

新麥企業股份有限公司

1580TT

SINMAG

SINMAG EQUIPMENT CORPORATION

Operations Report



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Agenda

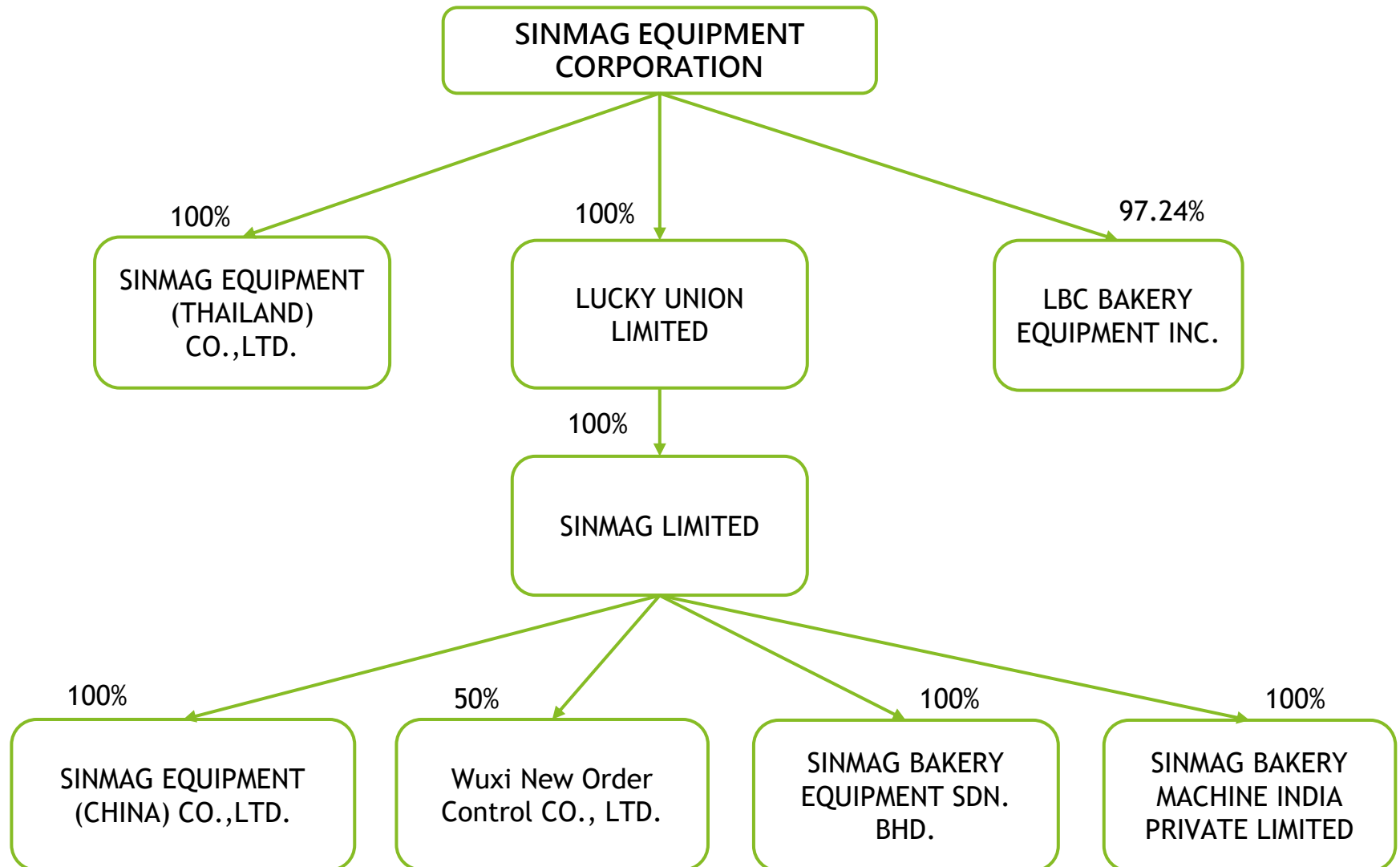
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- 1 、 Overall Status Quo**
- 2 、 Markets**
- 3 、 Financial Performance**
- 4 、 Development Plans**



Overall Status Quo I-Group Structure

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Overall Status Quo II-Sinmag Taiwan

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- **Company:** SINMAG EQUIPMENT CORPORATION
- **Location:** WUGU SINMAG FACTORY (R.O.C)
- **Date of Incorporation:** September 27, 1983
- **Chairman(General Manager):** Hsieh, Shun-ho
- **Paid-in capital:** NT\$ 502.302 million
- **Main business:** Researching and development, manufacturing and selling of bakery equipment
- **Number of employees:** 84
- **Land area:** 10,804.9 square feet(303.68坪)
- **Plant area:** 34,542.8 square feet(970.85坪)

Overall Status Quo III-Sinmag Wuxi(1st Plant)

