

2020 Annual Report

HIWIN TECHNOLOGIES CORP.

2021 . 6 . 10

Table of Contents

I. Letter to Shareholders	1
i. 2020 Business Report	2
ii. 2021 Business Plan Outline	3
II. Company Profile	5
III. Corporate Governance Report	
i. Organization System	14
ii. Information of Directors and Major Managers	16
iii. Implementation of Corporate Governance	33
iv. Information on Accountants	81
v. Information on Change of Accountant	82
vi. If the Company's Chairman, General Manager and Managers Responsible for Financial and Accounting Affairs Have Held Office in the CPA Firm or Any of Its Affiliated Companies Within a Year, Their Names, Job Titles and the Periods During Which They Have Held Such Office Should Be Disclosed	83
vii. Transfer and Pledge of Shares by the Chairman, Supervisors, Managers and Shareholders Holding more than 10% of the Company's Shares within the Latest Year and up till the Publication Date of This Annual Report	83
viii. Information of the 10 Largest Shareholders Who Are Related as Stated in Statement of Financial Accounting Standards No. 6, or Couples or Relatives Within the Second Degree of Kinship	85
ix. The Shareholdings and Joint Shareholding Held by the Company, its Directors, its Supervisors, its Managers and Affiliates Controlled Directly or Indirectly by the Company in the Same Invested Businesses	86
IV. Capital Overview	
i. Capital and Shares	87
ii. Issuance of Corporate Bond	92
iii. Issuance of Preferred Stocks	92
iv. Issuance of Global Depositary Receipts (GDR)	92
v. Exercise of Employee Stock Option Plan (ESOP)	92
vi. Acquisition of New Restricted Stock	92
vii. Mergers and Acquisitions of New Shares Issued by Other Companies	92
viii. Execution of Capital Utilization Plan	92
V. Business Overview	
i. Business Content	93
ii. Market, Production and Sales Status	103
iii. Employee Data of the Recent Two Years and Up to the Publication Date	106
iv. Information Regarding Expenditure on Environmental Protection	106
v. Labor Relations	109
vi. Important Contracts	112

VI. Financial Overview

i. Condensed Balance Sheets and Statements of Income for the Past Five Years	114
ii. Financial Analyses for the Last Five Years	117
iii. The Audit Committee's Audit Report of the Financial Report for the Past Year	121
iv. The Financial Report and the Accountant's Audit Report for the Past Year.....	122
v. Consolidated Financial Statements Audited by CPA for the Past Year.....	122
vi. The Impacts of Any Financial Difficulties Encountered by the Company or Its Affiliates in the Past Year and up to the Annual Report Publication Date on the Company's Financial Status	122

VII. Review and Analysis of Financial Status, Financial Performance, and Risk Management

i. Financial Status.....	123
ii. Financial Performance.....	124
iii. Cash Flow.....	125
iv. Effects of Major Capital Expenditure on Financial Business of the Past Year	125
v. Investment Policy of the Past Year, Main Causes for Profits or Losses, Improvement Plan and Investment Plan for the Coming Year	125
vi. Risk Analysis.....	126
vii. Other Important Matters	129

VIII. Special Disclosures

i. Information on Affiliates	130
ii. Private Placement of Securities during the Past Year and up to the Annual Report Publication Date	134
iii. Holding or Disposal of Stocks of the Company by Subsidiaries in the Past Year and up to the Annual Report Publication Date	134
iv. Other Necessary Supplemental Information.....	134
v. Events Having Significant Impacts on Shareholders' Equity or Security Price According to Article 36.2.2 of Securities Exchange Act in the Past Year and up to the Issuance of Annual Report	134

Appendix

i. Financial Report of Recent Year and CPA Audit Report	135
ii. Independent Financial Report of Recent Year audited and signed by CPA.....	208

I. Letter to shareholders

To HIWIN's shareholders:

In 2020, the Covid-19 pandemic broke out and spread rapidly. The number of confirmed cases worldwide had exceeded 160 million. This has caused global economic recession and structural change in the supply chain. All industries are facing tremendous change. Among them, the machinery industry is one of the most severe impacted industries. HIWIN had still grown slightly under the pandemic, and consolidated revenue in 2020 reached 21.267 billion NTD, an increase of 5.2% compared to 2019, which is the second highest revenue in HIWIN's history. During the harsh pandemic period, HIWIN not only actively served the new requirements of customers, but also executed early deployment in semiconductor, medical, 5G, automation equipment and other industries. With long-term investment in brand marketing and product research and development, we have greatly demonstrated our strong competitive strength!

In 2020, many countries have implemented lockdowns due to the pandemic. HIWIN uses smart electromechanical integration and system service differentiation to provide the strategic needs for industrial transformation and upgrading. We have successfully developed a number of well-known global customers against the pandemic. The direct drive (Torque Motor) rotary table independently developed by HIWIN cooperated with a well-known Japanese machine tool manufacturer for high-end five-axis machine. At the same time, we also use the innovative 3+1 axis combined machine and directly serve the precision component machining end users to improve its efficiency and quality; Furthermore, our wafer robots successfully installed and approved by major semiconductor manufacturers in Taiwan and South Korea, as well as semiconductor equipment suppliers in Japan. The i4.0BS intelligent ballscrew has gradually expanded from the machine tool industry to Japan's injection molding machine and Singapore's major semiconductor equipment manufacturer, and has also won the 2020 Taiwan Excellence Silver Award. The ballscrew for electrical vehicle's steering system and the ballscrew for electrical vehicle's brake system been developed by HIWIN and under testing with many European and American global 1st tier leading manufacturers for long term cooperation. HIWIN products and services have extended from supplying components, sub-systems, and system components to providing overall solutions for electromechanical integration. With long-term unique innovation and customized services, HIWIN has become an important partner for customers to practice Industrie 4.0 and smart manufacturing.

In terms of company operating performance and branding, we continue to gain recognition in Taiwan and abroad: for consumer and capital product brand competition, HIWIN ranked as 24th in Taiwan's International Brands in 2020, which is the recognition for HIWIN brand among fierce market competition. We have also passed the certification of IATF 16949 automotive quality management system and enabled us to step into the new-generation automotive supply chain successfully. In addition, HIWIN won the BSI (British Standards Institute) outstanding sustainability award, TCSA's highest honor "Taiwan Top Ten Sustainability Model Enterprise Award", "Taiwan Enterprise Sustainability Report Gold Medal Award", "Innovative Growth Award and Talent Development Award". These awards and recognitions are the achievement of HIWIN team's long-term efforts in management, innovation and marketing. At the same time, HIWIN Group is also the vanguard of Taiwan's national mask team and the world team for supply of components to pandemic prevention medical equipment.

Looking forward to 2021, we foresee greater opportunity and market potential. HIWIN will continue to develop edge leading, competitive and value-added smart manufacturing and electromechanical integration services, uphold the belief of creating value to human's well-being, and lead all HIWIN members work together to create an global leading brand. I look forward to have the continuous support and cooperation from all shareholders, business and banking community partners and government officials, in the coming year, so HIWIN can keep shining in the world, and create another record high performance.

2020 Business Plan Implementation Results are as follow:

i. 2020 Business Report

(i) Business Plan Implementation Results

2020 consolidated financial statement revenue was NT\$ 21,266,659 thousand, a 5% up from 2019's NT\$ 20,209,798 thousand; Operating Income was NT\$ 1,732,474 thousand, a 28% drop from 2019's 2,400,890 thousand; Pre-tax net income was NT\$ 2,303,471 thousand, a 4% up from 2019's 2,209,849 thousand; Consolidated net income attributed to stockholders of the company was NT\$ 1,929,730 thousand, a 3% up from 2019's 1,865,316 thousand; Earnings per share was at NT\$ 6.05, a 3% up from 2019's NT\$5.85.

(ii) Financial Revenues and Expenditures and Profitability Analysis

1. Financial Revenues and Expenditures

Unit: thousand NTD		
Item	Year	2020 Number of Certification of Finance
		Amount Percentage
Net Operating Revenue		21,266,659 100
Cost of Goods Sold or Manufacturing		15,476,252 73
Gross Profit		5,790,407 27
Operating Expenses		4,057,933 19
Operating Income		1,732,474 8
Net Non-operating Revenue		570,997 3
Income before Tax		1,698,779 8
Consolidated Net Income Attributed to Stockholders of the Company		1,929,730 9

Note: This is a consolidated financial statement. The company did not disclose a budget plan in 2020, therefore no disclosure of the budget.

2. Profitability Analysis

Item	2020
Return on Asset (%)	3.91
Return on equity (%)	6.93
Profit Before Tax to Capital Stock (%)	69.62
Profit Margin (%)	7.99
Earnings Per Share (dollar)	6.05

(iii) Research and Development

- 1.The R&D funding in 2020 was 5% of the revenue. There were 147 patent applications and 249 patent certifications acquired. Until the end of 2020, we have acquired 2,130 valid patent certifications.
- 2.2020 domestic corporation rank in top 100 Intellectual Property Office by Ministry of Economic Affairs.

- (1) 74th in patent application.
- (2) 57th in invention patent announce certification.
- (3) 41th in patent announce certification.

R&D result in metal steel and precision machinery fields is the best in the country and continues to stay on top.

3.i4.0BS intelligent ballscrew won the 29th Taiwan Excellence Award Silver Award by the Ministry of Economic Affairs.

4. R&D Results:

- (1) Mass production of the next-generation smart ball screw i4.0BS.
- (2) Complete prototype development of composite high-speed turntable.
- (3) The development and mass production of all specifications of cross-type linear slides have been completed.
- (4) The development of the entire series of anti-torque linear slides and low assembly types has been completed.

ii. 2021 Business Plan Outline

(i) Business principle

1. Accelerate the promotion of high-end smart manufacturing and electromechanical integration products, transform and upgrade, and drive revenue growth.
2. Provide electromechanical integration system services and provide customers with solutions to create value and enhance competitiveness.
3. Intelligent manufacturing and precise management in the factory to improve profitability.
4. To improve the overall quality management and enhance the brand value of HIWIN.
5. Continue to proceed global deployment and provide local rapid electromechanical integration services.

(ii) Estimated sales numbers and basis

1. 2021 Estimated Sales Numbers are as follow:

Unit: thousand unit

Product Type	Sales Amount
Ballscrews	1,800-2,000
Linear Guideway	32,000-34,000
Industrial Robotics	3,300-3,800

2. Basis:

In accordance with global economy trend, operating environment in various industries, market demand and supply and competitive situation, analysis business developments of current clientele and development progress of potential clients, and consider various factors including production and sales balance as basis, to estimate the sales numbers of 2021.

(iii) Important production and sales policy

1. The 3+1 axis strategy of the rotary table, serving the metal processing industry to upgrade the machine, and provide solutions for end customers.
2. Accelerate the marketing of high-end new products and electromechanical integrated products to provide differentiation and competitiveness.

3. Integrate HIWIN products, establish automation templates, and cooperate with system integration partners to provide industrial intelligent automation services.
4. Build a global partner ecosystem (Partner Ecosystem) and become a system service channel for electromechanical integrated marketing.
5. Real-time material/production/sales adjustment to ensure delivery competitiveness and healthy inventory management.

(iv) Future developing strategy

1. Develop and integrate the total solutions system portfolio of the group's electromechanical products, and provide customers with original and intelligent manufacturing services.
2. Promote the Torque Motor rotary table, assist the equipment industry and manufacturing industry to upgrade, and become the company's new main product.
3. Continue to invest in the research and development of smart machinery technology, develop i4.0 BS/i4.0 GW and expand more industrial applications.
4. Enter the automobile production line and electric vehicle supply chain, and open up a new business map of the company.
5. Expand the layout of global subsidiaries and distribution bases, and enhance competitiveness and differentiation with the full product service of electromechanical integration.
6. Expand production capacity and build new plants: Taichung and Yunlin plants.

(v) Effects on external competition environment, regulation environment, and overall operation environment

The overall business environment in 2021 will be a year in which many uncertain situations will gradually become clear. The Covid-19 vaccine will begin to be supplied, and the impact of the pandemic may gradually ease. However, the economic recovery status of each economy is different, and the imbalance between regions may increase. Major forecasting agencies all believe that the global economy and trade will grow in 2021. The industrial ecology of the post-pandemic economy, such as the continuous expansion of semiconductor demand, international crude oil and raw material prices, rising shipping fees, the accelerated development of electric vehicles by global automobile manufacturers, and the development of the global supply chain after the reorganization, all of these factors will have impact on company's operations. However, it's also a great opportunity.

The policies of the three major economies under the dual impact of the pandemic and politics are the key to dominating the development of the global market, including President Biden of the United States taking office, his policy changes and whether sanctions against China continue, the trend of the US-China trade conflict, and whether China continues Dominate the economic recovery and the challenge of whether the Tokyo Olympics in Japan will still be held. In addition, the impact of Brexit on the economic performance of the European Union, the general elections in Germany and France and the test of the new government, the development of the five ASEAN countries and the Indian market will all have a significant impact on the global economic environment.

HIWIN continues to observe environmental changes, and early deployment of the group's electromechanical integration and high-end smart products and global service network. We are fully prepared for the economic development trend and global localized supply in the post-pandemic era. Challenges and opportunities are coexistence in 2021 which is also a great chance for HIWIN to break new ground and show our capabilities.

HIWIN Technologies CORP

Best Regards

Chuo-Wen Hen, Chairman

II. Company Profile

1. Establishment Date

1989 ● Established in October.

2. Company History

- 1992 ● Set up a subsidiary in USA.
 - Acquired ISO 9001 certification through SGS, UK.
- 1993 ● Acquired HOLZER and set up a subsidiary in Germany.
 - Acquired Aircraft Quality Systems Approval by McDonnell Douglas Corp., USA.
 - Precision Ballscrew Awarded the 1st “Taiwan Excellence Silver Award”.
- 1996 ● Merged with Finest Ballscrew Company, Taiwan
- 1997 ● Acquired ISO 14001 certification from TÜV Germany
- 1999 ● Linear Bearing Awarded the 7th “Taiwan Excellence Gold Award”.
 - Strategic alliance formed with Parker Hannifin, USA.
 - Set up a subsidiary in Japan.
- 2000 ● HIWIN Germany reinvested HIWIN Switzerland
 - Awarded the “Excellence Award” of the 8th “Industrial Technology Advancement Award” from MOEA.
 - Awarded the 1st “Industrial Excellence Award” by MOEA.
 - HIWIN Linear Guideway was Awarded the 8th “Taiwan Excellence Award”.
 - Ranked 79 in Top Patents 100 of National Institutional Corps in Taiwan.
- 2001 ● HIWIN Germany reinvested HIWIN Czech Republic.
 - High Speed Ballscrew Awarded 9th “Taiwan Excellence Silver Award”.
 - Ranked 816th in Top 1,000 Manufacturers 2001 by Common Wealth Magazine.
- 2002 ● Self-lubricated Linear Guideway Awarded the 10th “Taiwan Excellence Silver Award”.
 - Awarded the Gold Medal of the 11th “National Invention Award” by MOEA.
 - Awarded “Outstanding Promoter” of “National Award of Excellence-Taiwan”.
 - Ranked 65 in Top 100 Patents of National Institutional Corps in Taiwan.
 - Ranked 855 in Top 1,000 Manufacturers 2002 by Common Wealth Magazine.
 - Acquired OHASA 18001 Occupational Safety and Health Certificate by TÜV Germany.
- 2003 ● Precision Linear Module was awarded the 11th “National Product Image Gold Award”.
 - Purchased a land with an area of 15,332 tsubo in Yun-Lin Science Industrial Park and built plant in the first phase.
 - Ranked 734 in Top 1,000 Manufacturers 2003 by Common Wealth Magazine.
- 2004 ● Awarded “Most Outstanding” of the 12th “Industrial Technology Advancement Award” by MOEA.
 - Continued the expansion of the new factory in Yun-Lin Science Industrial Park and started production.
 - R&D Center in Tokyo, Japan was founded.
 - Hosted the first HIWIN THESIS AWARDS.
 - Ranked 603 in Top 1,000 Manufacturers 2004 by Common Wealth Magazine.
- 2005 ● Awarded the 2 Taiwan Superior Brands Award by Bureau of Foreign Trade, MOEA.

- All-Electric Injection Molding Machine Ballscrew was awarded the 11th “National Product Image Gold Award”.
- Selected “Enterprise Citizen” by Common Wealth Magazine.
- Ranked 79 in Top 100 Patents of National Institutional Corps in Taiwan.
- Ranked 552 in Top 1,000 Manufacturers 2005 by Common Wealth Magazine.
- 2006 ●Won First Place in the competition of acquiring new land in Taichung Precision Machinery & Innovation Park planned by Taichung City Government among over 500 companies and got a land of 12,665 tsubo.
- Awarded the 3 Taiwan Superior Brands Award by Bureau of Foreign Trade, MOEA.
- Super S Ballscrew Awarded the 14th “Taiwan Excellence Silver Award”.
- New factory started in Chicago, US.
- Ranked 40 in Top 100 Patents of National Institutional Corps in Taiwan.
- Ranked 513 in Top 1,000 Manufacturers 2006 by Common Wealth Magazine.
- 2007 ●Ranked 4 of “Excellence in Corporate Social Responsibility” honor in mid-size company category from Common Wealth Magazine.
- Selected as the benchmarking company in “Flagship Enterprise Development Project” by MOEA.
- Groundbreaking for the new headquarter in Taichung Precision Machinery & Innovation Park.
- Acquired new land and started new plant in Tanzi.
- Acquired ISAT certification from Applied Material (USA) and became a qualified supplier.
- Ranked 32 in Top 100 Patents of National Institutional Corps in Taiwan.
- HIWIN Germany acquired new factory and land with an area of about over 2000 square meters to merge with the old plant and expand production capacity.
- RG Linear Guideway Awarded the 10th “Taiwan Excellence Silver Award”.
- Ranked 440 in Top 1,000 Manufacturers 2007 by Common Wealth Magazine.
- 2008 ●Ranked 3 of “Excellence in Corporate Social Responsibility” honor in mid-size company category from Common Wealth Magazine.
- 105,214 m² land in Dapumei Intelligent Industrial Park Registered.
- E2 Series Awarded the 16th “Taiwan Excellence Gold Award”.
- Awarded the Industry Contribution Award of “National Invention Award” 2008 from Intellectual Property Office, MOEA.
- Hosted the first HIWIN Intelligence Robotic Competition.
- Ranked 36 in Top 100 Patents of National Institutional Corps 2008 in Taiwan.
- Obtained the certification of Taiwan Occupational Safety & Health Management System (TOSHMS).
- Ranked 380 in Top 1,000 Manufacturers 2008 by Common Wealth Magazine.
- 2009 ●Ranked 3 of “Excellence in Corporate Social Responsibility” honor in mid-size company category from Common Wealth Magazine.
- Energy Conservation Driving Module R1 Series was Awarded the 17th “Taiwan Excellence Gold Award”.
- Stocks are listed for public trading
- Awarded Taiwan Superior Brands Award 2009 by Bureau of Foreign Trade, MOEA.
- CEO was honored the Gold Merit winner of National Innovation Award (Individual Category) by Intellectual Property Office, MOEA.

- Honored with the Excellent Corp. Award for Reserve Military Officer by Ministry of National Defense.
- 20th anniversary of HIWIN.
- Reinvested MegaFabs Motion Systems LTD in Israel.
- Ranked 33 in Top 100 Patents of National Institutional Corps 2009 in Taiwan.
- Ranked 471 in Top 1,000 Manufacturers 2009 by Common Wealth Magazine.
- 2010 ●Additional 29,514 m² land in Dapumei intelligent Industrial Park Registered, total land area reaching 45,286 m².
- Energy Conservation Driving Module SK Series Awarded the 18th “Taiwan Excellence Gold Award”.
- Ranked 59 in Top 100 Patents of National Institutional Corps 2010 in Taiwan.
- Received the 2 Contribution Award for Job Creation 2010 from Executive Yuan.
- Honored with the Contribution Award for Providing Job Opportunities to Veterans by Executive Yuan.
- Received the Contribution Award for Job Creation from Taichung City Government.
- Awarded the National Champion Award by MOEA for committing public facilities green landscaping, and employing specialists for long term maintenance.
- Ranked 3rd in Top 1,000 Manufacturers 2010 by Common Wealth Magazine.
- Ranked 2 of “Excellence in Corporate Social Responsibility” honor in mid-size company category from Common Wealth Magazine.
- 2011 ●Received Contribution Award for Job Creation from Executive Yuan.
- Energy-Saving & Thermal-Controlling Ballscrew C1 Series Awarded the 19th “Taiwan Excellence Gold Award”.
- Awarded Taiwan Top 100 Brands by Bureau of Foreign Trade, MOEA.
- Awarded the first “Monte Jade Innovation Award” by Monte Jade Science and Technology Association.
- Awarded the first “Taiwan Green Classic Award” by MOEA.
- Awarded Taiwan Top 10 Innovative Enterprises 2011 by MOEA.
- Awarded National Enterprises Innovation Award.
- Received the “Taiwan Train Quality System-Enterprise TTQS” Silver Award.
- Hosted 1st Annual HIWIN Doctoral Dissertation Award.
- CEO was honored with the Management of Technology Award from Chinese Society for Management of Technology.
- CEO was honored with SUPER MVP Manager of the year from Manager Today Magazine.
- CEO was awarded the Honorary Doctor of Engineering from National Kaohsiung First University of Science & Technology.
- CEO received the Honorary Professor glory from Dalian University of Technology.
- Ranked 33 in Top 100 Patents of National Institutional Corps 2011 in Taiwan.
- Ranked 223rd in Top 1,000 Manufacturers 2011 from Common Wealth Magazine.
- 2012 ●Honored with the Contribution Award for providing job opportunities to alternative military service from Ministry of the Interior.
- Acquired Greenhouse Gases Emissions ISO14064-1 Certificate.
- Acquired Product Carbon Footprint PAS 2050 Certificate.
- Ranked No.1 of the Best Business Performance from 2009~2011 by Common Wealth Magazine.

- Awarded for the safety working environment record of continuously occupational accidents or injuries free by Council of Labor Affairs.
 - Ranked the No.21 of the Taiwan “2012 Excellence in Corporate Social Responsibility” under the category of large-scale enterprise by Common Wealth Magazine.
 - Recirculation Divide Ballscrew RD Series Awarded with the 20th “Taiwan Excellence Gold Award”.
 - The new HIWIN Global Headquarter and R&D Center were officially opened.
 - Forbes 2012 Honor “200 Best Under a Billion”.
 - Awarded “Taiwan Top 20 Innovative Enterprises” in 2012 by Ministry of Economic Affairs.
 - TTQS Certificate of Taiwan Train Quality System Enterprise Version Gold.
 - CEO was awarded the Honorary Doctor of Business Administration from National Chung Cheng University.
 - Ranked 257 in Top 1,000 Manufacturers 2012 from Common Wealth Magazine.
 - CEO was awarded the 6th National Excellence Manager Outstanding Achievement Award by Chinese Professional Management Association
 - Associate Vice President Dr. Jerry Chiu was awarded the 30th National Excellence R&D Manager Award.
 - Operational Headquarters Received the honor of “Taichung Outstanding Healthy Workplace” by Bureau of Health Promotion, Department of Health, ROC.
- 2013
- Awarded the first Taiwan Mittelstand Award.
 - Crossed Roller Bearing Series Awarded with the 21st “Taiwan Excellence Gold Award” .
 - Received the “Taiwan Train Quality System-Enterprise TTQS” Gold Award.
 - Acquired ISO13485 certification.
 - Honored with the SGS Merit Award by SGS Yarsley Ltd., UK.
 - Awarded “Taiwan Top 20 Innovative Enterprises” by Ministry of Economic Affairs.
 - CEO was awarded the Honorary Alumnus with Golden Eagle Award by Tamkang University.
 - Started Management Associate Program to develop international marketing talents.
 - HIWIN signed the Industry-Academy Collaboration contract with Taichung Industrial High School and National Taiwan University of Science and Technology, to foster the future leaders.
 - “Chuo Yung-Tong Memorial Library” donation contract signing ceremony was held in Dec. 2013th
 - HIWIN released the first “Corporate Social Responsibility Report”.
 - Subsidiaries in Singapore, South Korea, and Italy, were founded.
 - Ranked 259 in Top 1,000 Manufacturers 2013 from Common Wealth Magazine.
- 2014
- Tangential External Recirculation Ballscrew Super T Series Awarded with the 22nd “Taiwan Excellence Gold Award”.
 - Introduced the Toyota Production System (TPS) for improvement.
 - Ranked No.50 of “The World’s Most Innovative Growth Companies 2014” by Forbes.
 - HIWIN was selected as No.1 weighted component in the investment benchmark Index “The ROBO-STOX Global Robotics & Automation Index “among 81 promising worldwide companies.
 - HIWIN established collaborative research centers with National Tsing Hua University.

