings	<u>1,591,714</u>	<u>40</u>	<u>1,226,352</u>	<u>33</u>
Total retained earnings	<u>2,302,847</u>	<u>58</u>	<u>2,004,543</u>	<u>54</u>
Other equity	<u>(155,238)</u>	<u>(4)</u>	<u>(124,177)</u>	<u>(3)</u>
Total equity attributable to owners of the Company	2,856,738	72	2,589,495	70
NON-CONTROLLING INTERESTS (Notes 4 and 21)	<u>124,087</u>	<u>3</u>	<u>116,851</u>	<u>3</u>
Total equity	<u>2,980,825</u>	<u>75</u>	<u>2,706,346</u>	<u>73</u>
TOTAL	<u>\$ 3,982,118</u>	<u>100</u>	<u>\$ 3,720,597</u>	<u>100</u>

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

SINMAG EQUIPMENT CORPORATION AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

	2023		2022	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 22 and 31)				
Sales	\$ 4,475,232	99	\$ 3,914,888	99
Service revenue	<u>23,454</u>	<u>1</u>	<u>21,631</u>	<u>1</u>
Total operating revenue	<u>4,498,686</u>	<u>100</u>	<u>3,936,519</u>	<u>100</u>
OPERATING COSTS				
Cost of goods sold (Notes 10, 23 and 31)	(2,589,822)	(57)	(2,466,066)	(63)
Service cost	<u>(3,410)</u>	<u>-</u>	<u>(3,348)</u>	<u>-</u>
Total operating costs	<u>(2,593,232)</u>	<u>(57)</u>	<u>(2,469,414)</u>	<u>(63)</u>
GROSS PROFIT	<u>1,905,454</u>	<u>43</u>	<u>1,467,105</u>	<u>37</u>
OPERATING EXPENSES (Notes 23 and 31)				
Selling and marketing expenses	(540,537)	(12)	(485,300)	(12)
General and administrative expenses	(332,836)	(7)	(289,922)	(7)
Research and development expenses	(156,045)	(4)	(143,872)	(4)
Expected credit (loss)/gain (Notes 4 and 9)	<u>(1,137)</u>	<u>-</u>	<u>4,816</u>	<u>-</u>
Total operating expenses	<u>(1,030,555)</u>	<u>(23)</u>	<u>(914,278)</u>	<u>(23)</u>
PROFIT FROM OPERATIONS	<u>874,899</u>	<u>20</u>	<u>552,827</u>	<u>14</u>
NON-OPERATING INCOME AND EXPENSES (Notes 4, 23 and 31)				
Interest income	27,273	-	21,681	1
Other income	33,615	1	8,235	-
Other gains and losses	1,217	-	49,914	1
Finance costs	<u>(1,723)</u>	<u>-</u>	<u>(5,962)</u>	<u>-</u>
Total non-operating income and expenses	<u>60,382</u>	<u>1</u>	<u>73,868</u>	<u>2</u>
PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS	935,281	21	626,695	16
INCOME TAX EXPENSE (Notes 4 and 24)	<u>(298,922)</u>	<u>(7)</u>	<u>(272,009)</u>	<u>(7)</u>
NET PROFIT FOR THE YEAR	<u>636,359</u>	<u>14</u>	<u>354,686</u>	<u>9</u>

(Continued)

SINMAG EQUIPMENT CORPORATION AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

	2023		2022	
	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	\$ (411)	-	\$ 12,222	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	<u>(2,941)</u>	<u>-</u>	<u>(2,444)</u>	<u>-</u>
	<u>(3,352)</u>	<u>-</u>	<u>9,778</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	(40,524)	(1)	79,773	2
Income tax relating to items that may be reclassified subsequently to profit or loss	<u>7,765</u>	<u>-</u>	<u>(16,765)</u>	<u>-</u>
	<u>(32,759)</u>	<u>(1)</u>	<u>63,008</u>	<u>2</u>
Other comprehensive income (loss) for the year, net of income tax	<u>(36,111)</u>	<u>(1)</u>	<u>72,786</u>	<u>2</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 600,248</u>	<u>13</u>	<u>\$ 427,472</u>	<u>11</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	\$ 603,037	13	\$ 336,569	9
Non-controlling interests	<u>33,322</u>	<u>1</u>	<u>18,117</u>	<u>-</u>
	<u>\$ 636,359</u>	<u>14</u>	<u>\$ 354,686</u>	<u>9</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$ 568,624	12	\$ 413,405	11
Non-controlling interests	<u>31,624</u>	<u>1</u>	<u>14,067</u>	<u>-</u>
	<u>\$ 600,248</u>	<u>13</u>	<u>\$ 427,472</u>	<u>11</u>
EARNINGS PER SHARE (Note 25)				
From continuing operations				
Basic	<u>\$ 12.01</u>		<u>\$ 6.70</u>	
Diluted	<u>\$ 11.98</u>		<u>\$ 6.68</u>	