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- **Company:** Sinmag Equipment (China) Co., Ltd.
- **Location:** Xishan Economic Development Zone, Wuxi, Jiangsu (China)
- **Date of Incorporation:** December 28, 1994
- **Chairman(General Manager):** Hsieh, Shun-ho
- **Paid-in capital:** US\$ 33.85 million
- **Main business:** Researching and development, manufacturing and selling of bakery equipment
- **Number of employees:** 1,200+
- **Land area:** 545,832.7 square feet (15,341坪)
- **Plant area:** 722,914.4 square feet (20,318坪)

Overall Status Quo IV-Sinmag Wuxi(2nd Plant)

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- **Location:** Xishan Economic Development Zone, Wuxi, Jiangsu (China)
- **Land area:** 358,766.6 square feet (10,083.38坪)
- **Plant area:** 531,470.5 square feet (14,937.34坪)(Stage 1)
- **Plant Structure:** Basement 1、 4 stories
- **Start up production:** September 2019
- **Utilization rate:** 80%

Overall Status Quo V-Seattle

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- **Location:** Tulalip, Seattle, Washington (U.S.A)
- **Land area:** 169,433.3 square feet (4,762.04坪)
- **Plant area:** 29,104.4 square feet (818坪)
- **Plant Structure:** 2 stories of office、 1 story of warehouse
- **Start up production:** April 2016
- **Utilization rate:** 100%

Overall Status Quo VI-Malaysia Warehouse

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- **Location:** Puchong, Selangor (Malaysia)
- **Land area:** 20,280.6 square feet (570坪)
- **Plant area:** 14,836.86 square feet (417坪)
- **Plant Structure:** 3 stories of office、 1 story of warehouse
- **Start up production:** May 2019
- **Utilization rate:** 80%

Overall Status Quo VII

The logo for SINMAG, featuring the word "SINMAG" in white capital letters on a blue rectangular background. To the left of the text is a decorative graphic consisting of several overlapping squares in shades of blue and grey.

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- While the epidemic situation is subsiding, the baking equipment market slowly saw recoveries. In particular, China has stricter control over pandemic and thus the baking market is still with huge potential. Most of the competitors in the industry were hit hard during the pandemic, part of them might not be able to come back to the market and thus China is still the core of the deployments over next few years.
- Not being affected by the pandemic of COVID-19, follow the original plan, continue to plough deep, optimize the production efficiency, increase the capacity and lift the product quantities and qualities. Introducing the concept of safe production and environmental protection, in order to make a layout for the company's sustainable operation.

Overall Status Quo VII

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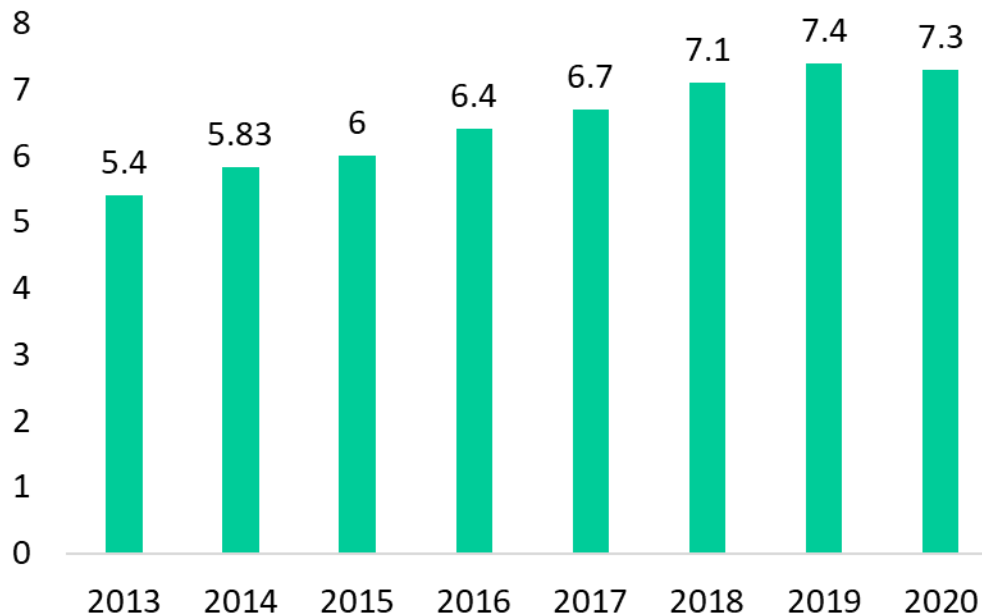
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- To cope with market's product structure adjustments, we have deployed more production lines to increase efficiencies and qualities and meanwhile scrap part of low-margin or no-market products.
- Currently, the country with better developments in overseas is US. In the pandemic, the supermarket has turned to the heart of consumptions. In 2021, Sinmag is continually working on a long-term tender cooperation method and expects US to contribute steady sales in the future.