- HIWIN-MPEI (Moscow Power Engineering Institute) Precision Electrical Engineering Research Center established.
- HIWIN teamed up with industrial computer supplier Advantech Co.
- Stone ceremony for the second factory of HIWIN GmbH was held.
- Awarded Taiwan Top 20 Innovative Enterprises by MOEA.
- HIWIN Robotic Gait Training System acquired the CE Medical Devices Certificate.
- Subsidiary in Suzhou, China, was founded.
- Held the groundbreaking ceremony of “Chuo Yung-Tong Memorial Library”.
- Awarded the “Taiwan Corporate Sustainability Awards (TCSA)” and honored with “Social Inclusion Award”.
- Selected as one of the favorite enterprises for R&D alternative service.
- Acquired the Certification of Taiwan Intellectual Property Management System (TIPS).
- Ranked 227th in Top 1,000 Manufacturers 2014 from Common Wealth Magazine.
- 2015 ●Acquired 48% stake in Luren Precision Co., Ltd.
- Acquired the certification of ISO 50001 Energy Management System.
- Ranked No.37 of “The World’s Most Innovative Growth Companies 2015” by Forbes.
- Robotic Gait Training System MRG-P100 Awarded with the 23rd “Taiwan Excellence Gold Award”.
- General Manager Enid Tsai was honored “50 Power Businesswomen in Asia” by Forbes, the only one from Taiwan.
- Released “Corporate Social Responsibility Report” 2013~2014 and acquired AA1000 certification.
- Awarded Taiwan Corporate Sustainability Awards (TCSA) and Growth through Innovation Awards.
- Ranked the No.31 of the Taiwan “Excellence in Corporate Social Responsibility” under the category of large-scale enterprise by Common Wealth Magazine.
- Cooperated with China Medical University to set up a R&D Center.
- Entered Top 20 Innovative Companies selected by MOEA.
- Started a new project of “Jingke Plant II”.
- Held the groundbreaking ceremony of dormitories of Taichung City Precision Machinery Innovation Technology Park.
- CEO was awarded an honorary doctorate of philosophy from National Tsing Hua University and an honorary doctorate of engineering from Taiwan University of Technology.
- Ranked 220th in Top 1,000 Manufacturers 2015 from Common Wealth Magazine.
- 2016 ●Rated as No.5 in Top100 Global Growth Enterprises by Nikkei Business Publications.
- Held cornerstone-laying ceremony for a new plant of HIWIN China.
- Ranked in the top 5 percent of listed companies in the 2 Corporate Governance Evaluation.
- The single axis robot module (HM series) won iF and Red Dot awards.
- Delta Robot, a parallel one, won Taiwan Excellence Silver Award.
- CEO Ranked 25 in Top 50 Taiwanese CEOs 2015 selected by Harvard Business Review.
- Signed a memorandum with IRCAD/AITS on “Robotic Endoscope Holder” surgery training courses and promotion.
- Chairman Eric Y. T. Chuo received an honorary doctorate of science from China Medical University.

- CNC rotating table^t achieved EU CE certification.
- HIWIN and Etron signed a memorandum.
- HIWIN, HIWIN MIKROSYSTEM and Global MEMS signed a memorandum.
- Awarded “The 17 National Standardization Award” by the Bureau of Standards, Metrology & Inspection, MOEA.
- New factory started in the 2 factory area in HIWIN Germany.
- Awarded “Taiwan Corporate Social Award”, “Taiwan Corporate Social Award-People Development Awards”, and the “Gold Award of Top 50 Taiwan Corporate Sustainability Reports” by Taiwan Institute for Sustainable Energy.
- HIWIN and Siemens signed a memorandum.
- Held the groundbreaking ceremony of a new factory in Chiayi Dapumei Precision Machinery Park.
- Robotic Gait Training System achieved SNQ certification and won the bronze medal of “National Biotechnology & Medical Care Quality Awards”.
- General Manager Enid Tsai won Kwol-Ting Li’s Management Award.
- Assistant General Manager Wu Yueqin was selected as Excellent Accountant.
- Executive Assistant Manager Liao Kehuang won National Manager Excellence Award.
- Executive Assistant Manager Chen Congren National Production Manager Excellence Award.
- Ranked the No.14 of the Taiwan “Excellence in Corporate Social Responsibility” under the category of large-scale enterprise by Common Wealth Magazine.
- 2017 ●Signed a contract “Exported Litchi Cultivation Pattern and Value-Added Key Preservation Technology” with National Chung Hsing University and Taiping District Farmers’ Association.
- Wafer Robot won the 25^t Taiwan Excellence Silver Award.
- Ranked in the top 5 percent of listed companies in the 3 Corporate Governance Evaluation.
- Ranked 201st in Top 1,000 Manufacturers 2016 from Common Wealth Magazine.
- Obtained market license from TFDA for the “Bath Assistive Equipment”
- Ranked as No.1 in ASIA 300 Index for 179% market value increased rate in one year by Nikkei Business Publications.
- Awarded 2017 “Good Design Award” in Japan for the electric gripper.
- Awarded “Sustainable Practice Award” by BSI Standard.
- Held the ceremony of new plant started in HIWIN China.
- Held the opening ceremony for “Chuo Yung-Tong Memorial Library”.
- CG series won the 26 Taiwan Excellence Silver Award.
- Acquired the Certification of Taiwan Intellectual Property Management System (TIPS) for 4 years in a row.
- Awarded Gold in Taiwan Corporate Sustainability Awards (TCSA) in Electronic Information Manufacturing Group.
- CEO was awarded Outstanding Award in the 4 National Intelligence Award.
- General Manager Enid Tsai was recognized in the 35 National General Manager Award.
- 2018 ●Ranked in the top 5 percent of listed companies in the 4th Corporate Governance Evaluation.
- Ranked 163rd in Top 1,000 Manufacturers 2017 from Common Wealth Magazine.

- Ranked 534th in Top 1,000 market value in Cross-Strait 2018 from Business Today.
 - The endoscope supporting robotic arm MTG-H100 series was awarded the Gold Medal of the 27th Taiwan Excellence Award
 - The micro ballscrew Super Z series, was awarded the Silver Medal of the 27th Taiwan Excellence Award
 - Received the Certificate of the Taiwan Intellectual Property Management System
 - The Equipment Front End Module received the SEMI S2 international safety provisions certification
 - The smart ballscrew i4.0BS was awarded the 2018 International Innovation Award
 - Received the TCSA's "Top 50 Comprehensive Performances Award", "Individual Performance- Innovative Growth Award", "Individual Performance- Gender Equality Award", "Individual Performance- Talent Development Award", and the Gold Medal for the "Reporting Category - Electronic Information Manufacturing Group"
 - Received the "Outstanding Sustainability Award" from the British Standards Institution
 - Received an A grade certificate of the Japanese Sumitomo Group's hard labor evaluation
 - The subsidiary in Germany received the "Best Supplier Award" from HELLER
 - HIWIN signed a memorandum of cooperation with Gyeonggi-do, South Korea
 - Received the Ministry of the Interior Alternative Service Excellence Award
 - HIWIN Group's President Chuo, Yung-Tsai was recognized by the Harvard Business Review as the 8th most powerful Taiwanese CEO of 2018
 - HIWIN Group's President Chuo, Yung-Tsai was named an honorary professor by National Chin-Yi University of Technology
 - Senior Manager Chiang, He-Shen was selected as Excellent Accountant
 - Collaborated with Mr. Wang-Tse in the Taiwan Design Exhibition, with the HIWIN robotic arms demonstrating their "two arms three kettles" brewing techniques
 - Funded the key module for the Earth's largest mechanical flower "Listen to the Blossoms" at the Taichung World Flora Exposition
 - HIWIN Robotics collaborated with the National Taiwan Orchestra and dance groups, in a stage performance of "What Happened?"
 - HIWIN Robotics integrated inter-departmentally with National Taiwan University of Arts, in the stage performances of "DaDa's Dream Music Note" and "Island Times"
 - HIWIN Robotics collaboratively promoted the "Greater Taichung Lychee Value-Adding Preservation Key Technique" project with National Chung Hsing University and the Taiping District Farmers' Association, and held the "Taichung Promotional Event of Beautiful Lychee" in Tokyo, Japan, making an effort for Taiwanese Agriculture
- 2019
- The third-generation cooling ballscrew received the Outstanding Award of the Statistics Monitoring Machine Tool Key Components Category at the 2019 14th Annual Machine Tools "R&D Innovative Products" Competition
 - Passed the Occupational Health and Safety Management System's ISO 45001 International Standards Certification
 - Ranked 124th in CommonWealth Magazine's 2018 "1,000 Biggest in the Manufacture Industry"
 - Ranked 869th in Business Today's 2019 "1,000 Biggest Three Places Across The Strait"

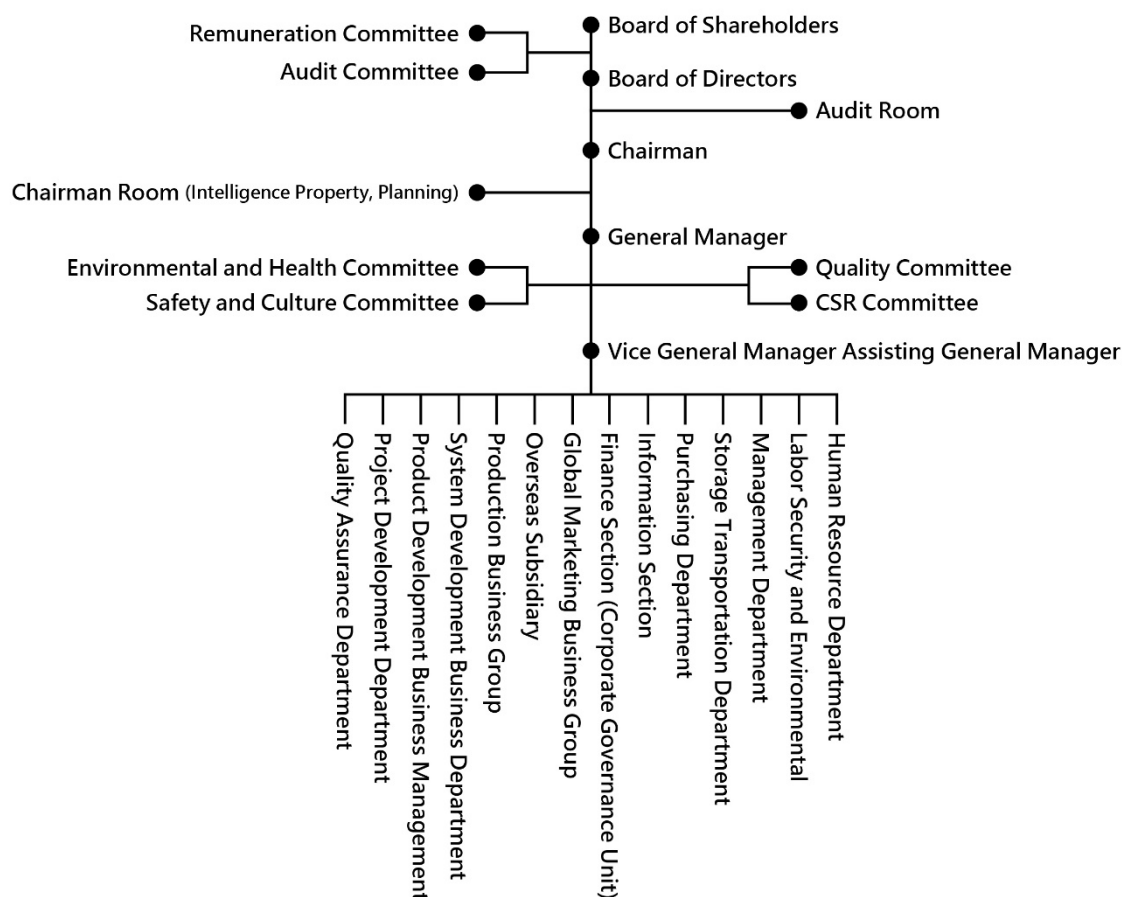
- Received a ranking of the 9th Place of the CommonWealth Magazine’s “2000 Biggest Enterprises”, Top 50 Best Operation Performances in Manufacture
 - The linear guideway was awarded the Gold Medal of the 2018 National Creative Invention Award
 - Ranked 16th in Nikkei’s ASIA 300
 - Ranked in Forbes Magazine’s Best 200 Enterprises in Asia 2019
 - Won the 2019 CommonHealth Magazine’s "CHR Healthy Corporate Citizen" Innovation Award.
 - President Chuo Yung Tsai won the "Entrepreneur of the Year Award" from Enterprise Asia
 - Received the "Gold Trade Award” of the Best Trade Contribution Award from the Bureau of Foreign Trade of the Ministry of Economic Affairs in 2018.
 - Won the 2019 Taiwan International Brand Star of Potential.
 - Won the "Gold Award" and the "Jury Special Award" of the 14th Arts and Businesses Award from the Ministry of Culture.
 - The WUT / WTI series of harmonic reducer won the Gold Medal of the 28th Taiwan Excellence Award.
 - Won the TCSA Taiwan Enterprise Sustainability Award "Comprehensive Performance Award-Taiwan TOP50 Sustainability Enterprise Award", "Single Performance Award-Social Inclusion Award" and "Corporate Sustainability Report Award-Gold Medal".
 - Won the "Sustainable Excellence Award" from British Standards Association.
 - Integrated with the National Taiwan Symphony Orchestra and Dance Dance in a cross-disciplinary manner, and performed the "Dialogue of Technology and Art" stage show at the Taichung National Opera House.
 - The HIWIN lower limb strength training machine won the 2019 International Innovation Award.
- 2020
- When the National Team of Mask Equipment of Taiwan is formed, we participate in the first time. We are the pioneer of pandemic prevention of the mask manufacturing team.
 - Common Wealth Magazine ranked 173rd in the “Top 1000 Manufacturing Industries” in 2019.
 - Ranked 29th in the 2020 CSR Top 100 Corporate Citizens of Common Wealth Magazine.
 - The President of HIWIN Group Zhuo Yongcai was ranked 17th in the Harvard Business Review's 2020 Taiwan Top 100 CEOs, and has been honored and affirmed for three consecutive years.
 - Automotive precision ball screws have obtained IATF 16949 automotive quality management system certification, which is an active layout for entering the new-generation automotive supply chain.
 - Cooperate with China Medical University to join the R&D Center and signed the second five-year plan to continue to cultivate more medical professionals.
 - Won the 24th award of 2020 Taiwan's best international brand by the Ministry of Economic Affairs.
 - Won the TCSA Taiwan Enterprise Sustainability Award "Taiwan Top Ten Sustainability Model Companies Award", "Taiwan Enterprise Sustainability Report-Platinum Award", "Single Performance-Innovation Growth Award" and "Single Performance-Talent Development Award".

- Won the "Outstanding Resilience Award" from the BSI British Standards Institute.
 - Cooperate with the affiliated hospital of Sun Yat-Sen Medical University to create the first "MIT Robotic Arm Clinical Surgery Teaching Field" in Taiwan. It is hoped that more people can be benefited in the future, regardless of rich or poor, who can enjoy precision medicine.
 - i4.0BS intelligent ball-screw won the 29th Taiwan Excellence Award [Silver Award]; the high-precision Torque Motor rotary table RAS-170 was selected for the 29th Taiwan Excellence Award.
 - Passed ISO 14046 verification of water footprint
- 2021
- Ranked in the top 5 percent of listed companies in the 7th Corporate Governance Evaluation.
 - Ranked 15th in the Top 100 of V- reverse in the Top 200 in Resilience Corporate of Common Wealth Magazine
 - Ranked 163 in Top 1,000 Manufacturers 2020 by Common Wealth Magazine.

III. Corporate Governance Report

i. Organization System

(i) Organization Chart



(ii) Operating Functions of Each Main Department

- **Audit Office**
Corporate management risk assessment and normal audit
- **Chairman Room**
The company's business objective setting, promotion of major plans, business performance appraisal and analysis, activity planning, brand management, overseas procurement, legal management and intellectual property management
- **Human Resource Department**
Planning, management, selection, training and retention of human resource, and educational training
- **Labor Security and Environmental Protection Department**
Having specific responsibility for environmental protection and health, labor safety and health, and plant safety management
- **Management Department**
Building and maintaining the general affairs management system
- **Financial Section**
Budgeting and capital planning, financial affairs, accounting and taxation planning, and evaluation management of overseas subsidiaries reinvestment companies
- **Purchasing Department**
Domestic procurement of production equipment and raw materials
- **Storage and Transportation Department**
Warehouse management of raw materials, semi-finished products and finished products, and product shipping

- **Information Section**
Information system planning, software development, safety and operation of maintenance information network system
- **Global Marketing Business Group**
Marketing management, market survey, new product planning, market expanding and customer service
- **Overseas Subsidiary**
Marketing management, market survey, new product planning, market expanding, customer service and product processing and manufacturing
- **Production Business Group**
Manufacturing of products, including ball screws, linear guideway, linear bearing, special bearing and robots
- **System Development Business Group**
Equipment development, design, assembling and maintenance, system product development and manufacturing, and plant electric system maintenance
- **Product Development Business Group**
Research and development of new products and subsystem products, drawing design, and customers' technology consulting
- **Project Development Department**
Research and development of major new products and equipment, and project planning and implementation
- **Quality Assurance Department**
Product quality system building, implementation and auditing, and quality control.

ii. Information of Directors and Major Managers

(i) Information of Directors

April 30th, 2021

Unit: Shares: %

Title	Nationality or Place of Registration	Name	Gender	Date of Assumption of Duty (Selection)	Term	Date of First Selection	Shares Held at the Date of Selection		Current Shares Held		Current Shares Held by Spouse and Minor Children		Shares Held under the Names of Others		Major Experiences (Education Background)	Current Position in This Company and Other Companies	With Spouse or a Relative Within the Second Degree of Kinship Who Are a Director or Supervisor			Remarks
							Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of	Shareholding Ratio			Title	Name	Relationship	
Chairman	Taiwan	Chuo, Wen- Hen	M	20190628	3 Years	19930816	6,112,237	2.03%	6,629,808	2.01%	200,000	0.01%	-	-	Master of Business Administrati on at Dominican University	Chairman and co- CEO of HIWIN Technologies CORP Chairman of: -HIWIN Corporate Management Company -Chairman of HIWIN Italy (Legal Representative) Co-Chairman of: -Eterbright Solar Corporation -Matrix Precision Co. Director of: -HIWIN America, -HIWIN Singapore -HIWIN South Korea -Matrix Corp UK(Legal Representative) -HIWIN Investment Corporation	Direcor	Eric Y. T. Chuo	Father and Son	Note 1

																-Everfortune A.I.(Legal Representative) -HIWIN Education Foundation				
Co- Chairman	Taiwan	Chen, Chin- Tsai	M	20190628	3 Years	19891203	4,180,956	1.39%	3,818,812	1.15%	3,112,615	0.94%	-	-	-Master of Public Administrati o n at University of San Francisco -Master of Accounting at Tamkang University	Deputy chairman of this company, WIN Semiconductors Corp., Inventec Solar Energy Corporation and Kinmac Solar Corporation, director of ITEQ Corporation, independent director of Tong Hsing Electronic Industries Limited and Kinsus Interconnect Technology Corp., director of Namchow Chemical Industrial Ltd. and Namchow Chemical Industrial Co., Ltd., and supervisor of Taipei Financial Center Corporation.	-	-	-	-

Director	Taiwan	Chuo, Yung- Tsai	M	20190628	3 Years	19890926	13,453,495	4.48%	13,954,135	4.22%	1,225,063	0.37%	-	-	Master of Management at University of San Francisco - Honorary Doctor of Management at National Chung Cheng University -Honorary Doctor of Engineering at National Kaohsiung First University of Science and Technology -Honorary Doctor of Engineering at Taiwan University of Technology -Honorary Doctor of Philosophy at National Tsing Hua University -Honorary Doctor of Science at China Medical University	CEO of HIWIN Technologies CORP Chairman of: -HIWIN America -HIWIN Germany -HIWIN Japan and General manager -HIWIN Singapore -HIWIN South Korea -HIWIN China -HIWIN Switzerland -HIWIN Mikrosystem Ltd.(Legal Representative) -Eterbright Solar Corporation(Lega l Representative) -Matrix Precision Co.and General Manager -HIWIN Investment Corporation -HIWIN Education Foundation	Chairman	Chuo Wenhe ng	Father and Son	
----------	--------	------------------------	---	----------	------------	----------	------------	-------	------------	-------	-----------	-------	---	---	--	--	----------	---------------------	-------------------	--

Director	Taiwan	Tsai, Huey-Chin	F	20190628	3 Years	19890926	4,372,885	1.45%	4,000,010	1.21%	-	-	-	-	Doctor of Organizational Psychology at Philips Academy	General and co-CEO of HIWIN Technologies CORP. Chairman of HIWIN Healthcare Corp. Director of: -HIWIN America -HIWIN Japan -HIWIN China -HIWIN Investments -Matrix Precision Co.(Legal Representative) -HIWIN Education Foundation	-	-	-	
Director	Taiwan	Lee, Shun-Chin	M	20190628	3 Years	19891203	7,394,267	2.46%	8,261,391	2.50%	406,682	0.12%	-	-	Certification of completion in high level management at UC Berkeley Certification of completion in EMBA at Feng Chia University	Chairman of: -Zhengjie Enterprise Limited -Naqiang Limited -Zhengyung Limited - Yungqiang(Legal Representative) Director of: -Eterbright Solar Corporation -HIWIN Mikrosystem Ltd.(Legal Representative)	-	-	-	
Director	Taiwan	Sanko Investments Ltd.	-	20190628	3 Years	20040630	4,011,651	1.33%	3,997,209	1.21%	-	-	-	-	-	Director of East Steel Co., Ltd. Director of Taiwan Steel Tower Co., Ltd.	-	-	-	

		Representative: Huang Ching-Yi	F	20190928		20190928	3,288	0.00%	304	0.00%	-	-	-	-	Fu Yan University Graduated from Department of International Trade, Virginia, United States Old Dominion University, MBA	Chairman of: - Sanko Investments Ltd. - Taipei Sanxing Charity Foundation	-	-	-	Note 2
Independent Director	Taiwan	Chiang, Cheng-Ho	M	20190628	3 Years	20080624	-	-	-	-	228,456	0.07%			Master of Administration at National Chengchi University	Member of the company's Audit Committee Member of the company's Remuneration Committee				
Independent Director	Taiwan	Chen, Ching-Hui	F	20190628	3 Years	20160628	-	-	-	-	-	-	-	-	Department of Business, College of Law, National Taiwan University	Member of the company's Audit Committee Member of the company's Remuneration Committee	-	-	-	
Independent Director Chairman	Taiwan Taiwan	Tu, Li-Ming	F	20190628	3 Years	20170628	-	-	-	-	-	-	-	-	Graduated from Business Administration Department of Tamkang University	Member of the company's Audit Committee Member of the company's Remuneration Committee	-	-	-	

Note 1: The chairman and the general manager or the equivalent (the top manager) are the same person, and are spouses, or relatives within the first degree: none

1. Primary Shareholders of Institutional Shareholders

April 30th, 2021

Name of Institutional Shareholders	Main Shareholders	
Sanko Investments Limited	Huang Chin-Yi	33.33%
	Huang Yi-Cang	33.33%
	Huang Xiao-Yu	33.33%

2. Information of Directors

Name	Requirements	Whether work experience of over 5 years and professional qualifications below are equipped			Conformity to Independence												The number of other public companies where posts of independent directors are held by these people
		The title ranks above lecturer in department of commerce, law, accounting or related to company business public and private universities and colleges.	Judge, procurator, lawyer, accountant or professional technical personnel (having national certificates) related to company business	Work experience in commerce, law, finance, or accounting or required by company business	1	2	3	4	5	6	7	8	9	10	11	12	
Chairman: Chuo, Wen-Hen			✓						✓				✓		✓	✓	
Deputy Chairman: Chen, Chin-Tsai			✓		✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	3
Director: Chuo, Yung-Tsai			✓										✓		✓	✓	
Director: Tsai, Hui-Quing			✓						✓				✓	✓	✓	✓	
Director: Lee, Shun-Chin			✓		✓			✓					✓	✓	✓	✓	
Director: Representative of San Hsin Investment Co. Ltd.: Huang, Jing-Yi			✓		✓	✓		✓	✓	✓	✓	✓	✓	✓	✓		
Independent Director: Chiang, Cheng -Ho			✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Independent Director: Ching-Hui Chen			✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Independent Director: Tu, Li-Ming			✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	

Directors and supervisors who meet the following conditions during the two years prior to election and during their tenure of office, please mark "✓" in the space below each condition code:

- (1) Not an employee of the Company or other affiliates;
- (2) Not a director or supervisor of the Company (the same does not apply if the person is an independent director of the parent company or subsidiaries where the company have over 50% voting shares directly or indirectly);

- (3) Non-self and his spouse, minor children, or other natural person shareholders who hold more than 1% of the total issued shares of the company in the name of others or the top ten shareholders.
- (4) Not managers listed in (1) or the spouse of personnel listed in (2), (3), relatives within the second degree, or the blood relatives within the third degree.
- (5) Not directors, supervisors or directors of corporate shareholders who directly hold more than 5% of the company's total issued shares, top five shareholders, or appointed representatives to act as company directors or supervisors in accordance with paragraph 1 or 2 of Article 27 of the Company Act (but if the independent directors established by the company and its parent company, subsidiary company or subsidiary of the same parent company in accordance with this law or local national laws and regulations are concurrently held by each other, it is not limited to this).
- (6) Not directors, supervisors or employees of other companies who are controlled by the same person as many than half of the shares or voting rights (but if the independent directors established by the company and its parent company, subsidiary company or subsidiary of the same parent company in accordance with this law or local national laws and regulations are concurrently held by each other, it is not limited to this)
- (7) Not directors, supervisors, or employees of other companies or institutions that are the same person or spouse with the company 's chairman, general manager or equivalent (but if the independent directors established by the company and its parent company, subsidiary company or subsidiary of the same parent company in accordance with this law or local national laws and regulations are concurrently held by each other, it is not limited to this)
- (8) Not directors, supervisors, managers or shareholders of specific companies or institutions that do not have financial or business dealings with the company or holding more than 5% of shares (but if specific companies or institutions hold more than 20% but not more than 50% of issued company shares, and the independent directors established by the company and its parent company, subsidiary company or subsidiary company of the same parent company in accordance with this law or local national laws and regulations concurrently serve each other, this limit shall not apply).
- (9) Not professionals, sole proprietorships, partnerships, companies or institutions that do not provide audits for companies or related companies or business, legal, financial, accounting and other related services that do not exceed NT \$ 500,000 in cumulative compensation in the past two years Business owners, partners, directors (directors), supervisors (supervisors), managers and their spouses. However, members of the Salary and Compensation Committee, Public Acquisition Review Committee, or M&A Special Committee that perform their duties in accordance with the relevant laws and regulations of the Securities Exchange Act or the Corporate M&A Act are not limited to this.
- (10) Not the spouse or a relative within the second degree of kinship of any other director of the Company.
- (11) Not being involved in any of the situations set forth in Article 30 of the Company Act.
- (12) Not a government agency, corporation, or its representative set forth in Article 27 of the Company Act.