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

(Concluded)

SINMAG EQUIPMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(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, 2022	\$ 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	
Appropriation of 2022 earnings (Note 21)										
Reversal of special reserve	-	-	-	(67,058)	67,058	-	-	-	-	
Cash dividends distributed by the Company	-	-	-	-	(301,381)	-	(301,381)	-	(301,381)	
Net profit for the year ended December 31, 2023	-	-	-	-	603,037	-	603,037	33,322	636,359	
Other comprehensive loss for the year ended December 31, 2023, net of income tax	-	-	-	-	(3,352)	(31,061)	(34,413)	(1,698)	(36,111)	
Total comprehensive income (loss) for the year ended December 31, 2023	-	-	-	-	599,685	(31,061)	568,624	31,624	600,248	
Cash dividends distributed by subsidiaries (Note 21)	-	-	-	-	-	-	-	(24,388)	(24,388)	
BALANCE AT DECEMBER 31, 2023	\$ 502,302	\$ 206,827	\$ 586,956	\$ 124,177	\$ 1,591,714	\$ (155,238)	\$ 2,856,738	\$ 124,087	\$ 2,980,825	

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

SINMAG EQUIPMENT CORPORATION AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars)**

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 935,281	\$ 626,695
Adjustments for:		
Expected credit loss recognized/(reversed) on trade receivables	1,137	(4,816)
Depreciation expense	114,317	103,632
Amortization expense	1,434	1,071
Finance costs	1,723	5,962
Interest income	(27,273)	(21,681)
Cost of share-based remuneration	-	1,594
Loss on disposal of property, plant and equipment	821	2,533
Write-downs of inventories	14,841	7,872
Recognition of provisions	20,251	18,763
Gain on lease modification	(16)	(5)
Net (gain) loss on foreign currency exchange	(3,451)	9,707
Changes in operating assets and liabilities		
Notes receivable	(66)	(4,884)
Trade receivables	(42,621)	119,604
Trade receivables from related parties	(316)	1,580
Other receivables	1,195	3,737
Inventories	79,547	10,440
Prepayments	(3,607)	124
Notes payable	(704)	(31,041)
Notes payable from related parties	-	(570)
Trade payables	28,683	(76,307)
Trade payables from related parties	1,015	(11,856)
Other payables	41,396	(14,158)
Contract liabilities	(39,441)	22,549
Provisions	(15,295)	(26,457)
Net defined benefit liabilities - non-current	5,743	147
Cash generated from operations	1,114,594	744,235
Income tax paid	(297,001)	(148,899)
Net cash generated from operating activities	<u>817,593</u>	<u>595,336</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at amortized cost	(245,666)	(16,202)
Proceeds from sale of financial assets at amortized cost	201,774	55,109
Purchase of financial assets at fair value through profit or loss	(439,600)	(717,012)
Proceeds from sale of financial assets at fair value through profit or loss	439,600	717,012
Payments for property, plant and equipment	(144,352)	(86,859)
Proceeds from disposal of property, plant and equipment	1,402	105
Payments for intangible assets	(3,488)	(1,596)

(Continued)

SINMAG EQUIPMENT CORPORATION AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars)**

	2023	2022
Increase in other non-current assets	\$ (2,732)	\$ (2,249)
Decrease in other non-current assets	4,275	-
Interest received	<u>35,985</u>	<u>7,426</u>
Net cash used in investing activities	<u>(152,802)</u>	<u>(44,266)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	282,553	1,035,723
Repayments of short-term borrowings	(359,053)	(1,318,220)
Repayments of long-term borrowings	-	(21,164)
Repayment of the principal portion of lease liabilities	(12,698)	(5,076)
Dividends paid to owners of the Company	(301,381)	(351,612)
Interests paid	(1,765)	(6,232)
Dividends paid to non-controlling interests	(24,388)	(5,891)
Changes in non-controlling interest	<u>-</u>	<u>214,131</u>
Net cash used in financing activities	<u>(416,732)</u>	<u>(458,341)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(1,064)</u>	<u>14,999</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	246,995	107,728
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>742,389</u>	<u>634,661</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 989,384</u>	<u>\$ 742,389</u>