Markets-China Market I

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Chinese Consumption of Baked Food per Capital (kg./person)



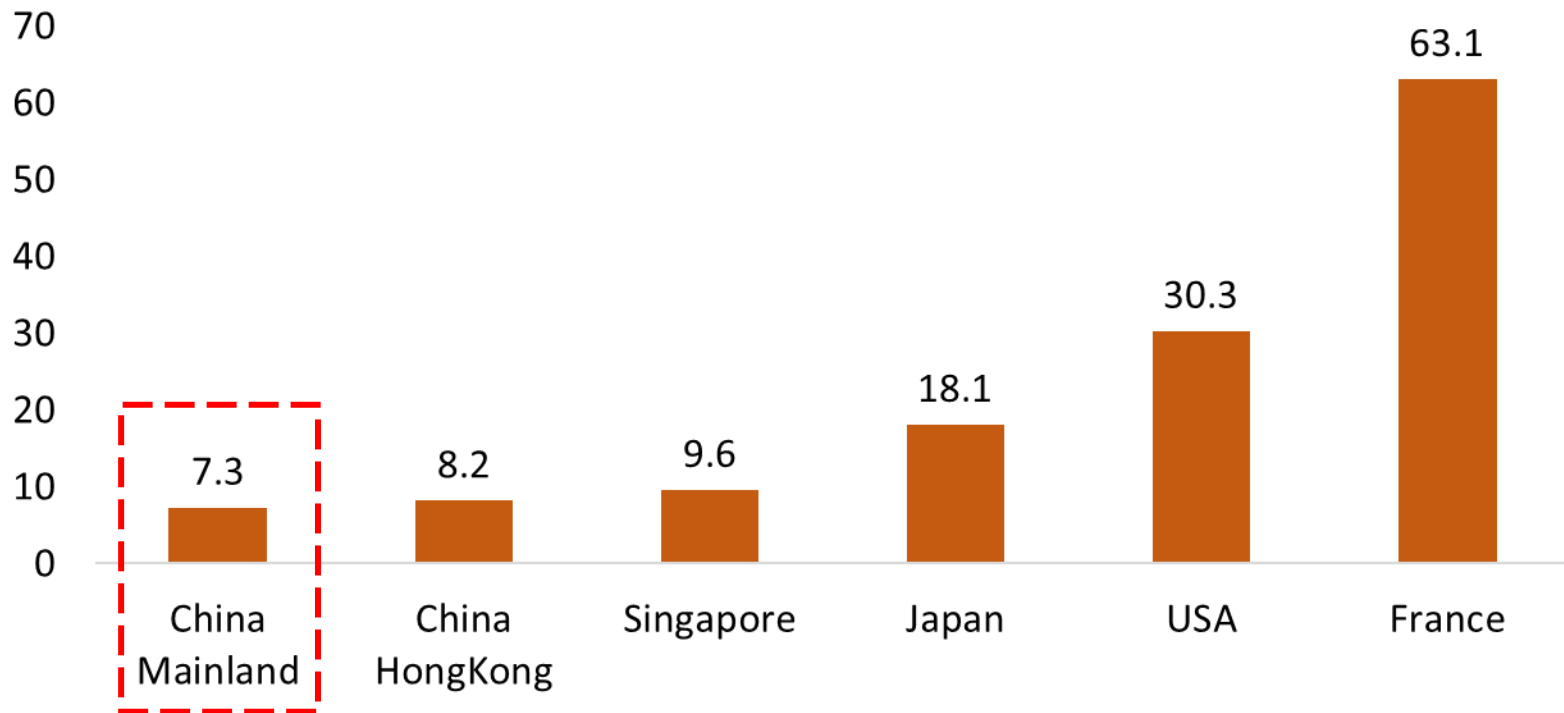
Source : Baking Committee of China National Food Industry Association · Euromonitor

The worldwide baking market has been growing steadily. European and American locals have always taken baked food as breakfasts and staples. Europe and America are the largest baking markets in the world. Due to the Asia-Pacific region have different lifestyles and diet, baked goods haven't been taken as staple food yet. However, consumer's awareness of baking has been increasing in recent years, China has become the world's second largest market after the United States. But compared with the per capita consumption of baked goods, there is still a big gap between China and other countries, and there is a huge space for the development of the industry.

Markets-China Market II

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**2020 Global Consumption of Baked Food per Capital
(kg./person)**