(ii)Information of General Managers, Vice General Managers, Assistant Managers, and Directors of Departments and Branches

April 30th, 2021

Title	Nationality or Registration Place	Name	Gender	Date of Assumption of Duty (Note 1)	Shares Held		Shares Held Now by Spouse and Minor Children		Shares Held under the Names of Others		Main Experiences (Education Background)	Posts Held in Other Companies Now	With Spouse or a Relative Within the Second Degree of Kinship Who Are a Manager		
					Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio			Title	Name	Relationship
Chief Executive Officer	Taiwan	Chuo,Yung-Tsai	M	20190628	13,954,135	4.22%	1,225,063	0.37%	-	-	Master of Management at University of San Francisco Honorary Doctor of Management at National Chung Cheng University Honorary Doctor of Engineering at National Kaohsiung First University of Science and Technology Honorary Doctor of Engineering at Taiwan University of Technology Honorary Doctor of Philosophy at National Tsing Hua University Honorary Doctor of Science at China Medical University	Chairman of: -HIWIN America -HIWIN Germany -HIWIN Japan and General Manager -HIWIN Singapore -HIWIN South Korea -HIWIN China -HIWIN Switzerland -HIWIN Mikrosystem Corp (Legal Representative) -Eterbright Solar Corporation(Legal Representative) -Matrix Precision Co., Ltd. and General Manager -HIWIN Investment Corporation -HIWIN Education Foundation	Chairman	Chuo, Wen-Hen	Father and Son
Chairman and co-CEO	Taiwan	Chuo,Wen-Hen	M	20190628	6,629,808	2.00%	200,000	0.01%	-	-	Master of Business Administration at Dominican University	Chairman of: -HIWIN Corporate Management Company -HIWIN Italy Vice Chairman of: -Eterbright Solar Corporation -Matrix Precision Co., Ltd.	Chief Executive Officer	Chuo,Yung Tsai	Father and Son

												Director of: -HIWIN America -HIWIN Singapore, - HIWIN South Korea, -Matrix Corp UK -HIWIN Investment Corporation -Everfortune A.I.(Legal Representative) -HIWIN Education Foundation			
General Manager and co-CEO	Taiwan	Tsai,Huey- Chin	F	20190628	4,000,010	1.21%	-	-	-	-	Doctor of Organizational Psychology at Philips Academy	General and co- CEO of HIWIN Technologies CORP. Chairman of HIWIN Healthcare Corp. Director of: -HIWIN America -HIWIN Japan -HIWIN China -HIWIN Investments -Matrix Precision Co., Ltd.(Legal Representative) -HIWIN Education Foundation	-	-	-
Senior Deputy General Manager of Finance Office	Taiwan	Wu, Yue- Qin	F	20200401	200,892	0.06%	-	-	-	-	Master of Business Administration at Feng Chia University	Chairman of: -Eterbright Solar Corporation (Legal Representative) -Matrix Precision Co. Ltd.(Legal Representative) -HIWIN Education Foundation Supervisor of HIWIN China	-	-	-

Deputy General Manager of Marketing Business Group	Taiwan	Peng, Yan-Qi	F	20150201	22,599	0.01%	-	-	-	-	Master of Information Engineering at University of Southern California	General Manager of HIWIN China	-	-	-
Assistant General Manager of Chairman Room	Taiwan	Wu, Jun-Liang	M	20180201	21,506	0.01%	-	-	-	-	Master of Engineering at National Tsing Hua University	-	-	-	-
Assistant Manager of Chairman Room	Taiwan	Yang, Chuang-Bao	M	20200401	13,340	0.00%	21	0.00%	-	-	Master at Mechanics Institute of National Chung Hsing University	General Manager of HIWIN Italy	-	-	-
Assistant General Manager of System Development Businesses Office	Taiwan	Wang, Fu-Qing	M	20190301	51,533	0.02%	-	-	-	-	Doctor of Mechanics at National Chung Cheng University	Deputy General Manager of Matrix Precisions Co., Ltd.	-	-	-
Assistant General Manager of Finance Office	Taiwan	Liao, Ke-Huang	M	20170801	39,990	0.01%	-	-	-	-	Master at Accounting Institute of National Chung Hsing University	Legal Representative of HIWIN Mikrosystem Corp. Supervisor of: -HIWIN Japan -Eterbright Solar Corporation -Matrix Precisions Co., Ltd., Suzhou	-	-	-
Executive Assistant Manager of Chairman's Office	Taiwan	Li, Wen-Bin	M	20200401	12,412	0.00%	-	-	-	-	Master of Mechanics at Feng Chia University	-	-	-	-
Assistant Manager of Information Office	Taiwan	Zhang, Yong-Ming	M	20200101	2,000	0.00%	-	-	-	-	Master at Information Engineering Institute of Tunghai University	-	-	-	-

Assistant Manager of Chairman's Office	Taiwan	Chiu, Shi-Rong	M	20110701	4,400	0.00%	5,507,625	1.66%	-	-	Master of Business Administration at University of Massachusetts	General Manager and Director of HIWIN America	-	-	-
Assistant Manager of Chairman's Office	Taiwan	Chen, Hong-Ming	M	20180601	10,072	0.00%	-	-	-	-	Graduated from the Department of Accounting of National Taiwan University	Assistant General Manager of HIWIN China Director of Matrix Precisions Co., Ltd., Suzhou	-	-	-
Assistant Manager of Chairman's Office	Taiwan	Huang, Li-Hong	M	20200501	18,954	0.01%	7,286	0.00%			MBA at New York Institute of Technology	-			
Assistant Manager of Production Business Group	Taiwan	Wu, Wen-Chia	M	20170701	5,064	0.00%	-	-	-	-	Master of Mechanics at National Taiwan University	-	-	-	-
Assistant Manager of Chairman's Office	Taiwan	Yang, Feng-Ming	M	20200619	3,000	0.00%	-	-	-	-	Department of Asset Management, Ming Chuan University	Director of HIWIN Japan	-	-	-
Assistant Manager of Business Department	Taiwan	Chang, Kun-yao	M	20070401	7,852	0.00%	-	-	-	-	Master of Mechanics at University of Southern California	-	-	-	-
Assistant Manager of Quality Assurance Department	Taiwan	Chou, Yi-Show	M	20180322	3,000	0.00%	-	-	-	-	Master of Industrial Management at Tunghai University	-	-	-	-

Note 1: Date of Assumption of Current Position

Note 2: The general manager or equivalent (the top manager) and the chairman are the same person, spouse or first degree relatives: none °

Note 3: Incumbent at Date of the Report's Publication

(iii) Remunerations of Directors and Primary Managers in the Past Year

1. Remunerations of Directors (Including Independent Directors)

Unit: NTD Thousand

Title	Name	Directors' Remuneration								Ratio of the Total Remuneration (A+B+C+D) to Net Profit After Tax (%)		Relevant Remuneration Received by Directors Who Are Also Employees								Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Profit After Tax (%)		Compensation Paid to Directors from Reinvestment Business Other than the Company's Subsidiary (Note 3)
		Remuneration (A)		Pension (B)		Directors' Remuneration (C)		Business Affairs Expense (D) (Note 1)				Salary, Bonus and Special Disbursement (E) (Note 2)		Pension (F)		Employee Remuneration (G) (Note 3)						
		This Company	All Companies in the Financial Report	This Company	All Companies in the Financial Report	This Company	All Companies in the Financial Report	This Company	All Companies in the Financial Report	This Company	All Companies in the Financial Report	This Company	All Companies in the Financial Report	This Company	All Companies in the Financial Report	Cash Bonuses	Stock Bonuses	Cash Bonuses	Stock Bonuses	This Company	All Companies in the Financial Report	
Director	Chuo,Wen-Hen	-	-	-	-	19,298	19,298	360	380	1.02%	1.02%	13,287	13,287	72	72	2,200	-	2,200	-	1.82%	1.83%	-
	Chen,Chin-Tsai	-	-	-	-	38,597	38,597	720	3,702	2.04%	2.19%	48,041	48,041	303	302	4,500	-	4,500	-	4.78%	4.93%	13,680
	Chuo,Yung-Tsai																					
	Tsai,Huey-Chin																					
	Lee,Shun-Chin																					
	Representative of San Hsin Investment Co.Ltd.: Huang, Jing-Yi																					
Independent Director	Chiang,Cheng -Ho	-	-	-	-	19,298	19,298	360	360	1.02%	1.02%	-	-	-	-	-	-	-	-	1.02%	1.02%	None
	Chen,Ching-Hui																					
	Tu,Li-Ming																					

1. Please state the policy, system, standards and structure of independent directors' remuneration payment, and describe the relevance to the amount of remuneration according to the responsibilities, risks, time invested and other factors: The remuneration of independent directors of the company refers to the company's overall operating performance, future risks and development trends of the industry, and also refers to the results of the performance evaluation standards and the contribution to the company to give reasonable remuneration. The salary and compensation committee makes recommendations to the board of directors for resolution.

2. In addition to the disclosures in the above table, the directors of the company have received remuneration for providing services for all companies in the financial report (such as serving as consultants for non-employees) in the most recent year: None.

Note 1: It includes the company car costs NT\$ 25,259 thousand and excludes annual salaries of drivers NT\$ 2,605 thousand.

Note 2: Employee remunerations were NT\$ 154,385 thousand in 2020, but the employee remuneration distribution list hadn't been decided as of the publication date of the annual report, so the remuneration planned to be distributed this year shall be based on practices in previous years.

Note 3: Salary and business execution fee of Directors Chuo, Yung-Tsai and Lee, Shun-Chin as CEO and director of HIWIN Mikrosystem Corp.

Remuneration Interval of Directors and Independent Directors

Interval of Remunerations of Directors	Name of Directors			
	Total of First Four Remunerations(A+B+C+D)		Total of Latter Seven Remunerations(A+B+C+D+E+F+G)	
	This Company	All Companies in the Financial Report H	This Company	All Reinvestments of the Company I
Below NT\$ 1,000,000				
1,000,000(Including) ~ 2,000,000(Excluding)				
2,000,000(Including) ~ 3,500,000(Excluding)				
3,500,000(Including)~5,000,000(Excluding)				
5,000,000 (Including) ~10,000,000 (Excluding)	Director: Chuo,Yung-Tsai, Tsai, Huey-Chin, Lee, Shun-Chin, Representative of San Hsin Investment Co., Ltd.: Huang, Ching-Yi Independent Directors: Chiang, Cheng-Ho, Chen, Ching-Hui, Tu, Li-Ming	Director: Chuo,Yung-Tsai, Tsai, Huey-Chin, Lee, Shun-Chin, Representative of San Hsin Investment Co., Ltd.: Huang, Ching-Yi Independent Directors: Chiang, Cheng-Ho, Chen, Ching-Hui, Tu, Li-Ming	Director: Lee, Shun-Chin, Representative of San Hsin Investment Co., Ltd.: Huang, Ching-Yi Independent Directors: Chiang, Cheng-Ho, Chen, Ching-Hui, Tu, Li-Ming	Director: Lee, Shun-Chin, Representative of San Hsin Investment Co., Ltd.: Huang, Ching-Yi Independent Directors: Chiang, Cheng-Ho, Chen, Ching-Hui, Tu, Li-Ming
10,000,000 (Including) ~15,000,000 (Excluding)	Director: Chen,Chin-Tsai	Director: Chen,Chin-Tsai	Director: Chen,Chin-Tsai	Director: Chen,Chin-Tsai
15,000,000 (Including) ~30,000,000 (Excluding)	Director: Chuo,Wen-Hen	Director: Chuo,Wen-Hen	Director: Tsai, Huey-Chin,	Director: Tsai, Huey-Chin,
30,000,000 (Including) ~50,000,000 (Excluding)			Director: Chuo,Yung-Tsai Chuo,Wen-Hen	Director: Chuo,Wen-Hen
50,000,000 (Including) ~100,000,000 (Excluding)				Director: Chuo,Yung-Tsai
Above NT\$ 100,000,000				
Total	9 People	9 People	9 People	9 People

2. Remuneration of CEO, General Managers, and Vice General Managers

Unit: NTD Thousand

Title	Name	Remuneration (A)		Pension (B)		Bonus and Special Disbursement (C) (Note: 1)		Employee remuneration (D) (Note: 2)				Ratio of the Total Remuneration (A+B+C+D) to Net Profit After Tax (%)		Compensation Paid to Directors from Reinvestment Business Other than the Company's Subsidiary (Note: 3)
		This Company	All Companies in the Financial Report	This Company	All Companies in the Financial Report	This Company	All Companies in the Financial Report	This Company	All Companies in the Financial Report	This Company	All Companies in the Financial Report	This Company	All Companies in the Financial Report	
								Cash Bonus	Stock Bonus	Cash Bonus	Stock Bonus			
Chairman and CEO	Chuo,Yung-Tsai	24,522	27,162	539	539	52,865	53,260	9,200	-	9,200	-	4.51%	4.67%	13,560
Chairman and co-CEO	Chuo,Wen-Hen													
General Manager and co-CEO	Tsai,Huey-Chin													
Deputy General Manager of Chairman's Office(Note 4)	Song,Xian-De													
Deputy General Manager of Marketing Business Group	Peng,Yan-Qi													
Deputy General Manager of Finance Section	Wu,Yue- Qin													

Note 1: It includes the company car costs NT\$ 28,403 thousand and excludes annual salaries of drivers NT\$ 2,605 thousand.

Note 2: Employee remunerations were NT\$ 154,385 thousand in 2019, but the employee remuneration distribution list hadn't been decided as of the publication date of the annual report, so the remuneration planned to be distributed this year shall be based on practices in previous years.

Note 3: Remuneration of Chairman Chuo, Yung-Tsai as CEO of HIWIN Mikrosystem Corp.

Note 4: Song, Xian-De, Deputy General Manager of Chairman's Office, retired on February.15.2020, and his remuneration was disclosed.

Remuneration Interval of CEO, General Manager, and Deputy General Manager

Interval of Remunerations of General Managers and Deputy General Managers	Name of General Managers and Deputy General Managers	
	All Reinvestment Businesses of This Company	All Reinvestment Businesses of This Company
Below NT\$ 1,000,000		
1,000,000(Including) ~ 2,000,000(Excluding)	Song,Xian-De	Song,Xian-De
2,000,000(Including) ~ 3,500,000(Excluding)		
3,500,000(Including)~5,000,000(Excluding)		
5,000,000 (Including) ~10,000,000 (Excluding)	Wu,Yue-Qin	Wu,Yue-Qin
10,000,000 (Including) ~15,000,000 (Excluding)	Peng,Yan-Qi	Peng,Yan-Qi
15,000,000 (Including) ~30,000,000 (Excluding)	Chuo,Wen-Hen ,Tsai,Huey-Chin	Chuo,Wen-Hen ,Tsai,Huey-Chin
30,000,000 (Including) ~50,000,000 (Excluding)	Chuo,Yung-Tsai	Chuo,Yung-Tsai
50,000,000 (Including) ~100,000,000 (Excluding)		
Above NT\$ 100,000,000		
Total	6 People	6 People

3. Name of Managers Distributing Employee Remunerations and Distribution Status

April 30, 2021
Unit: NTD Thousand

	Title	Name	Stock Bonus	Cash Bonus	Total	Ratio of the Total to to Net Profit After Tax (%) (%)
General Manager	CEO	Chuo,Yung-Tsai	-	14,400	14,400	0.75%
	Chairman and co-CEO	Chuo,Wen-Hen				
	General Manager and co-CEO	Tsai,Huey-Chin				
	Deputy General Manager of Finance Office	Wu,Yue-Qin				
	Deputy General Manager of Marketing Business Group	Peng,Yan-Qi				
	Assistant General Manager of Chairman's Office	Wu, Chun-Liang				
	Assistant General Manager of Chairman's Office	Yang, Chuang-Bao				
	Assistant General Manager of the System Development Businesses Office	Wang, Fu-Ching				
	Assistant General Manager of Finance Section	Liao,Ke-Huang				
	Executive Assistant Manager of Chairman's Office	Li, Wen-Bin				
	Senior Assistant Manager of Information Department	Zhang,Yong-Ming				
	Assistant Manager of Chairman's Office	Chiu,Shih-Rong				
	Assistant Manager of Chairman's Office	Chen, Hong-Ming				
	Assistant Manager of Chairman's Office	Huang, Li-Hong				
	Assistant Manager of Chairman's Office	Yang, Fong-Ming				
	Assistant Manager of Manufacture Business Group	Wu, Wen-Chia				
	Assistant Manager of Business Department	Chang,Qun-Yao				
	Assistant Manager of Quality Assurance Department	Chou, Yi-Hsiu				

Note 1: Employee remunerations were NT\$ 154,385 thousand in 2020, but the employee remuneration distribution list hadn't been decided as of the publication date of the annual report, so the remuneration planned to be distributed this year shall be based on practices in previous years.

Note 2: Incumbent at Date of the Report's Publication

(iv) Analysis of the Ratio of the Total Remuneration Given to Directors, General Managers, and Vice General Managers by This Company and All Companies in the Consolidated Financial Statements over the Past Two Years to the Net Profit After Tax in the Individual Financial Report, and Description of the Relationship between the Remuneration Policy, Standards and Packages, Procedures for Determining Remuneration, Business Performance, and Future Risk:

1. Analysis of the Ratio of the Total Remuneration Given to Directors, General Managers and Vice General Managers by This Company and All Companies in the Consolidated Financial Statements over the Past Two Years to the Net Profit After Tax in the Individual Financial Report

Title Item	Ratio of the Total Remuneration to the Net Profit After Tax			
	2020		2019	
	This Company	All Companies in the Financial Report	This Company	All Companies in the Financial Report
Director	7.62%	7.78%	7.78%	7.90%
CEO, General Manager and Deputy General Manager	4.51%	4.67%	5.13%	5.45%

Note 1. The net profit after tax belonging to the parent company in 2020 was NT\$ 1,929,730 thousand dollars.

Note 2. The net profit after tax belonging to the parent company in 2019 was NT\$ 1,865,316 thousand dollars.

Note 3. The total remuneration of directors includes the part of employees receiving relevant remuneration. Therefore, there is overlap with the calculation of the total remuneration of the chief executive, general manager and deputy general manager.

2. Description of the Relationship between the Remuneration Policy, Standards and Packages, Procedures for Determining Remuneration, and Business Performance and Future Risk:

- (1) Article 31 of the company's articles of association. If the company makes a profit in the year, the employee compensation shall be no less than 1% and the director compensation shall be no more than 4%. The amount of the appropriation shall be released after being reviewed by the Remuneration Committee and then submitted to the Board of Directors for discussion, and shall be submitted to the shareholders' meeting.
- (2) The company sets the remuneration procedures for directors, general managers and deputy general managers, which is based on "director performance evaluation and remuneration system", "board performance evaluation method" and "manager performance evaluation and bonus system" as the basis for evaluation; directors In addition to referencing the company's overall operating performance, future risks and development trends of the industry, it also refers to the results obtained from the performance evaluation standards and its contribution to the company and gives reasonable remuneration; the remuneration of the general manager and deputy general manager is based on "Salary and various treatment procedures", and take into account the relevance of the manager's personal performance and the company's overall business performance and future risks, and the salary and compensation committee will make recommendations to the board of directors for resolution, depending on the actual operating conditions and relevant laws Review the remuneration system to balance the company's sustainable operation and risk control.

iii. Implementation of Corporate Governance

(i) The Operation of Board of Directors

1. The Board of Directors held 9 meetings (A) in 2020. The actual attendance rate of all directors of the board is: $79 / 81 = 97.5\%$, individual director attendances are as follow:

Title	Name	Number of Meetings Attended Personally (B)	Number of Meetings Attended by Proxy	Personal Attendance Rate (%) (B/A)	Remarks
Chairman	Chuo, Wen-Hen	9	0	100.0%	
Deputy Chairman	Chen, Chin-Tsai	9	0	100.0%	
Director	Chuo, Yung-Tsai	8	1	88.9%	
Director	Tsai, Huey-Chin	9	0	100%	
Director	Lee, Shun-Chin	9	0	100%	
Director	Representative of San Hsin Investment Co.Ltd.: Huang, Ching-Yi	8	1	88.9%	
Independent Director	Chiang, Cheng -Ho	9	0	100.0%	
Independent Director	Chen, Ching-Hui	9	0	100.0%	
Independent Director	Tu, Li-Ming	9	0	100.0%	

Other Essential Information:

1.If the operation of the board has any of the following situations, the board meeting's date, motion period, discussion details, opinions from independent directors, and the company's response should be noted :

(1) Items listed in Article 14-3 of the Securities Exchange Act

All independent directors agreed the issues without objection.

(2) Except for the pre-opening matters, other resolutions that have not been approved by the Audit Committee and have been approved by more than two-thirds of all directors : There is no such case.

2. The implementation status of the independent directors' avoidance of the proposal of interest shall state the name of the independent director, the content of the proposal, the reasons for the avoidance of the interests and the situation of participation in voting

2020.3.25 11th Committee, 6th Session

Case of lifting ban on their representatives' restriction of competition.

Reasons for avoiding interests and voting conditions: This case involves the directors' own interests. Except for directors Chuo, Wen-Hen and Chuo, Yung-Tsai who did not participate in the discussion and voting, the other directors were consulted by the acting chairman for the results. As the company's interests were not harmed, it was passed without objection.

2020.10.29 11th Committee, 12th Session

Formulated a cash capital increase for manager's share subscription plan

Reasons for avoiding interests and voting conditions: This case involves the directors' own interests. Except for directors Chuo, Wen-Hen and Chuo, Yung-Tsai who did not participate in the discussion and voting, the other directors were consulted by the acting chairman for the results. As the company's interests were not harmed, it was passed without objection.

2020.11.03 11th Committee, 13th Session

Hiwin (Schweiz) GmbH investment

Reasons for avoiding interests and voting conditions: This case involves the directors' own interests. Except for directors Chuo, Wen-Hen and Chuo, Yung-Tsai who did not participate in the discussion and voting, the other directors were consulted by the acting chairman for the results. As the company's interests were not harmed, it was passed without objection.

3. Implementation of the Board of Directors' self-assessment:

Assessment cycle	Assessment period	Assessment field	Assessment method	Assessment content
Once annually	2020.1.1~2020.12.31	Include Board of Directors, Audit Committee, Salary Committee	Internal assessment by the Board of Directors	1.Level of participation in the company's operations 2.Increase quality of the Board's decisions 3.Composition and structure of the Board 4.Appointment and refresher courses of directors 5.Internal control

4. The objectives of strengthening the functions of the board of directors in the current year and the most recent year (for example, the establishment of an audit committee, the improvement of information transparency, etc.) and the assessment of implementation:

(1) In order to promote corporate governance and effectively play the functions of the board of directors, the company has established a corporate governance supervisor in accordance with the "Points to be Followed for the Establishment and Exercising of the Board of Directors of Listed Companies".

(2) In order to implement corporate governance and enhance the functions of the board of directors to establish performance targets to strengthen the efficiency of the operation of the board of directors, the company has completed the formulation of the board of directors performance evaluation method on November 12, 2019, and the evaluation will be executed before the end of the first quarter of each year. The results of the 2020 evaluation are excellent, and the board of directors will report the results of the implementation on March 23, 2021.

(3) Adhering to the transparency of operations, safeguarding the rights and interests of shareholders, and proactively revealing important resolutions of the board of directors on the company's website.

(4) The goal of board diversification: The company pays attention to the diversity of board members. When selecting directors, the company also nominates directors for consideration based on operational management capabilities, crisis management capabilities, financial accounting ... etc. In addition, the company also pays special attention to the diversity of gender equality. Among the 9 board members elected, 4 are female members, an increase of 1 more than the previous board of directors to implement the gender equality diversity policy.