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

(Concluded)

【Attachment 4】

Sinmag Equipment Corporation

Comparison Table for the Rules of Procedure for Shareholders' Meetings Before and After Revision

Article No.	Articles after the amendments	Articles before the amendments	Amendment Note
Article 3	<p>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.</p> <p><u>The Company conducted a shareholder meeting via video conference. Unless otherwise specified in the Regulations Governing the Administration of Shareholder Services of Public Companies, such procedures should be outlined in the articles of incorporation and approved by the Board of Directors.</u></p> <p><u>Resolutions made during the video conference shareholder meeting should be executed with the presence of two-thirds or more of the directors and the agreement of a majority of those in attendance.</u></p> <p>Following provisions omitted.</p>	<p>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.</p> <p>Following provisions omitted.</p>	<p>The amendments are made simultaneously in accordance with the revision of the articles of the competent authorities. Because the Company is holding a virtual meeting, shareholders will not be able to attend the meeting in person and will only be able to participate via video conferencing. This entails certain restrictions on the rights of shareholders in order to protect their interests.</p>
Article 6-1	<p>Convening virtual shareholders meetings and particulars to be included in shareholders meeting notice</p> <p>To convene a virtual shareholders meeting, this Corporation shall include the follow particulars in the shareholders meeting notice: (I)~(II): Omitted 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.</p>	<p>Convening virtual shareholders meetings and particulars to be included in shareholders meeting notice</p> <p>To convene a virtual shareholders meeting, this Corporation shall include the follow particulars in the shareholders meeting notice: (I)~(II): Omitted 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.</p>	<p>The amendments are made simultaneously in accordance with the revision of the articles of the competent authorities. Given the convening of the video shareholders' meeting, shareholders can only participate</p>

Article No.	Articles after the amendments	Articles before the amendments	Amendment Note
	<u>Except for the circumstances stipulated in Article 44-9, Paragraph 6 of the Regulations Governing the Administration of Shareholder Services of Public Companies, the Company should provide shareholders with the necessary equipment and assistance for online connection, and specify the period during which shareholders can apply to the Company and other relevant matters to be noted.</u>		in the meeting via video. To ensure adequate alternative measures for shareholders facing difficulties in attending the meeting via video, assistance will be provided to help them use connection devices to participate.
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. <u>Except for the circumstances stipulated in Article 44-9, Paragraph 6 of the Regulations Governing the Administration of Shareholder Services of Public Companies, the Company should provide shareholders with the necessary equipment and assistance for online connection, and specify the period during which shareholders can apply to the Company and other relevant matters to be noted.</u>	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.	The amendments are made simultaneously in accordance with the revision of the articles of the competent authorities. Given the convening of the video shareholders' meeting, shareholders can only participate in the meeting via video. To ensure adequate alternative measures for shareholders facing difficulties in attending the meeting via video, assistance will be provided to help them use connection devices to participate.

Article No.	Articles after the amendments	Articles before the amendments	Amendment Note
Article 24	<p>The shareholders' meeting agreed to implement these Rules on April 30, 2003.</p> <p>The 1st amendment was made on June 24, 2006.</p> <p>The 2nd amendment was made on June 19, 2012.</p> <p>The 3rd amendment was made on June 28, 2013.</p> <p>The 4th amendment was made on June 30, 2015.</p> <p>The 5th amendment was made on June 6, 2016.</p> <p>The 6th amendment was made on June 19, 2017.</p> <p>The 7th amendment was made on June 20, 2020.</p> <p>The 8th amendment was made on August 13, 2021.</p> <p>The 9th amendment was made on May 31, 2022.</p> <p><u>The 10th amendment was made on June 21, 2024.</u></p>	<p>The shareholders' meeting agreed to implement these Rules on April 30, 2003.</p> <p>The 1st amendment was made on June 24, 2006.</p> <p>The 2nd amendment was made on June 19, 2012.</p> <p>The 3rd amendment was made on June 28, 2013.</p> <p>The 4th amendment was made on June 30, 2015.</p> <p>The 5th amendment was made on June 6, 2016.</p> <p>The 6th amendment was made on June 19, 2017.</p> <p>The 7th amendment was made on June 20, 2020.</p> <p>The 8th amendment was made on August 13, 2021.</p> <p>The 9th amendment was made on May 31, 2022.</p>	Add amendment dates and number of times.