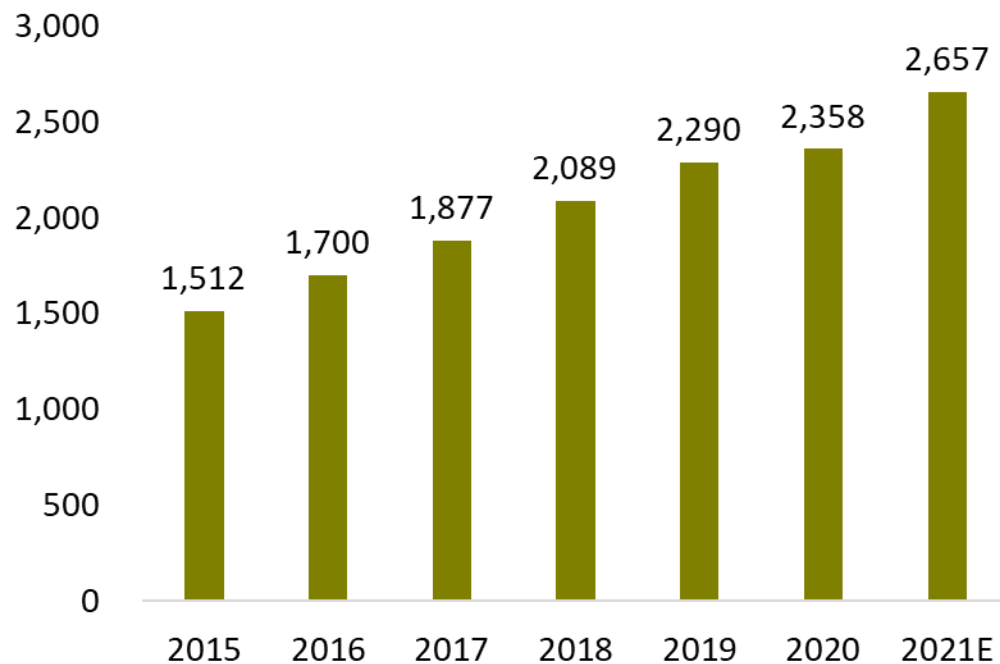


Source : Baking Committee of China National Food Industry Association · Euromonitor

Markets-China Market III

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Market Scale Trend of Chinese Baking Industry (Unit : 100 million)



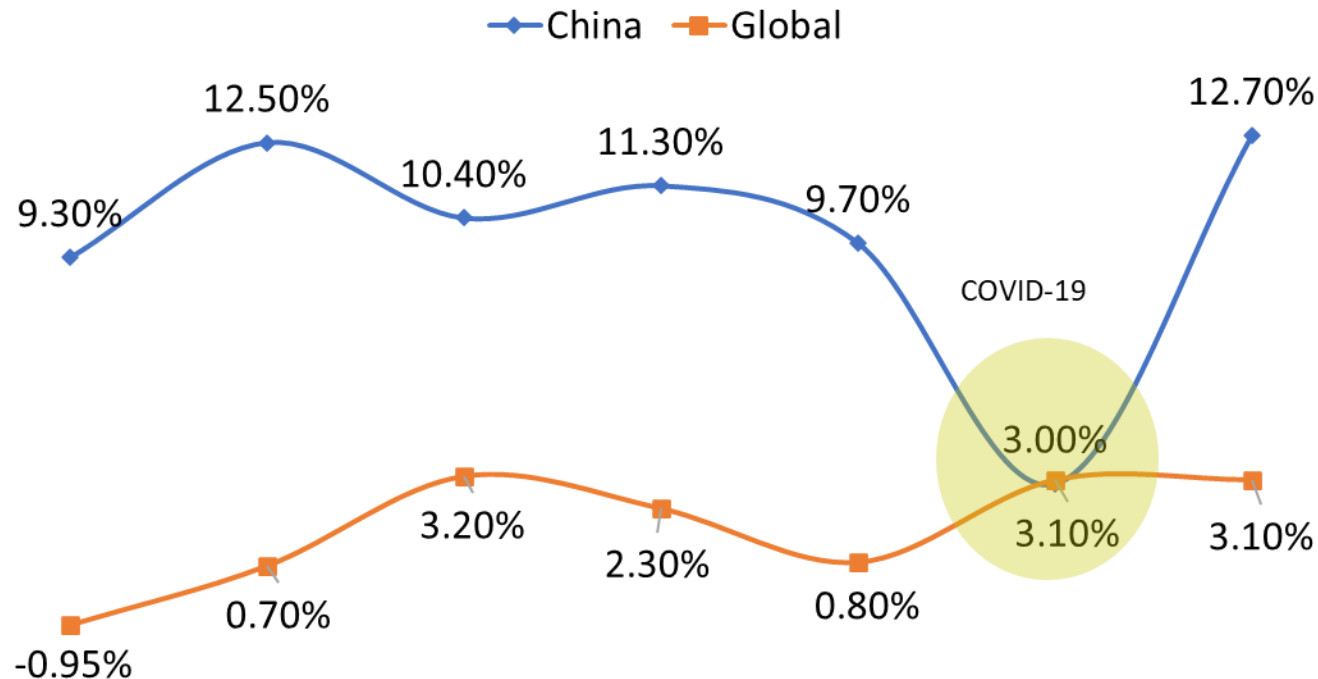
Source : Youzan · Euromonitor

In recent years along with people's fast-changing life styles and the penetrations from Western foods, baking food is slowly making its mark on breakfast market, with more demands from dinner and casual occasions, baking food's market size will be further expanded. According to the research, the baking food market will reach RMB 265.7bn in 2021.