(5) The company upholds the attitude of information transparency and publishes important resolutions of the board of directors on the company's information observatory or company website for investors' enquiries. In principle, three legal person briefings are held annually for investors to obtain company-related information and increase investors' recognition. The investor's conference was suspended due to the silent period for cash increase in capital in the second half year of 2020. The company's approval will be held in May, August in 2020.

(ii) The Operation of the Audit Committee:

The Audit Committee is formed by three independent directors. They are in charge of reviewing the content of the Company's financial statement, employing or deploying of the CPAs and its independence and performance, effectively implementing the Company's internal control, complying related laws and regulations, and controlling the potential or existing risk of the Company. Their main duties are as follow:

- (1) In accordance with Item 1, Clause 14 of the Securities and Exchange Act, establish or amend the Internal Control System Statement.
- (2) Evaluate the effectiveness of the Internal Control System Statement.
- (3) In accordance with Item 1, Clause 36 of the Securities and Exchange Act, establish or amend the procedure of significant financial business behaviors such as obtain or dispose assets, trade on derivative goods, capital loan to others, and endorse or guarantee for others.
- (4) Issues involving personal interests of the directors.
- (5) Major capital loans, endorsement, and guarantees.
- (6) The offering, issuance, or private placement of any equity-type securities.
- (7) Issue of securities with private equity.
- (8) Employment, deployment, and compensation of the CPAs.
- (9) Appointment on Finance, Accounting, and internal audit managers.
- (10) Annual and semi-annual financial reports
- (11) Other major issues under the regulations of the company or competent authority.

2020 Audit Committee Items of Discussion are included below:

- (1) Audit of financial statements and accounting policies and procedures.
- (2) Evaluation of the effectiveness of the internal control system.
- (3) Amend the handling procedures for acquiring or disposing of assets, engaging in derivative commodity transactions, lending funds to others, endorsing others or providing guarantees.
- (4) Matters related to directors' own interests.
- (5) Significantly obtained assets, capital loans and endorsement guarantees.
- (6) Raise or issue marketable securities.
- (7) Visa accountant qualifications, independence and competence.
- (8) Appointment and remuneration of visa accountants.
- (9) Appointment and removal of the head of finance, accounting and corporate governance.
- (10) Compliance.
- (11) Fraud prevention plan and fraud investigation.
- (12) Corporate risk management.

The Audit Committee held 9 meetings (A) in 2020, and the attendance of directors was as follows:

Title	Name	Number of Meetings Attended Personally (B)	Number of Meetings Attended by Proxy	Personal Attendance Rate (%) (B/A)	Remarks
Independent Director	Jiang, Cheng-He	9	0	100%	
Independent Director	Chen, Ching-Hui	9	0	100%	
Independent Director	Tu, Li-Min	9	0	100%	

Other Essential Items:

1. The operation of the audit committee should include one of the following circumstances, the date, period, content of the bill, resolution of the audit committee, and the company's handling of the audit committee's opinions:

(1) Article 14 of the Securities Exchange Act 5 listed items

Date of Audit Committee Meeting (Period)	Motion Content	Audit Committee Decision Results	The company's handling of the opinions of the audit committee
2020.03.25 2nd Committee, 5th Session	2019 internal control system statements	The case was passed unanimously after inquiry from the host, submitted to the	None
	2019 Business report, surplus distribution and financial statements		

		Ever Fortune.AI Investment	board for discussions	
		Endorsement guarantee of subsidiary Matrix Precision		
		Endorsement guarantee of subsidiary Eterbright Solar Corporation		
		Subsidiary overdue account transfer funds loan case		
		Lifting directors and their representatives' prohibition on competition		
	2020.05.05 2nd Committee, 6th Session	2019 surplus transfer to capital increase issuance of new shares		
		Endorsement guarantee for Japanese subsidiary		
		Subsidiary overdue account transfer funds loan case		
		Amendment to the "Internal control system" and "Internal audit plan"		
	2020.06.19 2nd Committee, 7th Session	Endorsement guarantee of subsidiary Eterbright Solar Corporation		
		Endorsement guarantee of subsidiary Matrix Precision		
		Endorsement guarantee case for Singapore subsidiary		
		Subsidiary overdue account transfer funds loan case		
	2020.07.24 2nd Committee, 8th Session	Tanzi plant related matters		
		Subsidiary overdue account transfer funds loan case		
	2020.8.5 2nd Committee, 9th Session	Financial statements for the first half of 2020		
		Endorsement guarantee of subsidiary Eterbright Solar Corporation		
		Endorsement guarantee of Japan subsidiary		
		Endorsement guarantee of Korean subsidiary and fund loan		
		Subsidiary overdue account transfer funds loan case		
	2020.9.17 2nd Committee, 10th Session	Cancellation of the loan and quota for the subsidiary Matrix		
		Cancellation of the loan and quota for the Korean subsidiary		
		Endorsement guarantee of Japan subsidiary		
		Subsidiary overdue account transfer funds loan case		
		Domestic cash capital increase issuance of ordinary shares		
	2020.10.29. 2nd Committee, 11th Session	Cash capital increase manager's share subscription plan		
		Capital reduction and increase in Japanese subsidiary		
		Endorsement guarantee of subsidiary Eterbright Solar Corporation		
		Endorsement guarantee of Korean subsidiary		
		Extension of the guarantee period of the Italian subsidiary's endorsement		

		Subsidiary overdue account transfer funds loan case		
	2020.11.03. 2 nd Committee, 12 th Session	Hiwin (Schweiz) GmbH Investment		
		Endorsement guarantee of subsidiary Matrix Precision		
		Endorsement guarantee of Japan subsidiary		
		Endorsement guarantee of subsidiary Matrix		
		Subsidiary overdue account transfer funds loan case		
		Assess the independence, competence and appointment remuneration of certified public accountants		
	2020.12.23. 2 nd Committee, 13 th Session	Cash capital increase and endorsement guarantee of subsidiary Matrix Precision		
		Subsidiary overdue account transfer funds loan case		
		Revise "Financial Statement Preparation Process Management"		

(2) Except for the pre-opening matters, other resolutions that have not been approved by the Audit Committee and have been approved by more than two-thirds of all directors: There is no such case.

2. The implementation status of the independent directors' avoidance of the proposal of interest shall state the name of the independent director, the content of the proposal, the reasons for the avoidance of interests and the situation of participation in voting: there is no such situation.

3. Communication between independent directors, internal audit supervisors and accountants (should include major matters, methods and results of communication on the company's financial and business conditions):

Independent director and internal audit supervisor:

Date	Attendant	Communication Focuses	Communication Results
2020.03.25	Independent director: Jiang, Cheng-He Chen, Ching-Hui Tu, Li-Min Internal auditor: Chen Shi-Chong	1. Report the audit focus and results to the independent directors 2. Issue the company's 2019 internal control system statement	After discussion and communication, the independent directors had no objection to the report on the execution results of the audit business.
2020.04.03	Independent director: Jiang, Cheng-He Chen, Ching-Hui Tu, Li-Min Internal auditor: Chen Shi-Chong	Report to independent directors on internal control regulations	After discussion and communication, the independent directors had no objection to the report on the execution results of the audit business.
2020.05.05	Independent director: Jiang, Cheng-He Chen, Ching-Hui Tu, Li-Min Internal auditor: Chen Shi-Chong	Discuss and amend internal control regulations	After discussion and communication, the independent directors agreed to the internal control system Modified content.
2020.08.05	Independent director: Jiang, Cheng-He Chen, Ching-Hui Tu, Li-Min Internal auditor: Chen Shi-Chong	Report the audit focus and results to the independent directors	After discussion and communication, the independent directors had no objection to the report on the execution results of the audit business.
2020.11.03	Independent director: Jiang, Cheng-He Chen, Ching-Hui Tu, Li-Min Internal auditor: Chen Shi-Chong	1. Report the audit focus and results to the independent directors 2. Formulate internal audit plan 2021	After discussion and communication, the independent directors concluded the audit business execution The report has no objections.

2020.12.16	Independent director: Jiang, Cheng-He Chen, Ching-Hui Tu, Li-Min Internal auditor: Chen Shi-Chong	Discuss and amend internal control regulations	After discussion and communication, the independent directors agreed to the internal control system Modified content.
------------	--	--	---

Independent Director and CPA:

Date	Attendant	Communication Focuses	Communication Results
2020.03.25	Independent director: Jiang, Cheng-He Chen, Ching-Hui Tu, Li-Min Accountant:: Tseng,Dong-Jun	1. Accountants explain the results of the 2019 consolidated financial report and discuss the findings 2. The accountant reports to the independent directors on the results of the internal control review. 3. Accountants discuss and communicate issues raised by independent directors.	Through the audit committee to approve the annual financial statement and submit it to the board of directors for approval, Announce and report to the competent authority as scheduled.
2020.11.03	Independent director: Jiang, Cheng-He Chen, Ching-Hui Tu, Li-Min Accountant:: Tseng,Dong-Jun	1. Fraud matters assessment, significant risks and key verification matters report 2. Accountants report to the independent directors on the new law and the letter from the Securities and Exchange Commission 3. Accountants discuss and communicate issues raised by independent directors	No objection after discussion.

(iii) Implementation of Corporate Governance and its Differences from Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Causes:

Evaluation Items	Implementation			Differences from Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Causes
	Yes	No	Summary	
1. Does the company set and disclose corporate governance best practice principles according to “Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies”?	V		This company sets its own “Corporate Governance Best Practice Principles” according to “Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies”; there are no major differences between its implementation and the principles it has set; it’ll continue to promote the implementation of corporate governance according to relevant provisions.	None
2. The Company’s shareholding structure and stockholders’ equity (1) Does the company establish an internal operating procedure to deal with shareholders’ suggestions, doubts, disputes and litigations, and treat them based on the procedure? (2) Does the company possess the list of its major shareholders as well as the ultimate owners of those shareholders? (3) Does the company establish and execute the risk management and firewall mechanisms between it and affiliated companies? (4) Does the company formulate internal regulations to prohibit insider trading?	V V V V		(1) The company has established an internal operation procedure and designated related departments to handle shareholders’ suggestions or disputes; it has also established a spokesperson system, so there’s a person responsible for responding to shareholders’ questions, including suggestions, doubts, disputes and litigation. (2) The company knows the shareholding of its directors, managers and major shareholders holding over 10% of its shares at all times. (3) The company has established related internal control systems and firewall mechanisms, such as rules governing the management of its subsidiaries and procedures for loan, endorsement and guarantee according to law and regulations. (4) The company has established “Procedure for Precaution against Insider Trading and Internal Significant Information Processing” to expressly prohibit insiders from trading marketable securities using undisclosed information; besides, Article 37 of “Corporate Governance Best Practice Principles” also stipulates that board members shall do their duties loyally, bear their duties of care and exercise their powers in a highly disciplined and prudent way; the audit department evaluate whether the procedure execution above meet the rules irregularly by random checks, and the company has also emphasized precaution against insider trading to directors and supervisors.	None
3. Composition and Responsibilities of the Board of Directors (1) Does the Board develop and implement a diversified policy for its members? (2) Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?	V V	V	(1) The company has set “Corporate Governance Best Practice Principles” which writes that board members should pay attention to gender equality and be equipped with knowledge, skills and qualities necessary for performing their duties; it has indeed executed such principles. The company pays special attention to diversification in the board, there was one newly-elected female board member, the 9 board members on the current board includes 4 female directors.	None

Evaluation Items	Implementation			Differences from Corporate Governance Best Practice Principles for TWSE/GTS M Listed Companies and the Causes
	Yes	No	Summary	
<p>(3) Does the company establish a standard to measure the performance of the Board, and implement it annually?</p> <p>(4) Does the company regularly evaluate the independence of CPAs?</p>	<p>V</p> <p>V</p>		<p>Besides the gender equality, capability of operation management, risk management, and professionalism on finance and accounting...etc., are the considering factors when choosing board members, so it'd correspond the policy of diversity of the board members.</p> <p>(2) This company has set a compensation committee according to law and no other functional committees at present.</p> <p>(3) In order to implement corporate governance to enhance the functions of the board of directors and establish performance targets to enhance the efficiency of the operation of the board of directors, the company formulated the performance evaluation methods of the board of directors of the company in accordance with the letter No. 1070025395 of the Taiwan Governance Code on December 27, 2018. Approved by the board of directors. At the end of each year, the company's deliberative unit will invite directors to fill out self-assessment questionnaires for the board of directors, board members, and functional committees to conduct board performance assessments for the year. The performance of the board of directors in 2020 has been evaluated as excellent, with no major missing improvement projects, and has been listed in the board meeting of the board of directors on March 23, 2021</p> <p>(4) According to the Code of Practice for Governance on the Stock Market, the company invites visa accountants to reply to the "Independence Assessment Questionnaire" every year. The board of directors regularly assesses the independence and suitability of visa accountants (Note); Or independent directors, have no direct or significant indirect financial interests, and are not shareholders of the company, nor pay salaries in the company, the independence of visa accountants has been assessed without any risk. The company's 2020 accountant performance evaluation has been completed and has been reviewed and approved by the audit committee on November 3, 2020 and the board of directors on November 3, 2020 to implement corporate governance and enhance the functions of the board of directors. The 2021 public accountant verification public expenditure has been approved by the board of directors of the company on 2020.11.3.</p>	
4. Do TWSE/GTSM Listed Companies set a special unit or person for corporate governance to be in charge of related	V		In order to promote corporate governance and effectively play the functions of the board of directors, the company has set up a full-time	None

Evaluation Items	Implementation			Differences from Corporate Governance Best Practice Principles for TWSE/GTS M Listed Companies and the Causes
	Yes	No	Summary	
matters of corporate governance (including but not limited to providing data needed by directors and supervisors to perform business, handling matters related to the board meeting and shareholders' meeting according to law, registering the company and changing the registration, and taking minutes in the board meeting and shareholders' meeting)?			<p>corporate governance unit under the jurisdiction of the company's finance department in accordance with the provisions of Articles 20 and 22 of the "Points to be Followed for the Establishment and Exercise of Power of the Board of Directors of Listed Companies" The chief of the Finance Office is also part-timer, and he has more than three years of experience in the management of finance, stocks or deliberations in public issuing companies, and his qualifications meet the requirements. He comprehensively manages corporate governance related matters, and his main responsibilities are as follows:</p> <p>(1) Providing data needed by directors and supervisors to perform business, handling matters related to the board meeting and shareholders' meeting according to law, registering the company and changing the registration, and making records of proceedings in the board meeting and shareholders' meeting.</p> <p>(2) Before the board of directors consults the opinions of the directors to plan and formulate the agenda, and at least 7 days before the meeting, all directors are notified to attend and provide relevant meeting materials, so that the directors can understand the content of the relevant issues in advance.</p> <p>(3) Every year, register the date of the shareholders' meeting before the time limit prescribed by the law, prepare and report the meeting notice, the proceedings manual and the proceedings in accordance with the law, and handle the change registration after amending the articles of association or re-electing the directors.</p> <p>(4) In order to ensure that the members of the board of directors are immediately informed of the company's major news, the company immediately informs the members of the board of directors after issuing major messages, and arranges for directors to participate in financial, business and other professional knowledge courses.</p> <p>(5) Irregularly convene communication meetings of accountants, independent directors, and supervisors of auditing and accounting to implement the internal control system. For details of the communication meetings, please refer to the company's website.</p> <p>(6) The board of directors is regularly notified of the revisions and developments of the latest laws and regulations related to the company's business field and corporate governance.</p> <p>(7) Review and design and plan the company's overall internal control system to ensure</p>	

Evaluation Items	Implementation			Differences from Corporate Governance Best Practice Principles for TWSE/GTS M Listed Companies and the Causes
	Yes	No	Summary	
			<p>corporate governance management measures to maintain efficiency and flexibility, and coordinate related matters across departments.</p> <p>(8) Relevant matters related to the board of directors and shareholders' meeting were successfully completed in 2020, and the business development situation has been listed in the board meeting of the board of directors on March 23, 2021. The main implementation situation is as follows:</p> <ol style="list-style-type: none"> 1. Assist directors and independent directors to perform their duties, provide necessary information and arrange for their further studies 2. Assist the board of directors and shareholders in meeting procedures and resolutions, such as reporting on corporate governance and responsible for the release of important information on important board resolutions. 3. Draft the agenda of the board of directors to notify the directors seven days ago, convene the meeting and provide meeting materials, if the issue needs to be avoided, give advance reminders, and complete the minutes of the board meeting within 20 days after the meeting. 4. Handle the registration of the shareholding date in accordance with the law, and prepare the meeting notice, the discussion manual and the proceedings within the legal period. <p>The items above have been completed in 2020.</p> <p>(9) The head of corporate governance participated in the continuing training course for the issuer's securities firm stock exchange accounting directors organized by the Stock Exchange in 2020 for a total of 18 hours.</p>	
5. Does the company establish a communication channel and build a designated section on its website for interested parties, and handle all the issues they care for in terms of corporate social responsibilities?	V		<p>(1) The company instructs related departments to communicate with interested parties as required and there is an "Area for Interested Parties" on the corporate website for customers, suppliers, media and employees to contact the company. In addition, it has also established a spokesperson system, so there's a person responsible for dealing with related issues of legal persons and investors.</p> <p>(2) The "Interested Parties Section" on the corporate website provides a questionnaire for interested parties to give suggestions or put questions and the important social responsibility issue they're deeply concerned about must be responded to appropriately. The company also has speaker corner and website for shareholder column email and investor related email, also set up</p>	None

Evaluation Items	Implementation			Differences from Corporate Governance Best Practice Principles for TWSE/GTS M Listed Companies and the Causes
	Yes	No	Summary	
			corresponding windows for sales management and operation items. In the interested parties section, if there is any question, suggestion, or complain, the interested parties may contact the CEO, General Manager, Independent Directors, Audit Room, or special contact window for the interested parties by the emails provided in this section for smooth and effective communication channels.	
6. Does the company appoint a professional shareholder service agency to deal with shareholder affairs?	V		This company entrusts related affairs of the board of shareholders to professional stock affairs agencies and this year it authorizes Yuanta Securities to do the job.	None
7. Information Disclosure (1) Does the company have a corporate website to disclose both financial standings and the status of corporate governance? (2) Does the company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)? (3) Does the Company announce and file its annual financial report within two months after the end of the fiscal year, and announce and file its financial reports for the first, second and third quarters as well as its operating status for each month before the specified deadline?	V V		(1) The company has set up an "investor 's section" in Chinese and English on the company's website to disclose financial business and corporate governance information, and in accordance with relevant laws and regulations, declare relevant information on the path designated by the Financial Supervisory Commission on time. (2) The company has Chinese and English websites, and instructs relevant departments to collect relevant information and place it on the company website. The company has a spokesperson system in accordance with regulations, and has a spokesperson and deputy spokesperson, with designated personnel handling related questions from the corporation and investors. The company's website also has telephone and e-mail contact methods. In principle, the company holds three corporate briefings a year, and publishes the information and videos of the briefings on the company's website and public information observatory as required. The impact of the company's cash capital increase period in the second half of 2020 will be held twice in May and August in 2020. (3) The company announces and declares the annual financial report (within three months), the first, second, and third quarter financial reports (within 45 days) and the monthly operating situation (monthly 10 days ago). Due to the incompatibility between some of the group's individual information systems and the head office, it has not yet announced and filed the annual financial report within two months after the end of the fiscal year. The 2020 financial statements were announced and filed on March 23, 2021.	None

8. Does the company have any other important information that helps to understand the operation of corporate governance? Yes, the explanation is as follows:

(1)Operational performance:

In order to implement corporate governance, the company has established an effective internal control system, implemented self-checking operations, and set up independent directors. It borrows the professional experience of independent directors and increases the practical experience of the team to strengthen the functions of the board of directors, to protect the shareholders' rights and enhance information transparency. On the other hand, the company has established public information declaration operations in accordance with relevant regulations, so that shareholders and stakeholders can fully understand the company's financial business status and the implementation of corporate governance.

In addition, in order to strengthen the corporate governance of the company, in addition to updating the company's Chinese and English pages for investors to immediately obtain corporate information, it also established a stakeholder platform for stakeholders to express opinions to the company in real time, so that the company can get the respond quickly and improve.

(2)Explanation of environmental protection expenditure information and labor relations (employee rights and employee care):

Please refer to the fourth and fifth points of this annual report.

(3)Investor Relations :

The company treats all shareholders in accordance with the principle of fairness and openness. It convenes shareholders' meetings in accordance with the provisions of the company act and relevant laws and regulations, and informs shareholders to attend the shareholders' meeting in accordance with relevant regulations. It also gives shareholders the opportunity to ask questions or make proposals to achieve the effect of checks and balances., and formulate rules of procedure for shareholders' meetings in accordance with the law, properly keep minutes of shareholders' meetings and fully disclose relevant information on public information observatories; in addition, in order to ensure that shareholders have the right to fully understand, participate in and decide on major issues, besides immediate disclosure of the company's important information, major information in Chinese and English, and spokespersons and agent spokespersons to respond to shareholder suggestions and concerns, respond to corporate and investor issues in real time, and let them better understand the company's operating results and conditions.

(4)Respect the rights and interests of interested parties:

The company honestly discloses company information in accordance with laws and regulations to protect the basic rights and interests of investors. It maintains a smooth communication channel with banks, employees, consumers and suppliers, and has set up "stakeholders' area" on the company's website for all interested parties to contact the company immediately. The company respects and protects its legitimate rights and interests. The company also has argon mailbox [Chairman Communication Channel], hope mailbox [General Manager Communication Platform] and help mailbox [Human Resources Feedback Platform], encouraging colleagues or stakeholders to express opinions or report violations, which will help the company's growth and development.

Processed Events of 2020

Year	Management System	Employee Benefits	Gender Equality	Completed Items	Completion
2020	10	5	1	16	100%

Enhance corporate governance and protect shareholders' rights:

In order to reduce the risk and diversify the risk of directors and managers from causing major damage to the company and shareholders due to wrongful or negligent acts, it has been stipulated in Article 25 of the company's articles of association within the term of directors and shall be liable for the scope of business execution The company's liability for compensation is for the purchase of liability insurance. The company and the board of directors approved the renewal of liability insurance for directors on March 23, 2021. The insurance coverage is as follows:

Insured Party	Insurance Company	Insured Amount	Insured Period
All directors and managers	Shinkong Product Insurance Co., Ltd.	5,000,000 USD Dollars (Approx. NT\$142,500,000)	2021/3/27~2022/3/26

(5)The company's directors of 2020 participated in corporate governance related courses and laws, which are listed as follows:

Title	Name	Date	Course Name	Hours
Chairman	Chuo,Wen-Hen	2020/03/24	Discussion on Intellectual Property Rights-Talking from Business Secrets	3
		2020/05/11	The discussion of enterprises facing information security governance-with legal practice as the center	3
		2020/07/03	Ordeal or disaster? How to face the crisis and make it become opportunity?	3
Deputy Chairman	Chen,Ching-Tsai	2020/07/17	International Anti-Corruption and the Protection of Exposers-Discussion on Preventing Money Laundering and Combating Information Terrorist Attacks	3
		2020/08/06	Insider trading prevention and countermeasures	3
		2020/11/06	Strengthen corporate governance and corporate social responsibility culture	3

Director	Chuo, Yung-Tsai	2020/03/24	Discussion on Intellectual Property Rights-Talking from Business Secrets	3
		2020/05/11	The discussion of enterprises facing information security governance-with legal practice as the center	3
Director	Lee, Shun-Ching	2020/03/24	Discussion on Intellectual Property Rights-Talking from Business Secrets	3
		2020/05/11	The discussion of enterprises facing information security governance-with legal practice as the center	3
Director	Tsai, Huey-Ching	2020/01/16	Propaganda activities for the intellectual property management obligations of the board of directors of listed companies	2.5
		2020/02/05	CEO lecture hall and keynote speech	2
		2020/03/24	Discussion on Intellectual Property Rights-Talking from Business Secrets	3
		2020/05/11	The discussion of enterprises facing information security governance-with legal practice as the center	3
		2020/09/19	Corporate Governance-a good recipe for enterprises! Independent Director-Enterprise Wind Force Double Blade	3
Director	Sanko Investments Co., Ltd. Representative: Huang, Ching-Yi	2020/07/22	Corporate Governance and Corporate Sustainability Workshop	3
		2020/08/25	Responsibilities of directors and supervisors for false financial reports	3
		2020/11/05	Ten Required Courses of Corporate Governance	3
Independent Director	Chiang, Cheng-He	2020/07/14	Discussion on Legal Risks and Responses of Directors and Supervisors from Major Enterprise Malpractice Cases	3
		2020/07/15	Discussion on Legal Risks and Relevant norms and operational practices of the audit committee	3
Independent Director	Chen, Ching-Huey	2020/07/14	Discussion on Legal Risks and Responses of Directors and Supervisors from Major Enterprise Malpractice Cases	3
		2020/07/15	Relevant norms and operational practices of the audit committee	3
Independent Director	Tu, Li-Ming	2020/07/14	Discussion on Legal Risks and Responses of Directors and Supervisors from Major Enterprise Malpractice Cases	3
		2020/07/15	Relevant norms and operational practices of the audit committee	3

(6) The company's financial controller, audit director and corporate governance director of the company in 2019 participate in corporate governance related courses and laws and regulations are listed as follows:

Title	Name	Date	Title	Hours
Assistant General Manager of the Finance Office (Financial Supervisor)	Liao, Ke-Huang	2020/09/03	Practice and case analysis of labor law compliance under the Covid-19 pandemic	6
		2020/09/10-9/11	Continuing Training Course for Accounting Supervisors of the Issuer's Securities Firms and Stock Exchanges	12
		2020/01/21-01/22	Continuing Training Course for Accounting Supervisors of the Issuer's Securities Firms and Stock Exchanges	12
Manager of Chairman's Office (Audit Supervisor)	Chen, Shih-Rong	2020/09/29	Control design and audit skills to prevent bribery and corruption in enterprises	6
		2020/10/13	How to detect and prevent hidden fraud signs and case study	6
Deputy General Manager of the Finance Office (Corporate	Wu, Yue-Qin	2020/03/24	Discussion on Intellectual Property Rights-Talking from Business Secrets	3
		2020/05/11	The discussion of enterprises facing information security governance-with legal practice as the center	3

Governance Supervisor)	2020/07/24	From the perspective of Covid-19 pandemic, business strategies and corporate governance in response to the world's impermanent risks	3
	2020/08/31	Analysis and Practice of International Tax Trends Issues under the New Version of Corporate Governance plan	3
	2020/10/12	5G key technologies and application opportunities	3
	2020/11/09	Integrity Management and Corporate Governance	3

(7)The situation of the relevant personnel of the group company's accounting audit obtaining relevant domestic and foreign licenses:

There are 8 accountant licenses (CPA) in the Republic of China, 3 US accountant licenses (US CPA), 4 accountant licenses in other countries, and 2 international internal auditor licenses (CIA) , Accounting and Audit Supervisor have CPA license.