Markets-China Market IV

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CHINA VS GLOBAL BAKING MARKET GROWTH COMPARISON

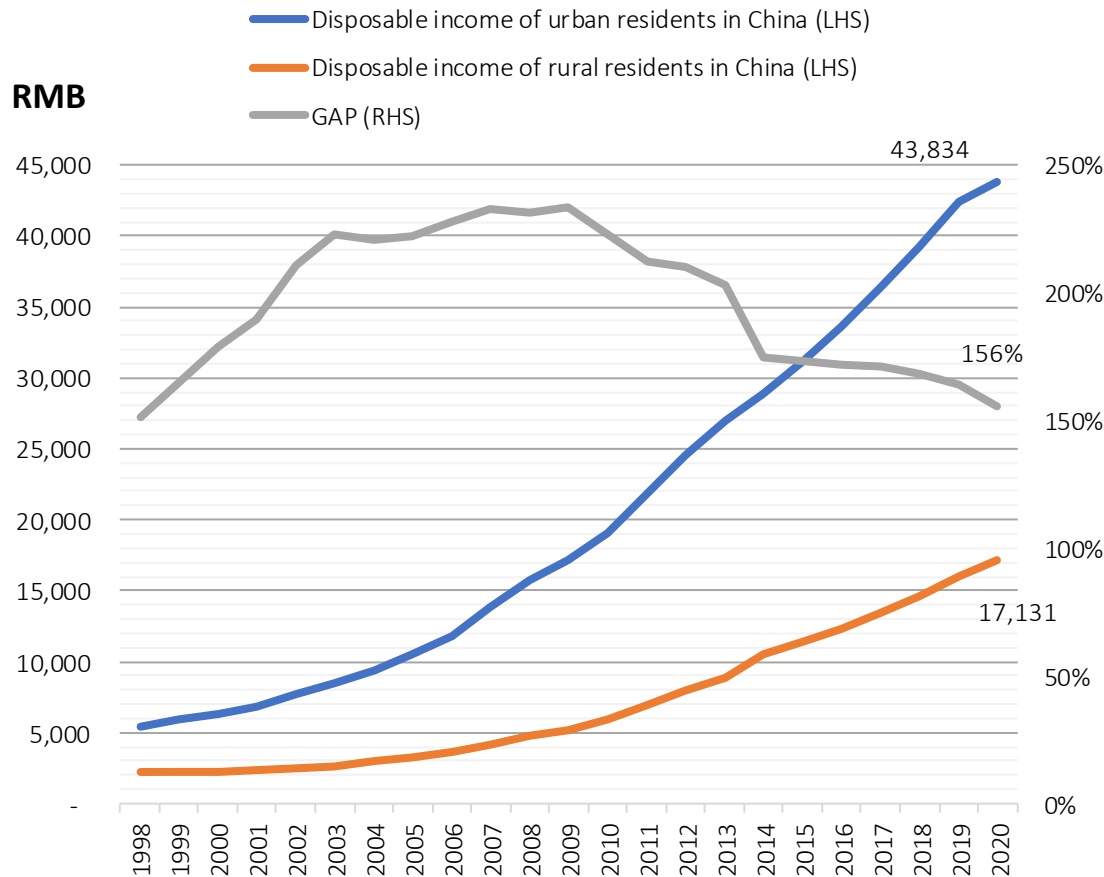


Source : Youzan · Euromonitor

Markets-China V

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Disposable income of urban and rural residents in China



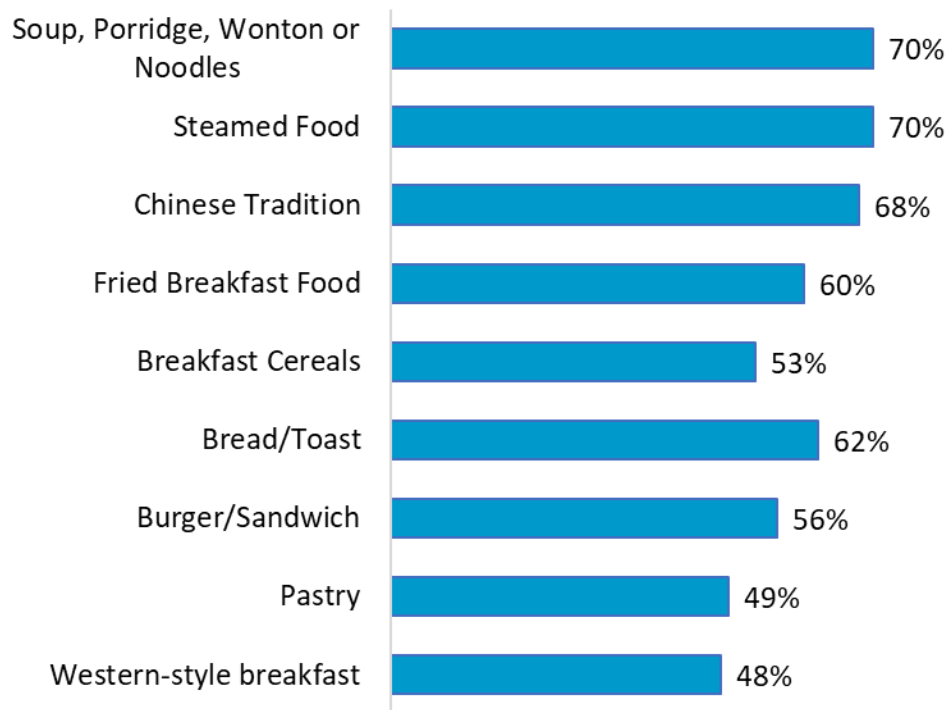
Source: National Bureau of Statistics

- The consumer power in the 2nd, 3rd -tier cities in China differs from that in 1st -tier cities (Beijing, Shanghai). Along with the growths of economy developments and consumer's awareness on baking foods, the market potential is enormous.
- The population in undeveloped provinces is about 50% of whole country and thus with the development of cities and e-commerce, the consumption of baking foods in 2nd, 3rd-tier cities' is expected to increase.

Markets-China VI

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Bread-based penetration rate of western breakfast gradually close to the traditional breakfast



Source: Mintel

As the zillennials have become the main consumer group, their dietary consumption patterns and preferences have changed.

In the High-Line cities, eating breakfast at workplace or on the way to work has gradually become zillennials' lifestyle, the diet trend to be more convenient and faster. Baked pre-packaged food has become an important choice. Baking food is a supplement for people that can be taken in the morning. According to statistics, the penetration rate of western breakfast in China has been nearly 50%, gradually close to the rate of porridge, wonton, noodles and other traditional breakfast, among which the penetration rate of bread/toast products has been as high as 62%.

Markets-China Market VII

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- Expansions for large supermarkets slowed due to mild growths for property markets and e-commerce.
- The new retail sales mode created by the integrations of on and off line logistics.
- The emergence of fresh food + F&B mode.
- Corporate mergers.
- Light scale convenient stores for fresh foods, community supermarkets.
- The products of mid-long expiration for guaranteed quality are slowly turning into short expiration for guaranteed quality.
- The new mode created by the integration of on and off line central factory + e-commerce + Cold chain logistics.



- The complexity stores offering perfect experiences and services.
- Bread / Cakes + tea / coffee are becoming mainstreams
- The characteristics of social means.
- The emergence of baking training institutes, baking schools.
- The brands from Youtubers, personal baking stores with strong characteristics.
- The joy from DIY.

Markets-China Market VIII

The SINMAG logo is located in the top left corner of the slide. It consists of a blue square with a white 'S' and the word 'SINMAG' in white capital letters on a blue background.

➤ Types of customers in China market

	2018	2019	2020	2021H1
Supermarkets	18.75%	13.22%	11.93%	7.41%
Chain stores	36.25%	37.71%	36.13%	40.27%
Single stores	17.41%	16.31%	14.58%	13.74%
Wholesalers	8.70%	7.98%	7.92%	10.57%
Kitchen equipment Dealer	14.95%	19.01%	20.02%	18.96%
F&B	2.75%	1.20%	2.46%	0.84%
Complexity stores	0.80%	0.46%	0.34%	0.22%
Others	0.39%	4.11%	6.61%	7.99%

Financial Performance I Statement Of Comprehensive Income

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NT\$(thousand)/EPS

		2016	2017	2018	2019	2020	2021H1
Revenue		4,297,545	4,614,233	4,312,015	4,164,628	3,300,489	1,876,389
	Growth Rate%	4.59%	7.37%	-6.55%	-3.42%	-20.75%	46.73%
Gross Profit		1,810,713	1,897,745	1,718,306	1,705,525	1,339,739	719,664
	Gross Profit Margin%	42.13%	41.13%	39.85%	40.95%	40.59%	38.35%
Operating Expenses		1,033,431	1,069,547	1,061,006	1,043,445	850,898	424,883
	Operating Expenses Ratio%	24.05%	23.18%	24.61%	25.05%	25.78%	22.64%
Profit From Operations		777,282	828,198	657,300	662,080	488,841	294,781
	Operating Profit Margin%	18.09%	17.95%	15.24%	15.90%	14.81%	15.71%
Profit Before Income Tax		790,768	790,236	689,261	687,551	492,790	306,560
	Earning Before Tax Margin%	18.40%	17.13%	15.98%	16.51%	14.93%	16.34%
Net Profit		546,858	534,153	473,613	503,361	340,940	193,919
	Net Profit Margin%	12.72%	11.58%	10.98%	12.09%	10.33%	10.33%
EPS		11.27	10.63	9.43	10.02	6.79	3.86