(8)The specific management objectives of the board member diversity policy and the current achievements:

1. Diversity Policy:

In order to strengthen corporate governance and promote the sound development of the composition and structure of the board of directors, the board of directors of the company has adopted and revised the code of practice of corporate governance. Among them, the third chapter strengthens the functions of the board of directors, which includes the establishment of a diversity policy. Including but not limited to the basic conditions and values, professional knowledge and skills of the two major standards, and should generally have the knowledge, skills and literacy necessary to perform their duties. The current board of directors of the company is composed of 9 directors, including 3 independent directors. The members have rich experience and professionalism in the fields of finance, business and management.

2. Specific management objectives:

The company's board of directors should guide the company's strategy, supervision and management, and be responsible to the company and its shareholders. All operations and arrangements of its corporate governance system should ensure that the board of directors exercises its powers in accordance with laws, the company's articles of association or shareholders' meeting resolutions. The board of directors should have sufficient professional knowledge and skills. The professional background of the members should cover law, accounting, industry, finance, marketing, and technology. The number of seats in each professional field should be at least 2 people. In addition, the company also pays attention to the gender equality of the members of the board of directors, at least two female directors.

3. The current situation and the board's overall capabilities are as follows :

The members of the board of directors of the company have extensive experience and expertise in the fields of finance, commerce and management. In addition, the company also pays attention to the gender equality of the members of the board of directors. The target of female directors is 2 or more. The current 9 directors of the board of directors include 4 female directors, which is 1 more than the previous board members. The ratio of female directors to directors has reached 44.4 %; When the company selects directors, it also evaluates the directors 'management and management capabilities, crisis management capabilities, financial accounting, etc. to implement the company 's policy of diversification of directors. The specific implementation conditions are as follows:

Director's Name	Nationality	Gender	Also Employee of the company	Age			Industry Experience		Professional Capability		
				Under 60	61-70	Over 71	Bank	Asset Management	Accounting	Law	Risk Management
Chuo,Wen-Hen	R.O.C.	M	V	V				V			V
Chen,Ching-Tsai	R.O.C.	M				V			V	V	V
Chuo,Yung-Tsai	R.O.C.	M	V			V	V	V	V	V	V
Tsai,Huey-Ching	R.O.C.	F	V		V			V		V	V
Lee,Shun-Ching	R.O.C.	M			V			V			V

Sanko Investments Co., Ltd. Representative: Huang,Ching-Yi	R.O.C.	F		V		V		V		V
Chiang,Cheng-He	R.O.C.	M			V		V		V	V
Chen,Ching-Huey	R.O.C.	F			V		V		V	V
Tu,Li-Ming	R.O.C.	F				V	V		V	V

Director's Name	OperationJudgement	Accounting Finance	Operation Management	Crisis Handling	Industry Knowledge	International Market View	Leadership Skills	Decision Skills
Chuo,Wen-Hen	V		V	V	V	V	V	V
Chen,Ching-Tsai	V	V	V		V	V	V	V
Chuo,Yung-Tsai	V	V	V	V	V	V	V	V
Tsai,Huey-Ching	V		V	V	V	V	V	V
Lee,Shun-Ching	V		V	V			V	V
Sanko Investments Co., Ltd. Representative: Huang,Ching-Yi	V	V		V		V		V
Chiang,Cheng-He		V			V	V		
Chen,Ching-Huey		V			V	V		
Tu,Li-Ming		V			V	V		
Target	2	2	2	2	2	2	2	2
Achieved	6	6	5	5	7	8	5	6
Level	100%	100%	100%	100%	100%	100%	100%	100%

(9)The company pays special attention to the disclosure and disclosure of information, and regularly or irregularly exposes company-related information on public information observatories or company websites. In 2020, it also published 28 major messages in Chinese and English at the same time, so that investors can immediately learn about the company's operational status and important information.

(10)Director and manager performance evaluation and remuneration links:

The remuneration of directors of the company is in accordance with the provisions of Article 25 of the company's articles of association. The remuneration of the chairman, deputy chairman and directors is determined by the board of directors according to the degree of participation in the operation of the company and the value of the contribution, and taking into account the domestic and foreign industry standards. The procedures for determining remuneration are based on the company's "Board Performance Evaluation Method" as the basis for evaluation. In addition to referring to the company's overall operating performance, board decision-making quality and internal control,

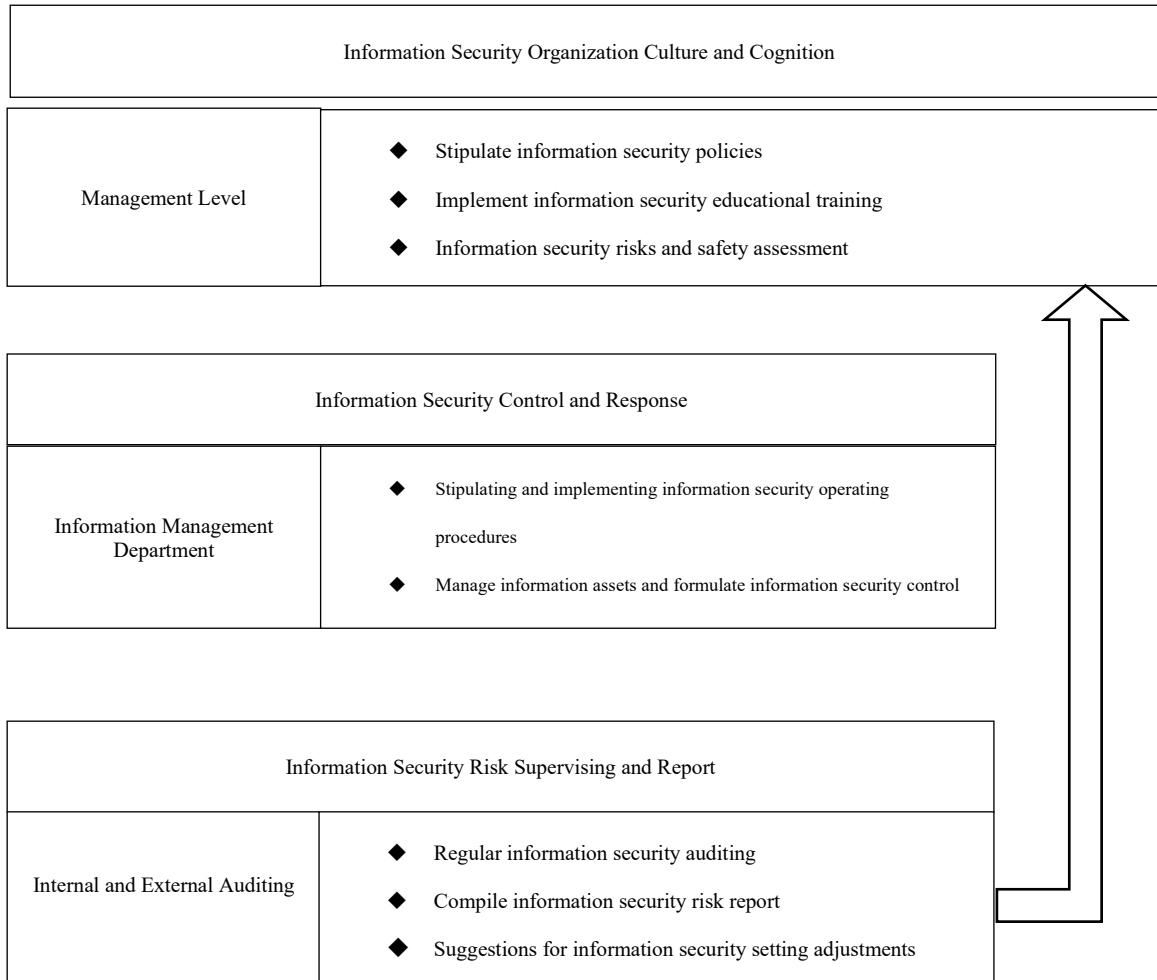
and referring to individual performance evaluation results, reasonable remuneration is given. The rationality of remuneration is reviewed by the Remuneration Committee and the Board of Directors in order to balance the company's sustainable operation and risk control. In addition, the managers of the company are regarded as ordinary employees receiving salaries, and various bonuses, dividends and benefits are paid according to the operation and profit status, taking into account the company's operating results, and taking into account the scope of management and responsibility of each manager in the company. The situation and the results of the annual performance evaluation are given reasonable remuneration; the policy of remuneration for managers is based on the company's "salary scale", "salary treatment method" and the scope of rights and responsibilities of the position in the company and the contribution to the company's operating performance. Pay dividends, year-end bonuses and other remuneration.

(11) Build the information security risk management framework as follows :

The company has established an information security risk management structure as follows. In addition to regularly reviewing the security policy, the results of information security implementation are reported to the board of directors at least once a year.

HIWIN Technologies— Information Security Risk Management Network						
Internal					External	
Corporate Management Level	Corporate Governance	Information Security Policy	Stakeholder		Professional Info Security Firm	External Inspection
Information Office	Information Security Operating Regulations	Internal Control Management Provisions	Info Security Risk and Safety Evaluation	Inspections Office	New Info Security Threat Educational Training	Regular Info Security Inspection
	Information hard/software asset management		Info Security Controlling Management System		New Information Technology Educational Training	
	Program Source Code Management	Safety Settings Alteration	White-list program list	Regular info security inspection		
	Department of Info System Users	Information Operation and Mngement	Daily Operations Irregularity Report		Client Supplier Management	
	Information Security Educational Training				Info Security Weakness Assessment	
	Information Security Organization Culture and Awareness					

Information security policies and concrete managing plans were stipulated:



Information security policies and specific management plans have been formulated as well:

The company fully understands the information security of the company's current and future competitive advantages. In order to enhance the overall information security awareness and establish various safety management action standards, the company establishes information security policies in accordance with the company's operational and management objectives and laws or regulations. To ensure that the company's information security management system can be implemented, operated and continued to maintain the confidentiality, integrity and availability of various information assets within the company and through the joint efforts of all employees, the following objectives are achieved:

- I. Formulate information security operation specifications, specify safety management objectives and operational points, and implement the promotion.
- II. Establish security measures such as identity authentication and access control, and strengthen the internal and external information release process control and review to prevent leakage, error or tampering of confidential information.
- III. Establish an inter-departmental information security organization to develop, promote, implement and evaluate improved information security management issues to ensure that the company has an information-based environment in which the business can continue to operate.
- IV. Handle information security education and training to strengthen employees' awareness and compliance with information security.
- V. Establish and implement an information security risk assessment mechanism to ensure the effectiveness and immediacy of information security management.
- VI. Implement an internal audit system for information security to ensure the implementation of information security management.
- VII. Regularly review and continuously improve the company's information security management system.

Properly controlling the company's data, systems, equipment and network security is the best protection for the company, shareholders, employees, customers and suppliers. To this end, the company continues to strengthen its ability to protect information security and enhance employees' The correct concept and alertness of information security protection, and reduce the risks associated with information operations, also require outsourcing service providers and visitors to comply with the implementation of relevant safety management regulations, any behavior that jeopardizes information security, regardless of anyone, the company will According to the seriousness of the case, pursue civil, criminal and administrative responsibilities or conduct consultations according to the relevant regulations of the company, demonstrating the company's determination to defend information security. The company also sets the following normative points and management plans for information security objectives:

- I. Information security organization.
- II. Personnel safety management and information security education and training.
- III. Computer system security management.
- IV. Network security management.
- V. System access control.
- VI. Application system development and maintenance security management.
- VII. Asset security hierarchical management.
- VIII. Physical and environmental security management.
- IX. Planning and management of business sustainability plans.

In case of violation of the company's information security regulations, the company will always resort to appropriate disposal procedures or legal actions, and all employees of the company should know that all information obtained during the work period is the company's assets, if not allowed, any other unauthorized use is prohibited.

(12) Management plan and implementation of intellectual property rights:

1. Formulate intellectual property management policies, goals and systems related to operating strategies
In order to strengthen the industry leadership and maintain the hard-won R&D technological achievements, the company has formulated an intellectual property strategy that combines the company's operational goals and R&D resources. The chairman's office's intellectual property team will lead the communication and coordination with relevant units in accordance with intellectual property rights. The spirit of the management policy is to set goals and systems for various intellectual property rights and let relevant units follow them to avoid infringement of the intellectual property rights of others in the company's products or marketing process, complete the layout of intellectual property rights of products, and establish effective communication channels for relevant units to communicate with The intellectual property unit can indeed implement relevant intellectual property decisions and continuously improve the management system.
2. Intellectual property acquisition, protection, maintenance and operation management system
From the beginning of its establishment, Shanghai Bank of China has drawn up a long-term development blueprint, with innovative R&D and brand marketing as its core values. It has established R&D centers and laboratories in Taiwan, Tokyo, Japan, Offenburg, Germany, Moscow, Russia, and Israel. , There are more than 500 R&D personnel. In order to maintain its competitive advantage in the field of precision linear transmission components and system technology products, and hope to become the number one brand in this field, Shanghai Silver Technology continues to actively devote itself to product research and development and technological innovation. The Intellectual Property Unit of BOB Technology will work closely with R&D units to build comprehensive and strong patent barriers. As of the end of December 2020, the number of patent applications of BOB Technology has reached 3,138, and the total number of approved global patents exceeds 2,499. It has been ranked among the top 100 patents of the Smart Office for 19 consecutive years.
3. Provide sufficient resources to effectively implement and maintain the intellectual property management system
BOC Technology takes innovative R&D and brand marketing as its core values, and allocates 3%-7% of its turnover to R&D expenditures every year, and it does not hesitate to spend on the hardware and software implementation of the intellectual property system. , And there is an intellectual property unit responsible for the management and maintenance of the company's intellectual property system, and regularly report the management status of intellectual property rights to the company's senior management. For innovative output, the expenses for applying for protection of intellectual property rights will be invested 55,905,000 and 50,020,000 NTD in 2020 and 2019, respectively.
4. Implementation status
In order to improve the protection of intellectual property achievements, and strengthen the intellectual property management system through a third-party fair verification unit, the main implementation situation in recent years is as follows:
 - (1) Introduced the Taiwan Intellectual Property Management Regulations (TIPS) from 2014 to 2017
 - (2) In 2018, the intellectual property unit will continue to deepen the intellectual property management system, establish the control points of an effective intellectual property rights system, and expand the introduction of the TIPS system to various factories (Taichung, Yunlin and Chiayi).
 - (3) Since 2017, we have severely pursued and cracked down on counterfeit products in the global market. With the company's trademark rights, 53 factories and 261 sellers have been investigated and 147,504 sliders have been seized, and 11,534 counterfeit products have been seized. Pack of blocks.
 - (4) In 2019, General Manager Cai Huiqing was invited by the Institute of Science and Technology Law (TIPS) of the Information Industry Promotion Association of the consortium to give lectures on the topic of "Intellectual Property Management Obligations of the Board of Directors of Listed Companies" and share the company's intellectual property management experience .
 - (5) The business secret registration system will be implemented in 2021. The business secret registration makes the management of business secrets more precise, and strictly controls the access and audit of business secrets to avoid the leakage of business secrets.
 - (6) Continue to improve the legal concept of supervisors, and use legal disputes in the company as teaching plans every year, so that supervisors at all levels can inspect whether the responsible unit has similar legal issues, and improve the department's management system.
 - (7) Provide patent five-stage education training for new R&D colleagues, including: patent specification structure introduction, patent search methods, patent proposal techniques, patent refusal and defense, patent infringement identification, etc., so as to cultivate the basic knowledge of patents for R&D personnel , In order to enhance the company's research and development capabilities and reduce the risk of patent infringement.
 - (8) Regularly review the trademarks applied by others, and file opposition, evaluation (invalidation) or abolition (unused cancellation) procedures for trademarks that are the same or similar to the company's trademarks to maintain the company's brand value.

5. Achieve results:

(1) Patent

147 patent applications have been filed and 249 patent certificates have been awarded. As of the end of 2020, a total of 2,130 patents have been obtained but are still valid. In 2020, it is listed in the top 100 patents of the Intellectual Property Bureau of the Ministry of Economic Affairs. The part of the domestic legal person:

I. The 74th in patent application.

II. The 57th place for invention patent announcement.

III. The 41st place for patent announcement.

The R&D achievements in the field of metal, steel and precision machinery are still second to none in Taiwan, and continue to maintain the throne.

(2) Combating counterfeiting

1. The mainland registration number 18961112 and 18961115 color combination trademarks owned by HIWIN Technologies Corp. were selected by the mainland authorities as the top ten typical trademark infringement cases in Wenzhou in 2017 and the administrative protection of trademarks by the State Intellectual Property Office in 2019. Ten typical cases.

2. By monitoring mainland e-commerce platforms, complaining and deleting sales links that infringe on the company's color combination trademark rights, and suing online sellers with more serious infringements, as of 2020, 5 online sellers have been sued, and Obtained 40,000 RMB compensation and certain settlement funds to protect the company's online brand reputation.

3. The two manufacturers that infringed the company's Mainland Announcement No. 100425901 invention patent rights were sued. The company won both cases in the first instance, and the defendant appealed for the second instance. The trial is currently underway.

9. Please comment on the results of the recent corporate governance evaluation issued by the Corporate Governance Center of the Taiwan Stock Exchange Co., Ltd., and propose priorities and measures for those who have not yet improved.

The Corporate Governance Center of the Stock Exchange announced the fifth corporate governance evaluation. The company ranked 6%-20% of the listed companies. It can be seen that the efforts in implementing corporate governance have been affirmed.

I. Hold the shareholders' meeting before the end of May: The company is actively evaluating whether to hold the shareholders' meeting in advance in May.

II. Announce the annual financial report within two months after the end of the fiscal year: In the accountant's research, this is the goal of the company's medium-term efforts.

III. Voluntary Announcement Financial Forecast Information: The company has no plans to voluntarily announce annual financial forecast data.

IV. The company signs a group agreement with the employees: The company has not established a professional association, and it is not necessary to sign a group agreement according to the group agreement law. If the association is established, it will be implemented according to the regulations.

V. Director performance evaluation method: In order to implement corporate governance to enhance the functions of the board of directors and establish performance targets to strengthen the efficiency of the board of directors, the company has established the company's board of directors performance evaluation method in accordance with the letter of December 27th, 2018's Taiwan Governance Code No. 1070025395, and passed by the board of directors passed on December 11th, 2019. At the end of each year, the company's deliberative unit will invite directors to fill out self-assessment questionnaires for the board of directors, board members, and functional committees to conduct board performance assessments for the year. The performance of the board of directors in 2019 has been evaluated as excellent, with no major missing improvement projects, and has been listed in the board meeting of the board of directors on March 23th, 2021.

Note: CPA Independency and Competency Evaluation Criteria

No.	Evaluation Item	Is the evaluation outcome independent	
1	Does the accountant have a direct or important indirect financial interest in the Company?	No	Yes
2	Does the accountant finance or guarantee something for the Company or other directors and supervisors?	No	Yes
3	Does the accountant have a close business relationship with the Company?	No	Yes
4	Is there a potential employment relationship between the accountant and the Company?	No	Yes
5	Are there contingent fees related to the audit case?	No	Yes
6	Has the accountant held the post of director, supervisor or manager, or a post having significant impacts on the audit case recently or in the last 2 years?	No	Yes
7	Does the accountant advertise or broker shares or other securities issued by the Company?	No	Yes
8	Can the non-audit services the accountant provides affect important items in the audit case directly?	No	Yes
9	Does the accountant act as the counsel of the Company or mediate conflicts with a third party on behalf of the Company?	No	Yes

No.	Evaluation Item	Is the evaluation outcome independent	
10	Is there a kinship between the accountant and the Company's directors, supervisors, managers or persons having significant impacts on the audit case?	No	Yes
11	Does the CPA who retires within one year hold the post of director, supervisor or manager, or a post having significant impacts on the audit case?	No	Yes
12	Has the accountant accepted valuable presents or gifts from the Company or other directors or managers?	No	Yes
13	Does the accountant provide services of directors, supervisors or other equivalent posts to the Company's colleagues?	No	Yes
14	Does the accountant provide non-audit services below (excluding what's said in Norm of Professional Ethics for Certified Public Accountant of the Republic of China No.2)? (1)Bookkeeping service (2)Evaluation service (3)Tax service (4)Internal audit service (5)Short-term staffing service (6)Recruiting senior managers (7)Corporate finance service	No	Yes
15	Does the accountant regularly participate in the shareholders' meetings and attend meetings of the audit committee and the board of directors if necessary?	Yes	Non-applicable
16	Does the accountant provide relevant training for the company?	Yes	Non-applicable
17	The company's financial statements have not been corrected by the competent authority	Yes	Non-applicable

Conclusion of Evaluation: Certified Public Accountants Tseng, Dong-Yun and Wu, Li-Dong from Deloitte Touche Tohmatsu Limited are in line with the Company's independence and compliance evaluation standards, they are sufficient to serve as a visa accountant for the company.

(iv) Composition, Responsibilities and Operation of the Remuneration Committee:

1. Information of Remuneration Committee Members

Title	Requirements	Having over 5 years of work experience and the following professional qualifications			Conformity to Independence (Note 1)										The number of other public companies where posts of independent directors are held by these people	Remarks
		Having the title ranking above lecturer in departments of commerce, law, or accounting or related to company business in public and private universities and colleges	Judge, procurator, lawyer, accountant or professional technical personnel (having national certificates) related to company business	Work experience in commerce, law, finance, or accounting or required by company business	1	2	3	4	5	6	7	8	9	10		
Independent Director	Chiang, Zheng-He			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Independent Director	Chen, Ching-Huey			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Independent Director	Tu, Li-Ming			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	

Note If the member meets any of the following criteria in the two years before being elected or during the term of office, please check the corresponding boxes:

(1) Not an employee of the Company or other affiliates.

- (2) Not a director or supervisor of the Company (however, if the independent directors established by the company and its parent company, subsidiary company or subsidiary of the same parent company in accordance with this law or local national laws and regulations are concurrently held by each other, this limit shall not apply).
- (3) Not an individual shareholder in Top 10 Shareholders or the company where he/she, his/her spouse and minor children have over 1% of the total issued shares or have such shares in the name of others;
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship of any of the persons in the preceding three paragraphs.
- (5) Not directors, supervisors or directors of corporate shareholders who directly hold more than 5% of the company's total issued shares, hold the top five shares, or directors, supervisors, or employees who appoint representatives to act as company directors or supervisors in accordance with Article 27, paragraph 1 or 2, of the Company Law (however, if the independent directors established by the company and its parent company, subsidiary company or subsidiary of the same parent company in accordance with this law or local national laws and regulations are concurrently held by each other, this limit shall not apply).
- (6) Not directors, supervisors or employees of other companies who control more than half of the shares or voting rights by the same person (however, if the independent directors established by the company and its parent company, subsidiary company or subsidiary of the same parent company in accordance with this law or local national laws and regulations are concurrently held by each other, this limit shall not apply).
- (7) Not directors, supervisors or employees of other companies or organizations who are the same person or spouse with the company's chairman, general manager or equivalent (however, if the independent directors established by the company and its parent company, subsidiary company or subsidiary of the same parent company in accordance with this law or local national laws and regulations are concurrently held by each other, this limit shall not apply).
- (8) Not directors, supervisors, managers or shareholders holding more than 5% of a particular company or institution that have financial or business dealings with the company. (However, if a specific company or institution holds more than 20% of the total issued shares of the company, but not more than 50%, or the independent directors established by the company and its parent company, subsidiary company or subsidiaries of the same parent company in accordance with this law or local national laws concurrently serve each other, are not limited to this)
- (9) Professionals, proprietors, sole proprietorships, partnerships, companies or institutions that do not provide audits for companies or related companies, or business, legal, financial, accounting and other related services that have not received NT \$ 500,000 in the past two years. Partners, directors (directors), supervisors (supervisors), managers and their spouses. However, members of the Salary and Compensation Committee, Public Acquisition Review Committee, or M & A Special Committee that perform their duties in accordance with the relevant laws and regulations of the Securities Exchange Act or the Corporate M & A Act are not limited to this.
- (10) Not any of the situations set forth in Article 30 of the Company Act.

2. Responsibilities of Remuneration Committee

To assist the board of directors in executing, evaluating and reviewing the policy, system, standard and structure of salaries and remunerations of the Company's directors and managers regularly, the remuneration committee shall exercise the care of a good administrator in faithfully performing the official powers listed below, and shall submit suggestions for discussion to the board of directors

- (1) The committee shall make and periodically review the performance evaluation, remuneration policy, system, standards and structure of directors and managers.
- (2) The committee shall periodically evaluate and set the remuneration of directors and managers.
- (3) Regularly review the organizational rules of the Compensation Committee and assess whether to propose amendments.

3. The Salary and Compensation Committee shall perform its functions and powers in accordance with the following standards:

- (1) Salary management should conform to the company's salary concept.
- (2) The performance evaluation and remuneration of directors and managers should be related to the
- (3) company's operating performance and future risks.
- (4) The ratio of dividends to the short-term performance of directors and managers and the payment time of part of the variable remuneration should be determined in consideration of the characteristics of the industry and the nature of the company's business.
- (5) The members of this committee shall not participate in discussion and voting on their personal salary and remuneration decisions.

4. Operation of Remuneration Committee

- (1) The committee has 3 members.
- (2) Tenure of this Committee Term: June 28th, 2019 to June 27th, 2022, The Remuneration Committee held 3 (A) meetings in the past year and the qualifications of the committee members as well as their attendance records are shown below:

Title	Name	Number of Meetings Attended Personally (B)	Number of Meetings Attended by Proxy	Personal Attendance Rate (%) (B/A)	Remarks
Convener	Jiang, Cheng-He	3	0	100.0%	
Member	Chen, Ching-Hui	3	0	100.0%	
Member	Tu, Li-Ming	3	0	100.0%	

Review salary and compensation regularly:

The function of the company's salary and compensation committee is to evaluate the salary and compensation policies and systems of the directors and managers of the company in a professional and objective position. It meets three times a year and may hold meetings at any time as necessary to make recommendations to the board for Reference for decision-making.

Other necessary information:

1. If the Board does not adopt or revise proposals of the remuneration committee, the Board meeting date, session, session, content of the motion, the Board decision, and the Company's response to the remuneration committee's opinions shall be properly recorded (for example, if the remuneration package approved by the Board is superior to that suggested by the remuneration committee, the difference and reasons must be noted): none
2. Should a committee member oppose or reserve their opinion regarding any decision made by the remuneration committee and their opinion has been recorded or submitted in a written statement, the committee meeting date, session, content of the motion, opinions of all members, and the response to the opinions shall be recorded: none.

(3) The Remuneration Committee's date of meetings, content of proposals, and the company's handling of the committee's opinions in the recent year

Remuneration Committee Dates (Period)	Motion Content	Proposal Outcome	The company's handling of the committee's opinions
2020.03.25 4th Session, 3rd Committee	1. Revise the "Salary and Compensation Committee Organization Rules" 2. "Management Remuneration Operation Method", "Employee Salary and Various Remuneration Operation Method" are revised together 3. 2019 employee compensation and director compensation proposal	The case was approved by the chairman in consultation with all the members present without objection and submitted to the board of directors for discussion.	Submitted to the board of directors and approved by all the directors present
2020.9.17 4th Session, 4th Committee	Revise the "Salary and Compensation Committee Organization Rules"		
2020.10.29 4th Session, 5th Committee	Formulated the 2020 cash capital increase manager's share subscription proposal		

(5) Fulfillment of Social Responsibility:

Evaluation	Operation Status			Difference s from Corporate Social Responsibility Best Practice Principles for TWSE/G TSM Listed Companies and the Causes
	Yes	No	Summary	
1. Has the Company conducted risk assessment on environmental social and corporate governance issues related to corporate operations and formulated relevant risk management policies or strategies based on materiality principle?	V		The company set up a CSR Committee under the management of the CEO to promote corporate social responsibility. Members of the Committee include Chairman Room, Management Department, Labor Security and Environmental Protection Department, Human Resource Department, Financial Office and Planning Section; the general manager is responsible for setting the Company's vision of corporate social responsibility; relevant units convene meetings irregularly and report the year's implementation plan and results to the Board, which, after discussion, would be listed as a Board report, and should be reported once every year, the 2019 execution results and 2020 plans have been listed in the board meeting report of August 5th, 2020. CSR committee pays attention to issues related to education, economy, environment and socially vulnerable group. The Committee's responsibilities are as follows:	

Evaluation	Operation Status			Difference s from Corporate Social Responsib ility Best Practice Principles for TWSE/G TSM Listed Companie s and the Causes
	Yes	No	Summary	
			<p>1.Responsible for formulating corporate social responsibility-related systems, policies, and promotional programs</p> <p>2.Co-ordination and validation of the production of corporate social responsibility reports.</p> <p>3.Review corporate social responsibility policies and systems regularly, and hold meetings to track progress of various projects.</p> <p>4.Approval of other matters related to corporate social responsibility or for future references.</p> <p>Maintain communication and interaction between various functional organizations and stakeholders, and management of all major issues regarding to corporate social responsibility.</p> <p>Please refer to the 2020 CSR Report for details</p>	
2.Has the Company established an exclusively(or concurrently) dedicated unit under supervision of senior management authorized by the Board of Directors to promote CSR and report its implementation to the Board of Directors.	V		The company sets up a CSR committee under the general manager to promote corporate social responsibility. The members of the committee include the chairman's office, the management department, the industrial safety and environmental protection department, the human resources department, the financial department and the planning team. Social responsibility vision, relevant units convened meetings from time to time, and regularly listed the implementation plan and results of the year after the committee discussed and approved as a report of the board of directors. At least once a year, the 2020 implementation results and the 2021 plan have been reported to 2021.5.5. board of directors.	
<p>3. Environment Issues</p> <p>(1) Does the company establish an appropriate environmental management system based on the characteristics of its industry?</p> <p>(2) Has the company committed to improving resource utilization efficiency and to the use of renewable materials with low environmental impact?</p> <p>(3) Does the company evaluated the current and future potential risks and opportunities of climate change, and adopted countermeasures related to climate issues?</p> <p>(4)Does the Company collected statistics of emissions of greenhouse gas(GHG), the uage of water, and the total weight of waste in the past two years, and formulated energy saving and carbon reduction, GHG reduction, water saving, and other waste management policies?</p>	<p>V</p> <p>V</p> <p>V</p>		<p>(1) The company appoints Labor Security and Environmental Protection Department and environmental protection personnel to deal with air pollution, waste water and garbage, and authorizes a professional handling agency to dispose waste produced in the productive process and plan and arrange training courses related to industrial safety and environmental management for employees to ensure the implementation of the company policy, reducing waste production by taking measures at the source.</p> <p>(2) We've achieved ISO14000 Environment Management System certification in 1997, and conducted "Greenhouse Gas Inventory 2010" and "Ball Screw Carbon Footprint Verification" according to ISO14064-1(Greenhouse Gas Inventory at Organization Level) and PAS 2050 (Product Carbon Footprint) standards; it got ISO14064-1 and ISO14067:2018 certificates from British Standards Institution (BSI). HIWIN adheres to the following environmental, safety, health and energy policies to implement the corporate sustainability vision and philosophy. 1.Comply with the government's</p>	None

Evaluation	Operation Status			Difference s from Corporate Social Responsib ility Best Practice Principles for TWSE/G TSM Listed Companie s and the Causes
	Yes	No	Summary	
			<p>"Environment, Safety, Health and Energy" laws and regulations, and support the procurement of sustainable products and services. <input type="checkbox"/> 2.Promote the management concept of "Environment, Safety, Health and Energy", and encourage stakeholders to consult and participate in the decision-making of issues. 3.Identify hazards and evaluate risks and improvement opportunities, strengthen hazard prevention, and build a healthy workplace. 4.Promote source design ideas, improve circular economy, energy performance and pollution prevention and other work. 5.Draw up the goal of "Environment, Safety, Health and Energy" and provide the resources needed for the plan to achieve the expected results of the management system. 6.Implement corporate social responsibility, continue to improve the management performance of "Environment, Safety and Health", and move towards sustainable business. The ISO 14001 verification date is 2019.2.20 and the certificate is valid until 2022.1.28.</p> <p>(3) The company is committed to the development and use of green product materials and packaging materials with environmental protection concepts, and strengthens garbage classification and resource recovery to reduce resource waste. The implementation of the ISO 50001 energy management system and the improvement of energy inventory and diagnosis are also used to effectively manage energy usage. The reduction plans formulated in 2020 and 2019 will save 3.82 million kWh and 3.83 million kWh of electricity, which means a reduction of 1,944 metric tons and 2,042 metric tons of carbon dioxide emissions, respectively. . In addition to the above strategies, we also implemented paperless documents to reduce paper waste, and installed solar modules on the roof of the operational headquarters to respond to the government's green energy policy and reduce the impact of the company's operations on the natural environm</p> <p>(4) The company's coping strategies for climatic change:</p> <ul style="list-style-type: none"> A. Prevention and control of air and water pollution B. Waste reduction and recovery C. Reduction of greenhouse gases D. Save water and chemicals E. Increase the use of energy saving products F. Build carbon footprint G. Avoid using harmful and toxic substance 	

Evaluation	Operation Status			Difference s from Corporate Social Responsib ility Best Practice Principles for TWSE/G TSM Listed Companie s and the Causes
	Yes	No	Summary	
			<p>The aforementioned strategies have been included in the company's risk management protocols</p> <p>(5)The company's main manufacturing facilities have undergone onsite data verification by the a certifying authority, the BSI Group, and according to the examination a direct emission of 9,196 tons of CO2-e and an indirect emission of 121,866 tons of CO2-e in 2019, totaling 131,062 tons of CO2-e; The total water consumption in 2020 and 2019 is 0.879 million tons and 0.799 million tons; the total amount of waste in the two years is 8,789 tons and 8,500 tons respectively; in order to improve water use efficiency and reduce water waste, water recycling and reuse facilities will be established, 2020 Recycled water in 2019 and 2019 accounted for 7.7% and 7.8% of the total water consumption, respectively; the company expects to continue to promote several energy management action plans in 2021, saving approximately 6.86 million kilowatt-hours of electricity and saving approximately 20.19 million in electricity bills each year. Direct carbon reduction is 3,495 metric tons of CO2e.</p> <p>The company is committed to the development and use of green product materials and packaging materials with environmental protection concepts, and strengthens garbage classification and resource recycling to reduce resource waste. Through system implementation and energy inspection and diagnosis, we can effectively manage energy usage and promote the company's energy conservation. The reduction plan formulated in 2020 and 2019 saves 3.81 million and 3.83 million kWh, which means a reduction of 1,944 and 2,042 metric tons of carbon dioxide emissions, respectively. . In addition to the above strategies, we also implemented paperless documents to reduce paper waste, and installed solar modules on the roof of the operational headquarters to respond to the government's green energy policy and reduce the impact of the company's operations on the natural environment. Please refer to the company's 2020 CSR Report for more details.</p>	
<p>4. Social Issues</p> <p>(1) Has the Company established its management policies and procedures in accordance with relevant laws, regulations, as well as International Covenants on Human Rights?</p>	<p>V</p> <p>V</p>		<p>(1) In order to protect the rights and interests of employees, the Company refers to the International Covenants on Human Rights to formulates policies for the protection of human rights as follows:</p> <p>1. Gender equality and maternal health protection: No differential salary, benefits protection and</p>	None

Evaluation	Operation Status			Difference s from Corporate Social Responsib ility Best Practice Principles for TWSE/G TSM Listed Companie s and the Causes
	Yes	No	Summary	
<p>(2) Has the Company formulated and implemented reasonable employee welfare measures (including remuneration, rest and annual leave, and other benefits), and appropriately reflected the operating performance or achievements in the employee remuneration?</p> <p>(3) Does the company provide a healthy and safe work environment and organize training on health and safety for its employees on a regular basis?</p> <p>(4) Has the Company established mechanisms for regular communications with employees and keeping employees informed in a reasonable manner changes in Company operations that might have significant impacts on employees?</p> <p>(5) Does the Company comply with relevant laws and international standards in health, safety, and privacy of consumers as well as marketing and labeling of its products and services, and establish consumer protection policies and appeals procedures?</p> <p>(6) Before doing business with suppliers, does the Company assess whether or not the suppliers have had previous records of negatively affecting the environment or society?</p>	<p>V</p> <p>V</p> <p>V</p> <p>V</p>		<p>promotion opportunities will be given due to gender, while respecting gender equality, setting key points for prevention and treatment of sexual harassment; the Company also abides to labor standards and gender laws to regulate female labor equality, maternity leave, paternity leave, parental leave, etc.; employee may also adjust working hours and locations during pregnancy.</p> <p>2. Ban on child labor: The Company do not employ child workers under the age of 16, and follows the Labor Ordinance to treat workers under the age of 18; "Work Regulations" are also set.</p> <p>3. Equality in disability: Same paths of career development and salary benefits as that of general staff members.</p> <p>4. International shift protection: Legal salary and leave management.</p> <p>5. Reasonable working hours: Follows the relevant regulations of the Labor Law to establish Company's working hours policy and legal wage payment.</p> <p>6. Set regulations such as "Work Regulations", "Harassment Preventive Measures", "Attendance and Leave Management Measures", "Babysitting Subsidies for Staff Members", "Employee Group Insurance Regulations", "Special Vacation Management Measures".</p> <p>The company's human rights concerns and practices are as follow:</p> <p>1. Provide a safe and healthy working environment</p> <p>2. Eliminate unlawful discrimination and ensure equal job opportunities</p> <p>3. Prohibition of child labor</p> <p>4. Prohibition of forced labor</p> <p>5. Assist employees to maintain physical and mental health and work-life balance</p> <p>Results of the 2020:</p> <p>The company has 101 hours of courses for human rights and anti-corruption issues, and a total of 1,826 trainees. In the future, we will continue attention to human rights protection issues , promote relevant education training, increase the awareness of human rights protection and reduce the possibility of related risks.</p> <p>(2) The annual salary provided by the Company to employees is higher than the industry average, and the salary of new employees in Taiwan and around the world is higher than the local minimum salary. Adhering to the concept of pay design for equal pay for equal work, in</p>	

Evaluation	Operation Status			Difference s from Corporate Social Responsib ility Best Practice Principles for TWSE/G TSM Listed Companie s and the Causes
	Yes	No	Summary	
			<p>addition to retaining employees who are not paid, all assessments are given. Through new assessments, quarterly assessments, year-end assessments, and project assessments, we encourage and reward the contributions of outstanding employees. Giving different bonus bonuses is also a key feature of the reward design; for example, the lifetime premium system: the new technology developed by employees, if they bring profits to the company, the company will regularly settle bonuses to employees, which is equivalent to the authorization fee, so that employees and the company Share achievements for life.</p> <p>(3) The ISO 45001 verification date is 2019.3.7 and the certificate is valid until 2022.3.6.</p> <p>To implement environmental safety and health policy, the Company has established systematic management (ISO45001, OHSAS18001 and TOSHMS); through the management spirit of PDCA Cycle, it adds the environmental safety and health concepts to R&D, product manufacturing and service, raw materials using and waste gas; in addition, it promotes continuous improvement in goal management schemes through organizing meetings, educational training and employee involvement to fulfill environmental safety and health protection. The mode of operation is shown below:</p> <ol style="list-style-type: none"> 1. Every factory has appointed occupational safety and health management units and personnel to draw up occupational safety and health management plans, promote work environment and operation hazard risk identification, evaluate and control health and safety management items, carry out automatic inspection before operation of mechanical equipment and working environment monitoring and continuously improve safety and health facilities so as to create a safe, healthy, comfortable and friendly work environment. 2. Before being designed or purchased, the equipment must conform to necessary safety and health standards and be reviewed and evaluated by safety and health personnel through the management system of change, and must meet safety and health standards before being used in the factory 3. All factories hold occupational health and safety committee meetings regularly every year to review and improve related safety and health issues, and take precautionary measures depending on operating risks, such as mechanical equipment management, contractor management, chemicals safety management, personal protective equipment requirements and safety audit management. Besides, they also do emergency 	

Evaluation	Operation Status			Difference s from Corporate Social Responsib ility Best Practice Principles for TWSE/G TSM Listed Companie s and the Causes
	Yes	No	Summary	
			<p>response drills regularly so as to minimize employees' and the Company's capital losses and impacts of disasters on the society and environment</p> <p>4. It appoints special physicians and employs special nurses to provide health service near factories, plans and implements labor health education, health promotion and guidance, prevention and cure of work-related injuries, health consultation, first aid and emergency treatment, and holds regular health promotion activities, such as healthy eating, relaxation, preserving health using traditional Chinese medicine and walking to fitness to satisfy employees' health needs. Moreover, it also conducts health examination according to their ages and special work health examination to effectively evaluate and track employees' health condition.</p> <p>5. It conducts working environment monitoring semiannually, including physical and chemical factors defined in laws and regulations, such as illumination, concentrations of carbon dioxide, noise, and concentration of special chemical substances specified by laws and regulations. When there is an unusual phenomenon found from monitoring, the labor security personnel in the factory will conduct evaluation and improvement to ensure an acceptable level of hazard factor exposure risk so as to protect the health of operating personnel.</p> <p>6. Apart from improvement in work environment and workplace health, there's also improvement in human factors engineering, including simple fork lift truck, vacuum extractor, hydraulic cart and trolley; moreover, it also conducts allotment of labor, and educational trainings and advocacy on correct handling posture.</p> <p>7.The implementation status in 2020 is as follows:</p> <p>A. There was 5 cases of disability injuries at all sites of HIWIN Technologies Corp., 8 cases less compared to 2019, with no major occupational catastrophes. In addition to strengthening personnel education and audit training, high-risk machines should also be examined.</p> <p>B. General Manager Tsai, Huey-Ching led the senior management to promote the safety and culture work area security joint activities. The heads of various departments led the colleagues to participate in the regional joint defense. In 2020, a total of 2,338 risks were discovered and improved. In 2021, the improvement activities will continue to be promoted.</p> <p>C. The company hired occupational health nurses and special occupational therapists to provide regular</p>	

Evaluation	Operation Status			Difference s from Corporate Social Responsib ility Best Practice Principles for TWSE/G TSM Listed Companie s and the Causes
	Yes	No	Summary	
			<p>health care services, such as medical treatment, health consultation, case management, emergency injury and medical care, and abnormal medical examinations. In 2020, 1,299 people participated in such services.</p> <p>D.The company provides employees with a comfortable, secretive and safe space for breast-feeding, as well as timely care and support, and related education information, in order to enhance the willingness to continue breast-feeding.</p> <p>E. Organize health check-up services for on-the-job employees for the early detection of health hazards and potential pathogenic factors, and promote related chronic disease prevention and cancer screening activities. Analyze and track management based on the results of employee health examinations, and through pre- and post-test questionnaire surveys and data tracking and monitoring, to understand individual health problems and provide individual guidance. After most employees have been instructed in 2020, 51.5% of employees in the metabolic syndrome group will improve their hypertension.</p> <p>(4)The company has a complete career development training system. The training topics include the establishment of core functions in the workplace, different levels of professional knowledge and skills in various fields, leadership management and humanistic literacy, etc., to cultivate employees' complete functions. Excellent human resources are the cornerstone of the company's sustainable management. In order to improve the ability and quality of employees and to maintain long-term competitive advantage, the company's chairman, general manager and first-level senior executives all serve as internal lecturers, and spend tens of millions of dollars every year. The per capita training cost for employee education and training is maintained at NT \$ 2,000 / person or more, ensuring that every employee has the opportunity to be trained.</p> <p>(5)The company's products are sold to the global market and must comply with the environmental protection regulations of various countries. The company and its suppliers ensure that they comply with the above regulations, and at the same time enhance and consciousness and ability of counseling suppliers' quality and environment, and jointly assume the corporate social responsibility of both parties. . The transmission control and system products manufactured and sold by the company are industrial products. By providing complete technical support and product after-</p>	

Evaluation	Operation Status			Difference s from Corporate Social Responsib ility Best Practice Principles for TWSE/G TSM Listed Companie s and the Causes
	Yes	No	Summary	
			<p>sales service to customers, they will grow together with customers.</p> <p>(6)The company's website and a stakeholder area are provided for consumers to give feedback in real time Or appeal, the company will reply to its questions to protect its rights.</p> <p>1. In addition to providing high-tech, high-quality, and cost-effective products, the company also adheres to the philosophy of "manufacturing is not an end, it is to meet the needs of human beings" and is committed to providing diversified services. HIWIN not only regulates all the company's colleagues, but also encourages suppliers on the system to provide good quality and delivery time, as well as to fulfill the responsibility of protecting the environment, including the current state of labor compliance with national laws and regulations, the original materials and the conflict-prohibited areas. Minerals, banned hazardous substances (such as EU RoSH), and signed a conflict-free minerals declaration, and added a supply partner labor human rights management project in the procurement contract to avoid and reduce potential hazards and risks to the overall operation of the HIWIN Technologies, to ensure the benefits The interests of the people involved, as well as the provision of a good employment environment, etc., thereby enhancing the competitiveness of both parties. The average score for suppliers in 2020 is 8.7 points, which is lower than the average of 8.8 points in 2019.</p> <p>2. When the company orders the main equipment, it is stipulated that if the manufacturer has a significant impact on environmental protection, it will reassess whether it will continue to trade with it. In the case of a transaction with a supplier, the parties must enter into a contract for sale and purchase. The contract states the terms of corporate social responsibility: Party A and Party B shall abide by the corporate social responsibility policy and shall comply with the standards of ethical, legal and public requirements for the operation of the company. Considering the impact on society and the natural environment, any party may terminate or terminate the contract at any time if it involves a policy that violates corporate social responsibility.</p> <p>3. The company has a specific supplier management policy, which is based on the long-term cooperation of the suppliers and the company's sustainable operation and mutual growth through the close cooperation model. The selection of new suppliers is based on their</p>	

Evaluation	Operation Status			Difference s from Corporate Social Responsib ility Best Practice Principles for TWSE/G TSM Listed Companie s and the Causes
	Yes	No	Summary	
			<p>price and quality. The delivery period is listed as an assessment project, and the environmental safety management, labor rights and financial assessment projects are evaluated. The survey results show that 100% of the new supply partners have passed the assessment. In 2020, a total of 181 new suppliers joined HIWIN. HIWIN Technologies annually proposes a questionnaire survey on supplier labor management operations to conduct surveys and evaluations on the human rights and labor status of the top 100 suppliers. The results of the 2020 evaluation are 100% passed</p> <p>4. The company always attaches great importance to the safety and hygiene of employees and a comfortable working environment. It also hopes that upstream and downstream manufacturers will work together to establish industry standards in safety, health and environmental protection. In order to protect the safety, health and facilities maintenance of contractors and colleagues, the company has set up a management system for contracting safety, health and environmental protection agreements. The number of households has reached 219. Currently, the company will continue to promote and provide assistance when necessary. Expect to work together to reduce the risk of hazard.</p> <p>5. Through the supplier evaluation and corporate social responsibility questionnaire analysis, the survey items are product quality, product supply price, after-sales service, delivery punctuality rate, supplier location, flexible cooperation degree, compliance with company confidential contract, supplier inventory policy, environmental safety management, labor human rights and financial assessment are evaluated. Only through evaluation can we become qualified suppliers of the company. In response to the supply chain environmental security management, there are 2 suppliers that do not comply with relevant occupational safety regulations, and are listed as key counseling targets.</p>	
5. Has the Company adopted internationally recognized standards or guidelines to prepare non-financial reports such as corporate social responsibility reports? Has the Company obtained a third-party assurance or verification for such reports?	V		<p>(1) The company voluntarily publishes a corporate social responsibility report in June every year. The 2020 corporate social responsibility report has adopted a cross-comparison method to conduct internal verification on the content of the report. It has been verified by the British Standards Institute Taiwan Branch (BSI) in April 2021, and is in compliance with the latest version of GRI Standards and the AA1000 standard TYPE I medium assurance level verification standard. The company regularly publishes the</p>	None