Financial Performance II Balance Sheet

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NT\$(thousand)/EPS

	2016	2017	2018	2019	2020	2021/6/30
Assets						
Cash and cash equivalents	770,584	848,267	816,499	845,718	993,154	788,081
Trade receivables	703,854	727,270	611,712	484,490	477,393	461,179
Inventories	626,997	703,672	669,144	631,628	624,587	820,074
Property, plant and equipment	688,534	736,700	843,929	1,065,760	1,020,344	998,367
Other assets	327,334	289,022	290,683	273,851	331,257	356,978
	3,117,303	3,304,931	3,231,967	3,301,447	3,446,735	3,424,679
LIABILITIES						
Short-term borrowings	125,000	209,314	150,000	113,391	202,119	155,673
Trade payables	280,186	297,382	257,649	243,259	265,898	296,135
Other payables	316,733	256,556	258,506	288,970	242,497	197,556
Current tax liabilities	132,378	138,802	115,731	78,527	169,814	116,375
Current portion of long-term borrowings and bonds payable	1,683	5,968	6,121	5,906	4,155	3,941
Long-term borrowings	65,061	93,659	89,615	81,866	21,346	18,277
Other liabilities	260,279	258,598	235,870	254,150	208,881	189,528
Total liabilities	1,181,320	1,260,279	1,113,492	1,066,069	1,114,710	977,485
<i>Debt to Total Assets%</i>	<i>37.90%</i>	<i>38.13%</i>	<i>34.45%</i>	<i>32.29%</i>	<i>32.34%</i>	<i>28.54%</i>
Total equity	1,935,983	2,044,652	2,118,475	2,235,378	2,332,025	2,447,194
<i>ROE%</i>	<i>29.53%</i>	<i>27.49%</i>	<i>23.31%</i>	<i>23.68%</i>	<i>15.48%</i>	<i>16.79%</i>

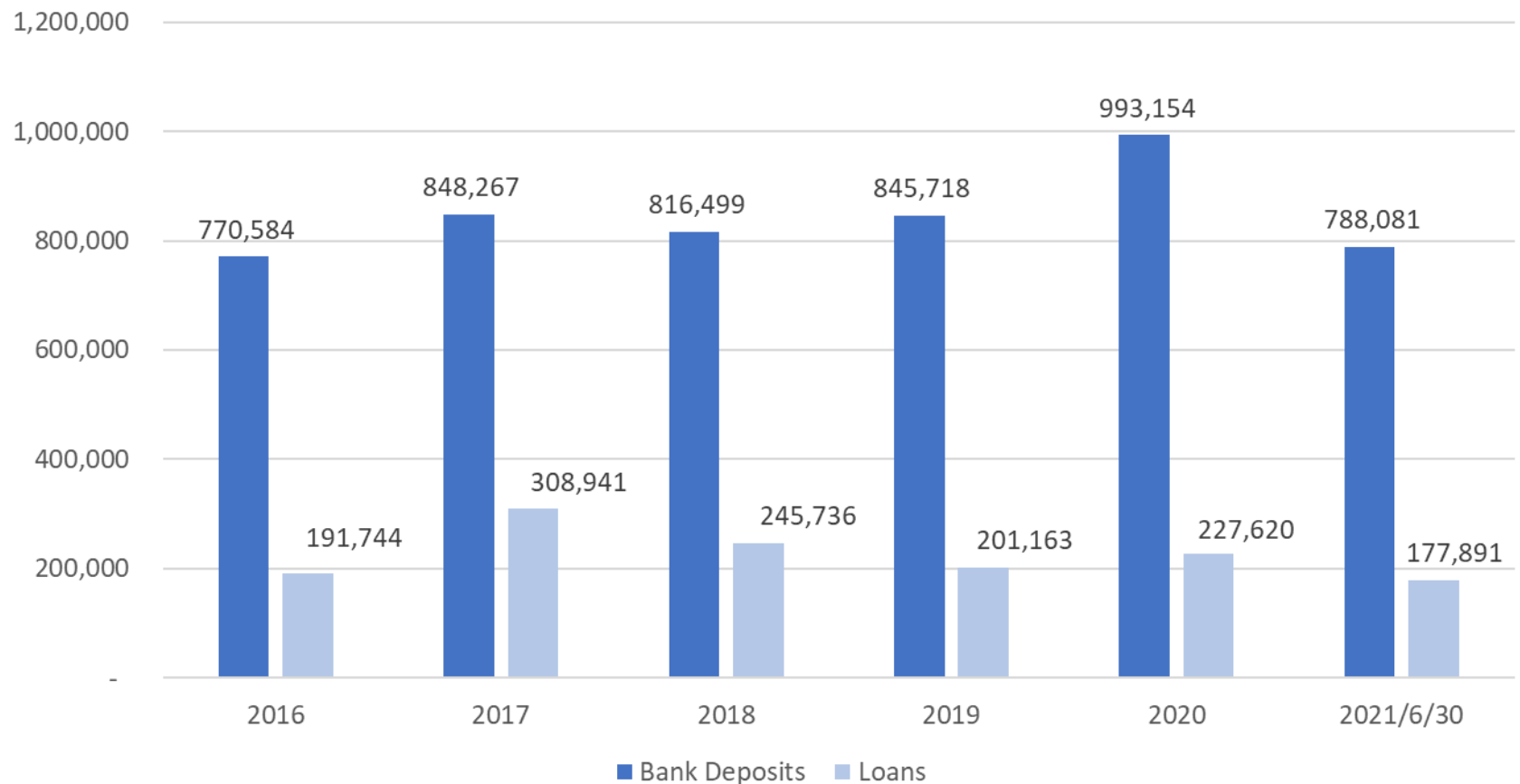
Note : Cash and cash equivalents include amortized cost financial assets (i.e Time deposits with original maturities over 3 months from the date of acquisition, financial products)

Financial Performance III Bank Deposits V.S Loans

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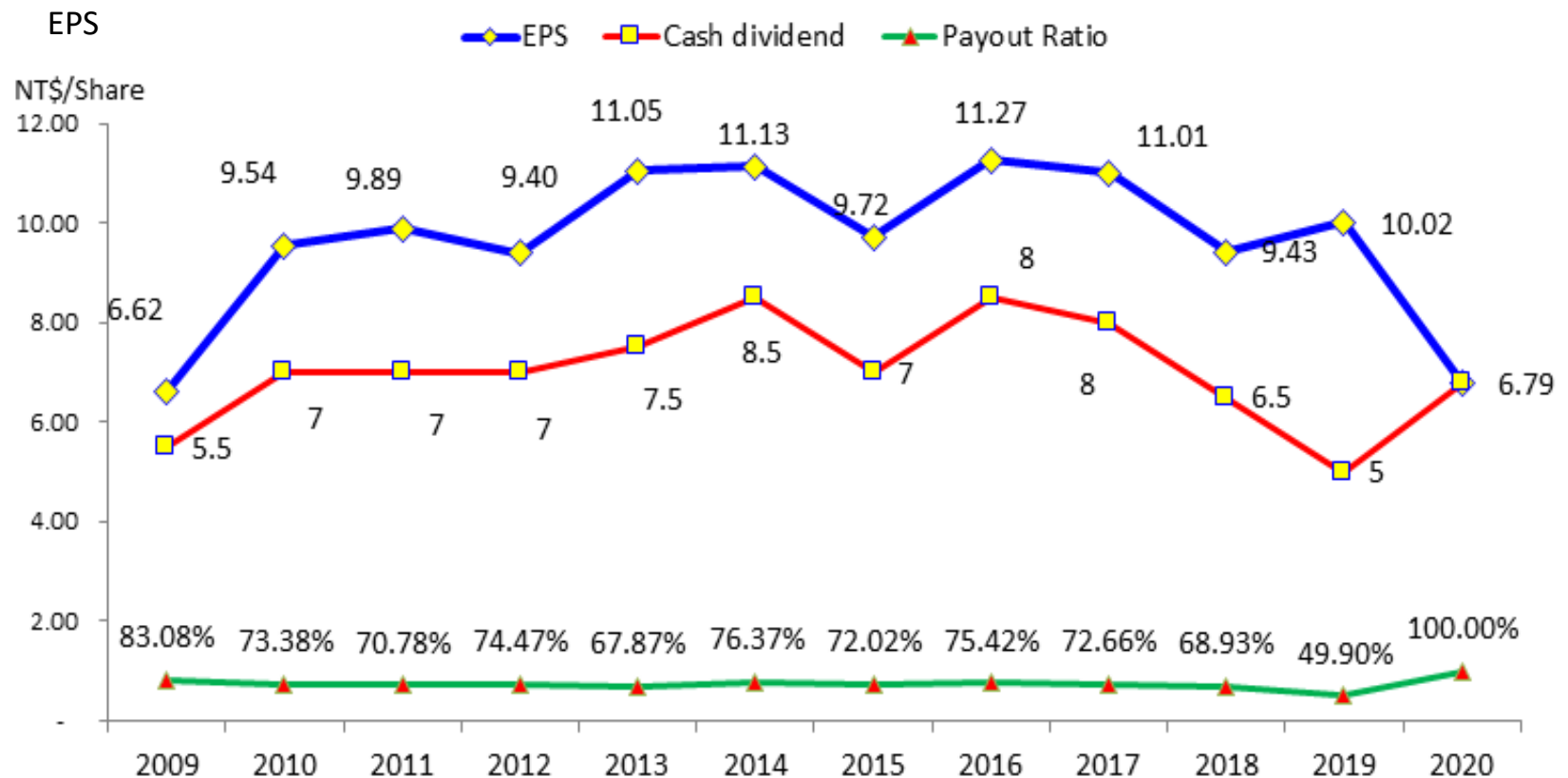
Sufficient cash can support sustainable development

NT\$(thousand)



Financial Performance IV Payout Ratio

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Development Plans-China Market

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- **Cooperation with training institutes, promotions of products to all newcomers**
 - WangSen Baking School, Breadlabo
 - New Oriental Education & Technology Group Inc.
 - Sweet Time

- **Enforcing the ties with kitchenware partners, attracting all those potential customers that were not touched directly**
 - Century Catering Equipment
 - Guang Long Kitchen

- **To promote central factory market, provide customized production lines and automation design proposals**
 - Fujian Dali Group Co., Ltd
 - Uni-President Enterprises Corporation

Development Plans-Overseas Markets

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■ US

- ✓ The continue the supermarket tender method and strive for long term projects.
- ✓ Strengthens the layout of chain stores and single stores.

■ Malaysia

Utilizing the advantage in after sales to promote small workshops and small wholesale markets.

■ Thailand

Keep cultivating on the supply chain in factories, complete more equipment sales.

■ India

Develop new distributor in Central India, cooperate with distributor to launch on line sales and equipment consultants to develop new customers.