Evaluation	Operation Status			Difference s from Corporate Social Responsib ility Best Practice Principles for TWSE/G TSM Listed Companie s and the Causes
	Yes	No	Summary	
			<p>specific promotion plan and implementation results of social corporate responsibility on the company website in June each year. The URL is as follows: csr.hiwin.tw; and the corporate social report will also be uploaded to the public information before the end of September. Observatory.</p> <p>(2) HIWIN's investment in corporate social participation in 2020 is NT\$133,109,000, which includes four major items: talent cultivation NT\$36,133,000, industry-university cooperation NT\$65,215,000, community care NT\$26,226,000 and charity sponsorship NT\$5,535,000. The specific promotion plans and implementation results of the company's various corporate social responsibilities in 2020 are summarized as follows (for details, please refer to the company's corporate social responsibility report):</p> <p><u>talent Education-</u></p> <p>A. Leading the promotion of the "Automation Engineer" and "Robot Engineer" certification exams. Their ideas and concepts have been recognized and supported by academia and industry. There are more than 400 automation-related teachers and more than 100 senior corporate executives. Participate in the proposition and review of questions, and more than 200 companies support engineers who are willing to give priority to hiring or interview qualified engineers. The first "Automation Engineer" license exam was held in December 2009. As of December 2020, 23 exams have been completed, with a total of 35,737 applicants and 9,077 certificates. Promotion of the "Robot Engineer" certification exams in 2016. As of December 2020, 9 exams have been completed, with a total of 2,127 applicants and 668 certificates.</p> <p>B. Accounting Elite Cultivation Program (Asia University), which aims to improve students' accounting professional ability and international mobility, and assist top outstanding students to become professional accountants. The total amount of sponsorship in 2020 is 1,157,775 yuan. The implementation of the plan has entered its eighth year, and the number of certificates has reached 105, which has greatly increased the willingness of students to obtain certificates and the learning atmosphere. Students' participation in evening counseling has also become a hot spot for admissions.</p> <p><u>Industry-University Cooperation-</u></p> <p>A. This program enables students with work experience to further deepen their professional fields, and then return to the company after obtaining a degree and be employed in R&D,</p>	

Evaluation	Operation Status			Difference s from Corporate Social Responsib ility Best Practice Principles for TWSE/G TSM Listed Companie s and the Causes
	Yes	No	Summary	
			<p>automation or smart manufacturing units, so as to achieve a true integration of learning and use, and consistent talent development. In 2020, 5 students who completed the industry-university program will participate in the industry master class.</p> <p>B. In order to enable students in the mechanical field to get in touch with the industry early, HIWIN arranges student visits and product knowledge planning so that students can actually understand product applications through interaction with engineers. The number of visitors in 2020 will be 664.</p> <p>C. Tsinghua University is HIWIN's first large-scale joint R&D center in Taiwan. The establishment of this R&D center is to set up a new model for industry-university cooperation. Since 2014, an annual R&D investment of 20 million yuan is expected, and the investment is expected to be at least Approximately 200 million yuan in 10 years to carry out the research and development of long-term prospective technology. The joint implementation plan in 2020 includes the feasibility test of endoscopic support robotic arm, the test of upper limb rehabilitation equipment, the market survey of children's rehabilitation, and the conduct of a number of clinical expert consultation meetings to accumulate research and development energy.</p> <p>D. The purpose of the "HIWIN-CMU joint R&D center" is conduct medical care, care related, forward-looking technology development, cross-field application research, and cultivate high-level R&D talents in medical engineering. Since 2015, an annual investment of 10 million yuan. It is hoped that the expertise of industry and universities can be used to complement and drive Taiwan's medical engineering to a new milestone. We will jointly implement 3 plans and conduct multiple consultation meetings with clinical experts to accumulate research and development energy in 2020.</p> <p><u>Community care-</u></p> <p>A. HIWIN promotes the implementation of the "Greater Taichung Lychee Value-Added Key Technologies and International Certification" program to implement corporate social responsibility and community care, and support farmers' technology upgrades with practical actions, combined with the "color protection and loss prevention" developed by the Chung Hsing University team The "Water Technology" was transferred to the Taiping District Farmers' Association. The program started trials in 2017</p>	

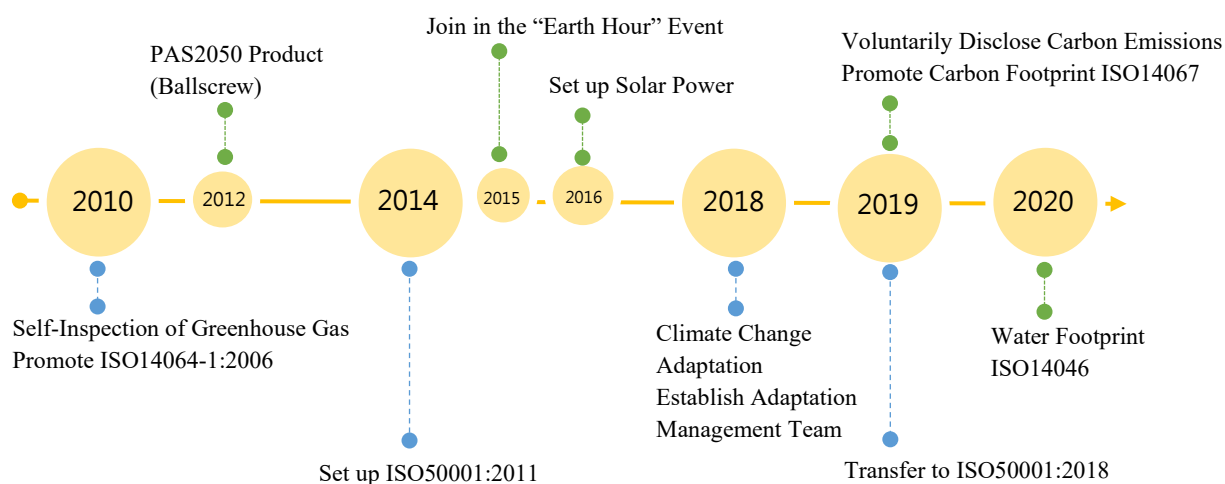
Evaluation	Operation Status			Difference s from Corporate Social Responsib ility Best Practice Principles for TWSE/G TSM Listed Companie s and the Causes
	Yes	No	Summary	
			<p>to improve the difficulty of storage of lychees and the poor selling after refrigeration. The "cold-chain low temperature" treatment of lychees is used to keep fresh lychees. It can be kept fresh for more than 21 days. Although it has been transported for about 10 days, the appearance remains bright red after the listing. At the same time, the Taiping District Farmers' Association is funded to conduct "International Certification and Good Agricultural Practice (GLOBAL GAP) Verification". HIWIN actively promotes the value-added and innovation of agriculture. The purpose is to apply the successful model of industry-university cooperation in industrial application to agriculture, and to promote agriculture to high value. More industry-university cooperation and innovation in agriculture.</p> <p>B. The HIWIN Education Foundation established the HIWIN Volunteer Group in June 2012, mainly focusing on education and social services. The purpose is to use company resources and employee participation to provide internal care and support services to company employees, and to participate in education and social welfare services externally, so as to realize HIWIN's vision of "adding value to human well-being" and respond to the United Nations sustainable development goals. , To create a better society. In 2020, there will be a total of 717 visits and 2,151 service hours.</p> <p><u>Charity sponsorship-</u></p> <p>A. HIWIN sponsors 2 million yuan to provide assistance in a timely manner every year. The public welfare platform Cultural Foundation is used in the following parts: 1. Deep cultivation of art and culture 2. Educational rooting plan 3. Tourism industry guidance 4. Resource integration project.</p> <p>B. HIWIN sponsors Huiming School for the Blind with an annual funding of 1 million yuan to support the education assistance program, to support the life of every child with love, and to help Huiming implement balanced and appropriate learning development for students, safe and unimpeded campus, professional growth teachers, The school-running philosophy of community school inclusiveness enriches learning energy and provides a sustainable business environment of humanities, nature, aesthetics, and creativity.</p> <p>C. Since 2015, HIWIN sponsors 0.5 million yuan to support Boyo social welfare foundation in every year , to provide free remedial teaching for disadvantaged children, prevent disadvantaged children from falling into eternal</p>	

Evaluation	Operation Status			Difference s from Corporate Social Responsib ility Best Practice Principles for TWSE/G TSM Listed Companie s and the Causes
	Yes	No	Summary	
			poverty, and teach students in accordance with their aptitude so that children have the opportunity to learn from scratch And learn basic abilities and have good competitiveness.	
<p>6. If the Company has established the corporate social responsibility principles based on “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies”, please describe any difference between the Principles and their implementation:</p> <p>The Company has established corporate social responsibility principles based on “the Corporate Social Responsibility Best- Practice Principles for TWSE/ TPEX Listed Companies”, and there is no major difference between actual operation and the principles. Besides, with the efforts of all the colleagues, corporate governance, energy conservation and environment protection and efforts devoted to public welfare, and protection of other rights of interested parties are well received.</p>				
<p>7. Other important information that helps comprehending the status of CSR operations:</p> <ol style="list-style-type: none"> 1. The company has spent tens of thousands sponsoring the "HIWIN Machinery Master's Thesis Award" every year since 2004, it has been held for sixteen years until the date of the annual report's publication, mainly to encourage young students to invest in R&D and innovation in the field of mechanical engineering, to cultivate more outstanding talents for the country and enterprises, and to promote and enhance the research interests and standards of domestic young students in the machinery industry, and to absorb more talents into the machinery industry 2. The "HIWIN Smart Robotics" competition has been held since 2008, it has been held for 13 years until the date of the annual report's publication, laying the foundation for the future talents and technologies of the robot industry 3. HIWIN has been responsible for the talents of Taiwan's machinery industry. Since 2009, it has assisted the Taiwan Automation Intelligence and Robotics Association (TAIROA) to promote the "Automation Engineer" license exam, mobilizing 500 teachers from national mechanical-related universities and corporate elites to participate in propositions and questions. 20 exams have been completed until the date of the annual report's publication. In response to the development trend of major countries in the world, robots have developed the necessary foundation for smart manufacturing. Since 2016, we have assisted TAIROA to promote the "Robotics Engineer" license exam. The 7th exam has completed development 4. In 2009, the "HIWIN Technologies Education Foundation" was established with promoting the promotion of our country's industrial standards as principal through various education and award-winning activities 5. Since 2010, the “College Student JIMTOF Study Group” has been organized by the HIWIN Technologies Education Foundation to encourage mechanical students to focus on the study of precision machinery and expand their international vision, thereby enhancing the innovation of Taiwan's machinery industry technology. This activity is engaging in the primary selection and re-election of domestic mechanical, with the target being college students in domestic mechanical-related departments, up to 32 students from grades 2~3 in the mechanical engineering, automation and electrical related departments of domestic universities and colleges are selected to attend the biennial Japan International Machine Tool Fair (JIMTOF), and arrange to visit Japan's index factory 6. Since 2011, the Chinese Mechanical Engineering Society has been entrusted to hold the "HIWIN Award for Excellence in Mechanical Doctoral Thesis". The purpose is to raise the standard of Chinese precision machinery and manufacturing technology across the Taiwan Straits, strengthen the cultivation work of high-level creative talents, and improve cross-strait mechanical engineering and the quality of doctoral education in the field of intelligent automation, stimulating and encouraging young students to invest in R&D and creative applications in this field. It has been held for 10 years until the date of the annual report's publication, and will continue to be held in the future 7. The company has been committed to industry-university cooperation and school education for many years, to fulfill corporate social responsibility, the company and Chairman Chuo donated a new library to Hsinchu Liu-Jia Elementary School, it is expected to have online library functions, a reading room, and a grand lecture hall, etc., so that teachers and students can easily use the library, cultivating children's reading habits, international perspective and basic ability to cope with globalization. The Chuo Yong-Tong Memorial Library opened in November, 2017. It covers an area of 1,865 square meters and is a five-story building. The 1-2 floor is mainly composed of children's books and has a story theater area, a large tree reading area and a multimedia interactive learning area; the third floor is an adult reading room with foreign newspapers and magazines for citizens to connect with the world; the 4th floor stepped grand lecture hall can accommodate 200 people at the same time, the 5th floor is the meeting room and research room, the roof is a learning field planned as an environmental energy zone including wind power and solar energy, the total floor area is 2,735 square meters, the construction lasted for 5 years and the total cost is about NTD 160 million. The construction of the Chuo Yong-Tong Memorial Library is mainly to enable alma mater students to have better reading habits, international outlook and basic ability to cope with globalization. At the same time, it will be open to communal use, so that community residents can have a better communicating learning space 8. The actual performance in 2020 is as follows: the amount of corporate social responsibility investment is 133,109,000 NTD, which includes four major items: 36,133,000 NTD for talent cultivation, 65,215,000 NTD for industry-university cooperation, 				

Evaluation	Operation Status			Differences from Corporate Social Responsibility Best Practice Principles for TWSE/G TSM Listed Companies and the Causes
	Yes	No	Summary	
<p>26,226,000 NTD for community care, and 5,535,000 NTD for public welfare sponsorship; number of health care recipients , A total of 8,663 person-times; 100% of new suppliers have passed human rights and labor surveys and evaluations.</p> <p>9. The "2020 TCSA Taiwan Enterprise Sustainability Award" sponsored by the Taiwan Sustainable Energy Research Foundation, a consortium, won the "Taiwan Top Ten Sustainability Model Enterprise Award", "Taiwan Enterprise Sustainability Report-Platinum Award", "Single Performance-Innovation and Growth" Award" and "Single Performance-Talent Development Award".</p> <p>10. Taiwan Railways Taroko Express had 408 serious casualties on April 2. Although the source of the disaster was the personal negligence of the contractor, However, HIWIN Group, a leading technology company in transmission and control, gave full play to the spirit of hunger and drowning, and donated NT\$10 million to assist in disaster relief and relief needs. We hope that it can comfort the injured and the families of the casualties. I wish the injured a quick recovery and the families of the deceased. Back to normal life, all employees of the HIWIN Group gathered energy and prayed for the casualties, and cheered for all the medical staff who were rescued on the front line..</p> <p>11. The impact of global climate change and warming has led to an increase in the frequency and intensity of extreme climates at home and abroad, which has a huge impact on life, property and business operations. In order to be able to assess the impact of climate change on operations as early as possible, HIWIN Technologies plans relevant countermeasures to ensure that the resilience of climate change is enhanced. Since 2015, HIWIN Technologies has joined the "Earth Hour" activity to take this spirit as a habit in HIWIN's life and continue it. General Manager Tsai,Huey-Ching served as the convener of the adjustment management, and Assistant General Manager Wu,Chun-Liang served as the risk management representative. The adjustment management team was established to investigate the external environment of the plant and the past disasters. (Assets, processes, personnel, supply chain, and finance), assuming possible types of disasters (including high temperature, heavy rain, drought, strong winds, and lightning strikes) and impacts, conduct risk analysis and sequencing, and then develop an action plan.</p>				

Evaluation	Operation Status			Difference s from Corporate Social Responsib ility Best Practice Principles for TWSE/G TSM Listed Companie s and the Causes
	Yes	No	Summary	

*Timeline of Climate Change Response



The Climate Change Adaptation Management Team sets targets to adopt mitigation and adaptation measures, and formulates strategies to implement short-, medium- and long-term objectives. Through exposure and vulnerability matrices, we develop adaptation action plans, and accordingly implement screening for major risks and opportunities, and in accordance with policies and regulations, Market and manufacturing, etc., respectively, to conduct climate change risk analysis and assessment of potential financial shocks

Climate Risks	Potential Financial Impact	Climate Opportunities	Potential Financial Impact	Response Measures/Initiative
Greenhouse gas voluntary reduction commitment	Increase Input Equipment and Cost	Energy Reduction Plans	Decrease Energy Usage Cost	Voluntary greenhouse gas reduction and energy consumption reduction ISO14064-1, product carbon footprint inventory, ISO50001 external verification
Company image impact	Loss of company image	Increase Social Image	Invest in carbon reduction and adaptation and gain a good reputation	1. The establishment of ISO14001 management system to effectively improve the overall environmental performance 2. Strengthen the resilience and adaptability of climate-related disasters 3. Life cycle analysis of product environmental impact, to reduce the source
Extreme High temperature	Invest in equipment control cost increase/electricity usage and carbon emission increase	Upgrade Disaster Defense Ability	Strengthen climate resilience and reduce operation interruptions and losses	1. Electric room air conditioning equipment 2. Maintenance measures for generators

Evaluation	Operation Status			Difference s from Corporate Social Responsibility Best Practice Principles for TWSE/G TSM Listed Companies and the Causes
	Yes	No	Summary	

Rainstorm	Production affected, loss of property and revenue	1. Increase product demand 2. Reduce operating costs	1. Floods and typhoons cause damage to public facilities and increase steel demand 2. Increased typhoon caused waste and increased transportation costs	The location of the plant is included in the consideration of future site selection (the operation base has not been affected by heavy rain and flooding)
Drought	Production affected, loss of property and revenue	Improve water resource efficiency and recycle water	Strengthen climate resilience and reduce the impact of disasters on production	1. Water storage measures for tap water and signing of waterwheel dispatching operations 2. Effective use of limited water resources 3. Expand water recovery and reuse, reduce water demand
Thunderstrike	Power outages cause production losses	Improve disaster prevention capabilities	Strengthen climate resilience and reduce production interruptions and losses	Lightning rod maintenance mechanism

According to the results of the climate risk matrix, it can be seen that the future risk of climate shocks faced by HIWIN Technologies will increase with the future occurrence of natural disasters, and the degree of climate shock risk will also increase. HIWIN Technologies will implement the action plan and strengthen emergency response to reduce financial shocks, so that normal operations can be maintained when climate risks occur, and losses can be reduced, and related equipment should be built according to the priority evaluation results, such as the addition of air conditioning equipment and pumping equipment in the electrical room, with a view to reducing future climate shocks. (Detailed Corporate Social Responsibility Report about description of Climate Change)

12. According to the principle of materiality, the CSR Committee reports to the board of directors on major issues discussed in the economic, social and environmental aspects and issues discussed with related parties at least once a year. The relevant risks in 2019 and the management policies and regulations are formulated according to each risk. The corresponding measures have been reported on the board of directors on May 5th, 2020 as follows

Stakeholder	Employee	Shareholder	Client	Contractor	Academia
Significance to HIWIN	HIWIN Technologies regards its employees as its biggest asset and is also an important gene for the company's sustainable operation.	Shareholders and investors are the behind-the-scenes promoters of HIWIN Technologies' sustainable operation and the benefit of mankind.	Customer satisfaction is the company's sustainability policy and the source of the company's operating performance.	The contractor is an important partner of the company's value chain and jointly creates a safe and healthy environment.	The academic community is a leader in the knowledge of HIWIN Technologies and an indispensable partner for the integration of production functions, and jointly cultivates precision machinery talents
Concerned Issues and Risks	<ul style="list-style-type: none"> • Labor-employment relationship • Occupational safety and health • Training and education • Market status • Labour Relations 	<ul style="list-style-type: none"> • Economic performance • Smart Machinery • Marketing and labeling • Market status 	<ul style="list-style-type: none"> • Smart Machinery • Customer privacy • Economic performance • Market status • Marketing and labeling 	<ul style="list-style-type: none"> • Economic performance • Market status • Smart Machinery • Waste water and waste • Occupational safety and health 	<ul style="list-style-type: none"> • Smart Machinery • Industry-university cooperation • Occupational safety and health • Economic performance • Training and education

Evaluation		Operation Status			Difference s from Corporate Social Responsib ility Best Practice Principles for TWSE/G TSM Listed Companie s and the Causes
		Yes	No	Summary	
Risk Management Policies and Responses	<ul style="list-style-type: none"> • Sound salary and benefits, retirement system, labor insurance, health insurance and additional group insurance, etc. • Diversified employee communication channels and various mechanisms to take care of employees' physical and mental health • Regularly handle various educational trainings, reading clubs, lectures and degree training 	<ul style="list-style-type: none"> • At least quarterly board meetings are held to review business performance and discuss important strategic issues • The board of directors reviewed all possible major risks to formulate an operating plan, and strictly controlled through internal operation processes to continuously improve • The company 's relevant important resolutions are immediately announced on the Taiwan Stock Exchange 's public information observatory • Internal control of privacy and business secrets 	<ul style="list-style-type: none"> • Provide quality pre-sales and after-sales services through customer surveys and regular visits and exchanges • By updating web pages, linking to subsidiary websites and 3D website construction, allowing customers to quickly understand product and service information • Maintain customer visit data and after-sales service information through software management; potential business opportunities information obtained from exhibitions and official website business opportunity messages can also be managed and tracked by software • Provide cooperation in the product display / application combination of the Industrial Research Institute, the Science and Technology Museum and the education unit • Real-time online responses can be provided through mobile apps (official Line and WeChat) 	<ul style="list-style-type: none"> • Carry out safety and health management and implement control for contractors, with a view to managing at the source and preventing occupational disasters • Regularly handle annual agreement organization meetings • Conduct annual appraisal of contractors • Conduct internal employee supervision training 	<ul style="list-style-type: none"> • Annually hold the Master of Mechanical Engineering, Doctoral Dissertation Award of HIWIN, and the competition for the implementation of HIWIN's intelligent robots • Automation Engineer Certificate Exam and Robot Engineer Certificate Exam • Comply with government regulations and other requirements • Corporate Social Responsibility Report Issuance Visiting Arrangements and Invitations • HIWIN practitioners to teach at school to share

Evaluation	Operation Status			Difference s from Corporate Social Responsib ility Best Practice Principles for TWSE/G TSM Listed Companie s and the Causes
	Yes	No	Summary	

CSR major themes, short, medium and long term goals:

	Short goal	Medium goal
Economic	1. Consolidated revenue reached 30 billion NTD 2. The number of patent applications has reached 3,000 3. Customer satisfaction increase 5%	1. The world's first brand of linear transmission control products 2. Gradually implement smart automation in the factory 3. Assist the industry to move towards smart manufacturing
Environment	1. Energy performance index (EnPI) of each operating site dropped 1% 2. In 2021, the solar power system will count down to complete the 407.4KW setting 3. In 2021, the water recovery rate will count down to increase, accounting for >8% of the water consumption 4. In inorganic sludge reduce 52%(45 ton) 5. Waste oil water reduce 176 ton	1. Energy performance index (EnPI) of each operating site dropped 1%-3% 2. A total of 2,570KW solar power generation capacity system will be installed in 2024 3. The water recovery rate accounting for >10% of the water consumption
Society	1. In 2021, the average training hours per capita >35 hours 2. Maintain "0" case of violations of conflict minerals and hazardous substances in prohibited and restricted raw materials 3. Continue to promote safety culture activities 4. Volunteer service hours devoted to local charity activities >4,800 hours 5. The number of volunteers who contributed to local charity events >1,650	1. The average training hours per capita >40 hours 2. Continue to invest in talent cultivation in the field of smart machinery and industry-academic cooperation to upgrade the industry. 3. Invest in public welfare activities to fulfill corporate social responsibility 4. Handle various safety and health performance reward activities and cultivate the soft safety and health capabilities of personnel of all classes.

The financial impact of climate change risks:

Type	Item	Climate Risks	Time	Potential Financial Impact	Response Measures/Initiative
Transformation risk	Policies and regulations	Increase the price of greenhouse gas emissions	Short term	Increase investment equipment and costs	1. Voluntary greenhouse gas reduction and energy consumption reduction 2. Passed ISO14064-1, product carbon footprint inventory, ISO50001 external verification
			Medium term	Increase operating costs	
			Long term	Increase operating costs	
	Policies and regulations	Enhancing the obligation to report emissions	Short term	Increase operating costs	
			Medium term	Increase operating costs	
			Long term	Increase operating costs	

Evaluation	Operation Status			Difference s from Corporate Social Responsibility Best Practice Principles for TWSE/G TSM Listed Companies and the Causes
	Yes	No	Summary	

	Market	Rising raw material costs	Short term	1. Decline in demand for products and services 2. Increased operating costs	1. Increase the purchase of various alternative raw materials
Physical risk	Immediacy	1. Increasing severity of extreme weather events such as typhoons and floods 2. Changes in rainfall patterns and extreme changes in climate patterns	Short term	1. Investment in equipment control increases costs 2. Increase in electricity consumption and carbon emissions	1. The location of the plant is included in the consideration of future site selection (the operation base has not been affected by heavy rain and flooding) 2. Water storage measures for tap water and signing of waterwheel dispatching operations 3. Effective use of limited water resources, expand water recovery and reuse, reduce water demand 4. Lightning rod maintenance mechanism
	Long term	Average temperature rise	Long term	1. Increased operating costs 2. Increased in infrastructure costs	1. Strengthen the ability to withstand and adjust to climate-related disasters 2. Maintenance measures for air-conditioning equipment/generators in electrical rooms

Climate Opportunities and Financial Impact

Type	Climate Opportunities	Time	Potential Financial Impact	Response Measures/Initiative
Resource efficiency	Water recovery and reuse	Short term	1. Reduced operating costs 2. Increased processing fees and profit	Process waste reuse and recycling
Resource efficiency	Reduce water demand and water consumption	Short term	Reduced operating costs	water reduction measures
Toughness	Participate in renewable energy projects and adopt energy-saving measures	Long term	1. Purchasing energy-saving materials increases operating costs 2. Energy-saving benefits	1. Purchase management to purchase energy-saving products 2. Build green power generation

(6) Implementation of Ethical Corporate Management:

Evaluation Items	Operation Status			Differences from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Causes
	Yes	No	Summary	
<p>1. Formulate policy and program for ethical corporate management</p> <p>(1) Whether the company has explicitly expressed the policy and methods of ethical corporate management in its charter and outbound documents and whether the board of directors and management has fulfilled the commitment to the policy of ethical corporate management?</p> <p>(2) Whether the company has established an assessment mechanism for the risk of dishonesty, regularly analyses and evaluates business activities with a high risk of dishonesty in the business scope, and accordingly formulates a plan to prevent dishonesty, and at least cover the preventive measures for the conduct of the second paragraph of Article 7 of the "Code of Integrity Management of Listed OTC Companies?"</p> <p>(3) Does the company specify the operating procedures, behavior guidelines, disciplinary penalties and grievance system in the plan to prevent dishonesty, and implement it, and regularly review and revise the pre-disclosure plan?</p>	<p>V</p> <p>V</p> <p>V</p>		<p>(1) Ethical Corporate Management Best-Practice Principles", expecting its Board and management positively implement its ethical corporate management policy and reinforce employees' perception of its ethical corporate management ideas through daily recitation and advocacy of the management ideas "Professional Level, Enthusiasm for Work and Professional Ethics".</p> <p>(2) The company has established "Employee Code of Conduct" and "Business Operation Procedures and Behavior Honesty Guidelines", which expressly states operational procedures and that it will begin disciplinary procedures according to the circumstances for any violation of Code of Ethics or corruption; for any violation of government decrees or corruption, anyone can report to independent directors, managers, internal auditors or other competent personnel by e-mail or in written report, and personnel of relevant units must report this to the Chairman after receiving the report; the internal auditors check whether the preceding system are followed irregularly and include dishonesty into the key points of such check to implement the rules. The behavior guideline states clearly the procedures and methods for reporting procedures, and establishes an independent report box for internal and external use, and a specific unit responsible for handling the reporting procedures, as well as how the records should be kept, and whether or not discretionary bonuses are reported. The information has been disclosed on the company's website.</p> <p>(3) The company has established "Employee Code of Conduct" according to "Ethical Corporate Management Best-Practice Principles", and made appropriate precautionary measures against high potential dishonesty or operating activities stated in Article 2, Paragraph 7 of "Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies"; the internal audit department also plays an important role in ensuring the obedience of professional ethics. To ensure that the financial, management and operation information is correct, reliable and timely and employee behaviors conform to relevant policies, rules, procedures and regulations, the internal audit department audits according to the annual audit plan authorized by the Board, and submits the results and improvement plans to the Board and management so that to implement the audit effects.</p>	None
<p>2. Implementation of ethical corporate management</p> <p>(1) Does the company evaluate business partners' ethical records and include ethics-related clauses in business contracts?</p> <p>(2) Does the company establish a dedicated (or non- dedicated) unit under the Board to promote ethical corporate management and report to the Board regularly?</p> <p>(3) Has the company established policies to prevent conflicts of interest and provided</p>	<p>V</p> <p>V</p> <p>V</p>		<p>(1) The company has established an effective assessment mechanism for its suppliers and outsourcers and the contracts with them state both parties' rights and obligations in details, and sign the confidentiality agreement and Integrity Deal Commitment.</p> <p>(2) The company promotes the integrity and management of corporate integrity management by the Human Resources Department, and the general manager acts as the convener, ensuring the integrity management based on the work and scope of each unit, and fully promoting the integrity of the company. All colleagues, managers</p>	None

Evaluation Items	Operation Status			Differences from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Causes
	Yes	No	Summary	
<p>appropriate communication channels, and implemented them?</p> <p>(4)Has the company established an effective accounting system and internal control system to implement ethical corporate management? Does the internal control unit audit on a regular basis or authorize the accountant to audit?</p> <p>(5)Does the company regularly hold internal and external educational trainings on ethical corporate management?</p>	<p>V</p> <p>V</p>		<p>and directors should abide by the “Code of Integrity Management”. Relevant members also have the obligation to report to the Board of Directors. They report to the Board of Directors at least once a year and report to the Board of Directors on the implementation of the 2020 Integrity Management Performance Report on May 5th, 2021</p> <p>If a colleague discovers that there is any dishonest fact, it can also be reported through the company's public channel. If the circumstances are serious, it will be reported to the board of directors from time to time. The board of directors supervises whether it is implemented according to the code. The implementation in 2020 is as follows:</p> <ol style="list-style-type: none"> 1. Education and training: Open training courses such as regulations, check-ups, risk management, and prevention of fraud. In addition, we will arrange external training courses for corporate integrity forums and corporate fraud risks for supervisors and colleagues. 2. Compliance Declaration: In 2020, it mainly advocated the implementation of the company's business philosophy of "professional standards, enthusiasm for work, and ethics of practice. 3. Communication channels: Employees can report violations of integrity management to the Human Resources Department, various academic levels, and independent directors through various corridors, and the Human Resources Department is responsible for coordinating them. 4. Regular inspection: Each year, the self-assessment of the risk of corruption is implemented to achieve effective management and implementation, and the audit unit independently audits. There is no major corruption in 2020. 5. Reporting system: The company's website has stated that internal or external personnel can report dishonest behavior. In addition to protecting the identity of the sender, the audit unit will also conduct a special investigation. In 2020, 9 cases were accepted, all of which have been processed and successfully resolved. <p>(3) The company’s internal staff can report conflicts of interest to their department managers and the audit department, or the chairman or the general manager will handle this personally through the feedback box.</p> <p>(4) The company’s management ideas “Professional Level, Enthusiasm for Work and Professional Ethics” have shown its emphasis on ethical corporate management; to build and a corporate culture of ethical corporate management and develop well, it has established “Ethical Corporate Management Best-Practice Principles” and the internal audit unit has established internal audit plans to execute audit and check whether employees are honest or cheat irregularly.</p>	

Evaluation Items	Operation Status			Differences from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Causes								
	Yes	No	Summary									
			<p>(5) The company advocates ethical corporate management ideas through morning meetings every month, providing new employees and supervisors with basic and promotion trainings. The company has carried out relevant education and promotion for current directors and managers on 5.5.2021. Besides, it arranges external training courses, such as enterprise credit forums and business fraud discussion, for supervisors and colleague. The related courses for honest corporate management in 2020 are summarized as follows:</p> <table><tr><th>Type</th><th>Number of Classes</th><th>Held(Total Hours)</th><th>People Times</th></tr><tr><td>Related Courses for Honest Corporate Management</td><td>286</td><td>1,999.5</td><td>4,305</td></tr></table>	Type	Number of Classes	Held(Total Hours)	People Times	Related Courses for Honest Corporate Management	286	1,999.5	4,305	
Type	Number of Classes	Held(Total Hours)	People Times									
Related Courses for Honest Corporate Management	286	1,999.5	4,305									
<p>3. Operation of the Company’s offense reporting system</p> <p>(1) Has the company established a specific offense reporting and reward systems, set up convenient offense reporting channels, and appointed an appropriate person for the one who has been reported?</p> <p>(2) Has the company established standard operating procedures as well as a relative protection mechanism for whistleblowers?</p> <p>(3) Does the company take measures to protect whistleblowers from being inappropriately treated?</p>	<p>V</p> <p>V</p> <p>V</p>		<p>(1) The “Employee Code of Conduct” of the Company has stated the offense reporting system, and a reward and punishment system for employees has also been established; to make it convenient for whistleblowers to report the breach of good faith, the Company has a feedback box on the company website for them to send mails to the chairman, the general manager and Human Resources Department directly. If Directors or the CEO receives such letters, they would instruct the Audit Office or Human Resources Department to handle the case. Separate mailboxes are also set up for internal and external personnel to send letters directly to independent directors. In addition, the Company has set up an independent report box or special line for internal and external use. It also specifies the information that the prosecutor needs to provide, the acceptance level of the different prosecutors, and the processing flow of the special duty unit in the integrity management operating procedures and behavior guidelines. Report bonuses and expose relevant information on the company's website.</p> <p>(2) The company has stated the investigation methods for offense reporting in “Employee Code of Conduct”; after receiving the report, personnel in relevant units should submit it to the chairman who will instructs relevant units to investigate and handle it in private, and the reported matter and the whistleblower should be kept secret.</p> <p>(3) The company takes perfect protective measures for whistleblowers and doesn’t disclose their names and other relevant information to guarantee the investigation quality and protect them from being retaliated or inappropriately treated.</p>	None								
<p>4. Strengthening information disclosure</p> <p>(1) Has the company disclosed its ethical corporate management policies and the implementation results on the company website and Market Observation Post System?</p>	V		<p>1. The company discloses its ethical corporate management ideas, corporate mission and brand meaning on both the company website and Market Observation Post System; besides, it puts “Ethical Corporate Management Best-Practice Principles” on the company website and Market Observation Post System.</p> <p>2. Apart from disclosing its ethical corporate management principles on the company website, it also has a</p>	None								

Evaluation Items	Operation Status			Differences from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Causes
	Yes	No	Summary	
			dedicated department for collecting and publishing the company information, and has disclosed relevant and reliable ethical corporate management information in the annual report and CSR report.	
<p>5. If the company has established the ethical corporate management policies based on the Ethical Corporate Management Best- Practice Principles for TWSE/TPEX Listed Companies, please describe the differences between the policies and their implementation: <input type="checkbox"/> The Company has established the Company's "Code of Integrity Practice" and "Guidelines for the Operational Procedures and Conduct of Honest Business Operation" based on the "Code of Conduct for Listed Owned Firms". It is based on the examples issued by the Stock Exchange and it also requires the Company to operate. Relevant entities should implement the implementation and internalize the requirements of the above codes and behavior guidelines into daily operations management. Therefore, there is no significant difference between the actual operation and the codes and guidelines.</p>				
<p>6. Other important information to facilitate a better understanding of the company's ethical corporate management: The Company conducts educational trainings regularly to advocate the principle of good faith; besides, it has made Commitment to Trade with Good Faith and required suppliers to sign to promise they do trade with it with good faith. The Company amended the regulations on May 6th, 2019.</p>				

(vii) Corporate Governance Rules and Regulations:

1. Corporate Governance Regulations:

- (1) It establishes Operating Procedures of Acquisition or Disposal of Assets, Procedures for Endorsements and Guarantees, Procedures for Lending Funds to Other Parties, Rules and Procedures of Board Meetings and Organization Rules of the Remuneration Committee according to relevant norms set by Financial Supervisory Commission, Executive Yuan.
- (2) It establishes Ethical Corporate Management Code, Code of Conduct, Corporate Governance Practice Principles, Corporate Social Responsibility Practice Principles, Rules and Procedures of Shareholder Meetings and Rules Governing Election of Directors according to relevant norms and reference examples set by Taiwan Stock Exchange.

2. The information above can be downloaded in "Relevant Regulations and Rules Governing Corporate Governance" under "Corporate Governance" on Market Observation Post System or in "Relevant Rules Governing Corporate Governance" under "Investor" at http://www.HIWIN.com.tw/stock/corporate_governance.aspx.

(viii) Other Important information helpful for enhancing understanding of the corporate governance of the Company: none.

(IX) Implementation of the internal control system:

1. Statement on Internal Control Institution:

HIWIN TECHNOLOGIES CORP. Statement on Internal Control Institution

HIWIN TECHNOLOGIES CORP. Statement on Internal Control Institution

Date: March 23th, 2021

The company hereby makes the following statement about its internal control system for 2020 based on its self- examination:

- 1.The company is aware that it is the Board and managers’ responsibility to establish, implement, and maintain an internal control system and the Company has set up such a system. The purpose of the system is to ensure the effectiveness and efficiency (including profitability, performance, and protection of assets) of the Company’s operations, the reliability of its financial statements and compliance with relevant laws and regulations.
- 2.Internal control systems have their inherent limitations. No matter how well they are designed, an effective internal control system can only reasonably ensure achievement of the above three objectives. In addition, an internal control system’s effectiveness may change as circumstances change. Nevertheless, self-supervision mechanisms have been built into the Company’s internal control system. Once a deficiency is identified, the Company will immediately take corrective action.
- 3.The company determines whether the design and implementation of its internal control system is effective by referring to the criteria stated in the “Regulations Governing Establishment of Internal Control Systems by Public Companies” (hereinafter, the “Regulations”). The Regulations provides measures for judging the effectiveness of the internal control system. There are five components of an internal control system as specified in the Regulations which are broken down based on the management control process, namely: (1) Control Environment, (2) Risk Evaluation, (3) Control Operation, (4) Information and Communication, and (5) Monitoring. Each component consists of several items. Please refer to the Regulations for the above items.
- 4.The company uses the criteria above to determine whether the design and implementation of its internal control system is effective.
- 5.After a test of the Company’s internal control system based on the above criteria, the Company is of the opinion that, as of December 31st, 2020, its internal control system (including supervision and management of subsidiaries) is effective and therefore can reasonably ensure achievement of the above objectives, which include awareness of the degree to which operating results and goals are achieved, reliability of financial reporting and compliance with the law.
- 6.This statement shall become a principal part of the Company’s annual report and prospectus and be made available to the public. If the content of the above is untruthful or certain important information is withheld, the Company shall be held liable pursuant to Articles 20, 32, 171, and 174 of the Securities Exchange Act.
- 7.This statement has been approved on March 23th, 2021 by the Board, with none of the 9 directors present opposing it.

HIWIN Technologies Corp

Chairman: Chuo, Wen-Hen Signature

General Manager: Tsai, Huey-Chin Signature

2. If the company has commissioned external auditors to review the company's internal control system, the external auditor's report should be disclosed: none.

(x) In the last year and as of the publication date of the Annual Report, any disciplinary measures taken against the company or its internal staff according to law or taken by the company against its staff due to violations of the internal control system, the main deficiency and improvement:

In 2020, the company completely complied with the company law, the securities trading law and other regulations. However, because the competent authority determined that the company violated Article 6 Item 1 of the Occupational Safety and Health Act, a fine of NT\$ 120,000 was imposed. The company has strengthened protective equipment, clamps and added warnings and improved SOP methods.

(xi) Major resolutions of Shareholder and Board Meetings in the last year and as of the publication date of the Annual Report:

1. Resolutions from the shareholders' meeting:

Date	Important Resolutions	Implementation Details
2020.06.19	Approved the 2019 business report and financial statement proposal	Relevant forms have been submitted for inspection and announcement in accordance with the company law and other relevant laws and regulations
	Approved the 2019 surplus distribution proposal	According to the content of the resolution, a total of NTD 2.1 per share will be distributed. A cash dividend (1.8 NTD per share) will be issued on September 10, 2020, and a stock dividend (0.3 NTD per share) will be issued on October 8, 2020.
	New share issuance through capital increase of surplus	The distribution was processed according to the content of the resolution, and the listing of new shares was completed on October 8, 2020.
	Approved the proposal to lift the restriction on directors' non-competition	Take effect after the resolution of the shareholders meeting is passed, and release important information

2. Resolutions from the board meeting :

Meeting Date	Important Resolutions
2020.03.25	Approved 2018 employee compensation and directors' compensation Approved the 2019 employee compensation and director compensation proposal Approved 2019 internal control system statements Approved 2019 Business report Approved Financial statements Approved the 2020 regular shareholders' meeting Approved of the endorsement guarantee of subsidiary Eterbright Solar Corporation Approved of the endorsement guarantee of subsidiary Matrix Precision Approved subsidiary overdue account transfer funds loan case Approved Lifting directors and their representatives' prohibition on competition
2020.05.05	Approval of the 2019 surplus distribution proposal Approved the 2019 Earnings Distribution Cash Dividend Proposal Approval of the case for the issuance of new shares by capital increase Approved the preparation of the financial statements for the first quarter of 2020 Approval of the endorsement guarantee case for the Japanese subsidiary Approval of the transfer of overdue accounts of subsidiaries to capital loans Approval of the revision of the internal control system and internal audit implementation rules
2020.06.19	Approved the 2019 earnings distribution ex-rights and capital increase base date related matters Approved of the endorsement guarantee of subsidiary Eter-bright Solar Corporation Approved of the endorsement guarantee of subsidiary Matrix Precision Approved of the endorsement guarantee case for Singapore subsidiary Approved of the subsidiary overdue account transfer funds loan case
2020.07.24	Approved of Tanzi plant related matters Approved of subsidiary overdue account transfer funds loan case

Meeting Date	Important Resolutions
2020.08.05	<p>Approved of Financial statements for the first half of 2020</p> <p>Approved of endorsement guarantee of subsidiary Eterbright Solar Corporation</p> <p>Approved of endorsement guarantee of Japan subsidiary</p> <p>Approved of endorsement guarantee of Korean subsidiary and fund loan</p> <p>Approved of subsidiary overdue account transfer funds loan case</p> <p>Approval of the amendment to the accounting system</p> <p>Approval of the formulation of "Risk Management Policies and Procedures"</p>
2019.09.17	<p>Approved of cancellation of the loan and quota for the subsidiary Matrix</p> <p>Approved of cancellation of the loan and quota for the Korean subsidiary</p> <p>Approved of endorsement guarantee of Japan subsidiary</p> <p>Approved of Domestic cash capital increase issuance of ordinary shares</p> <p>Approved of subsidiary overdue account transfer funds loan case</p> <p>Approval of amendments to the "Code of Procedures for Board Meetings"</p> <p>Approval of amendments to the "Regulations on the Scope of Independent Directors"</p> <p>Approved the revision of the "Organizational Rules of the Audit Committee"</p> <p>Approved the revision of the "Regulations of the Salary and Compensation Committee"</p>
2020.10.29	<p>Approval of the issuance price of cash capital increase</p> <p>Approved of cash capital increase manager's share subscription plan</p> <p>Approved of capital reduction and increase in Japanese subsidiary</p> <p>Approved of the endorsement guarantee of subsidiary Eter-bright Solar Corporation</p> <p>Approved of the endorsement guarantee of Korean subsidiary</p> <p>Approved of the extension of the guarantee period of the Italian subsidiary's endorsement</p> <p>Approved subsidiary overdue account transfer funds loan case</p>
2020.11.03	<p>Approval of the consolidated financial statements for the third quarter of 2020</p> <p>Approved of Hiwin (Schweiz) GmbH Investment</p> <p>Approved of the endorsement guarantee of subsidiary Matrix Precision</p> <p>Approved of the endorsement guarantee of Japan subsidiary</p> <p>Approved of the endorsement guarantee of subsidiary Matrix</p> <p>Approved subsidiary overdue account transfer funds loan case</p> <p>Approved the 2021 internal audit plan</p> <p>Approved of the assess the independence, competence and appointment remuneration of certified public accountants</p>
2020.12.23	<p>Approved cash capital increase and endorsement guarantee of subsidiary Matrix Precision</p> <p>Approval of the transfer of overdue accounts of subsidiaries to capital loans</p> <p>Approved the revision of the "Code of Practice on Corporate Governance"</p> <p>Approval and revision "Management of financial statement preparation process"</p>
2021.03.23	<p>Approved the 2020 employee compensation and director compensation proposal</p> <p>Approved the 2020 "Declaration of Internal Control System"</p> <p>Approval of the 2020 business report</p> <p>Approval of the 2020 financial statements</p> <p>Approval of the 2020 surplus distribution</p> <p>Approved the 2020 surplus distribution of cash dividends</p> <p>Approval of surplus capital increase and issuance of new shares</p> <p>Approval to amend some provisions of the "Articles of Association"</p> <p>Approval to lift the restrictions on the prohibition of competition for directors and managers</p> <p>Approve the convening of the 2020 regular shareholders' meeting related matters</p> <p>Approval and acceptance of shareholder proposals related matters</p> <p>Approval of the 2021 operating plan</p> <p>Approved subsidiary Eter-bright Solar Corporation is now increased and endorsed guarantee</p> <p>Approved subsidiary Matrix Precision is now increased and endorsed guarantee</p> <p>Approved the Italian subsidiary endorsement guarantee</p> <p>Approved the endorsement guarantee for the construction project of the Japanese subsidiary</p> <p>Approve the transfer of overdue accounts of subsidiaries to capital loans</p> <p>Approved the donation of funds from the "Shanghai Yin Technology Education Foundation"</p> <p>Approval and revision of staff salary and various treatment methods</p>
2021.05.05	<p>Approval of the financial statements for the first quarter of 2021</p> <p>Approved Japanese subsidiary endorsement guarantee</p> <p>Approve the transfer of overdue accounts of subsidiaries to capital loans</p> <p>Approval and revision of endorsement guarantee management measures</p> <p>Approval to lift the restrictions on directors' non-competition</p>

(Xii) In the most recent year and as of the printing date of the annual report, directors have different opinions on important resolutions passed by the board of directors and have records or written statements: none.

(Xiii) Summary of the resignation and dismissal of the company's chairman, general manager, accounting supervisor, financial supervisor, internal audit supervisor, corporate governance supervisor, and R&D supervisor in the most recent year and as of the printing date of the annual report: none.

iv. Information on Accountants

(i) Information on Accountant's Fees:

Name of the Accounting Firm	Name of Accountants		Audit Period	Remarks
Deloitte & Touche	Tseng,Dong-Jun	Wu,Li-Dong	January 1st~ December 31st, 2020	None

Unit: NTD Thousand

Interval \ Items		Audit Fees	Non-Audit Fees	Total
1	Below NTD 2,000 thousand		V	
2	NTD 2,000(including)~4,000 thousand			
3	NTD 4,000(including)~6,000 thousand	V		
4	NTD 6,000(including)~8,000 thousand			V
5	NTD 8,000(including)~10,000 thousand			
6	Above NTD 10,000 thousand			

1. Paying at least one-fourth of non-audit fees to CPAs, their accounting firm, and its affiliates

Unit: NTD Thousand

Name of the Accounting Firm	Name of Accountant	Audit Fees	Non-Audit Fees					Audit Period	Remarks
			System Design	Business Registration	Human Resource	Other	Subtotal		
Deloitte & Touche	Tseng,Dong-Jun	5,570	-	-	-	1,335	1,335	2020.1.1- 2020.12.31	Others mainly include the preparation of transfer pricing report, undistributed surplus investment deduction check, cash increase and surplus capital conversion check and advance fees, etc.
	Wu,Li-Dong								

2. Change of CPA firm and the audit fees paid in the year of the change are less than those paid in the previous year: no such cases.

3. Audit fees paid in the current year are at least 10% less than those paid in the previous year: no such cases

(ii) CPA Independence

The company evaluates CPA Independence regularly based on the items below and reports the results to the board:

1. CPA Independence Evaluation Questionnaire
2. The same accountant hasn't executed certification work continuously for over 7 years
3. The company will confirm whether the audit results are affected before the non-audit services are provided

v. Information on Change of Accountant : Non applicable.**(i) About the former accountant**

Change Date			
Reasons and Descriptions			
Was the termination of audit services initiated by the Company or the CPA?	Involved Parties	Accountant	Appointer
	Situations		
	The company terminated the appointment. The CPA rejected being appointed.	Not applicable	
Opinions and reasons of the audit report other than <input type="checkbox"/> unqualified opinions issued within the recent 2 years			
Having different opinions from the issuer	Yes		Accounting Principles or Practice
			Disclosure of Financial Reports
			Audit Range and Steps
			Others
	No		
	Description		
Other Disclosures (according to Sub-item 4 of Item 1, Paragraph 5, Article 10 of Guidelines Governing the Preparation of Financial Reports by Securities)			

(ii) About the succeeding accountants

Name of the Accounting Firm	
Name of Accountants	
Date of Appointment	
Inquiries and replies relating to the accounting methods or principles of certain transactions, and opinions issued for the financial reports prior to appointment	
Different opinions in written form made by the succeeding accountant from the former accountant	

(iii) Former accountants' response to Item 1 and Sub-item 3 of Item 2, Paragraph 5, Article 10 of these principles: Not Applicable.

vi. If the Company's Chairman, General Manager and Managers Responsible for Financial and Accounting Affairs Have Held Office in the CPA Firm or Any of Its Affiliated Companies Within the Last Year, Their Names, Job Titles and the Periods During Which They Have Held Such Office Should Be Disclosed: none.

vii. Transfer and Pledge of Shares by the Chairman, Supervisors, Managers and Shareholders Holding more than 10% of the Company's Shares within the Latest Year and up till the Publication Date of This Annual Report

(i) Changes of shares held by directors, managers and major shareholders

Unit: share

Title	Name	2019		2021 as of April 30th	
		Increase (Decrease) in Shares Held	Increase (Decrease) in Shares Pledged	Increase (Decrease) in Shares Held	Increase (Decrease) in Shares Pledged
Chairman and CEO	Chuo,Wen-Hen	352,474	240,000	(9,000)	-
Deputy Chairman	Chen,Chin-Tsai	(387,572)	-	(100,000)	-
Director and co-CEO	Chuo,Yung-Tsai	232,036	365,000	(135,000)	-
Director and General Manager and co-CEO	Tsai,Huey-Chin	(28,061)	-	(251,000)	-
Director	Lee,Shun-Ching	645,296	-	-	-
Director	Sanko Investments Ltd	(62,791)	(2,000,000)	(72,000)	-
	Representative: Huang,Ching-Yi (Note 1)	16	-	-	-
Independent Director	Chiang,Cheng-He	-	-	-	-
Independent Director	Chen,Ching-Huey	-	-	-	-
Independent Director	Tu,Li-Ming	-	-	-	-
Senior Deputy General Manager of Finance Office	Wu,Yue-Ching	(55,409)	-	(3,000)	-
Deputy General Manager of Marketing Business Group	Peng,Yen-Chi	6,299	-	(5,000)	-
Deputy General Manager of Chairman's Office (Note 1)	Song,Xian-De	-	-	-	-
Assistant General Manager of Chairman's Office (Note 2)	Chu,Yue-Ling	(14,469)	-	(7,000)	-
Assistant General Manager of Chairman's Office	Wu,Chun-Liang	5,466	-	(8,000)	-
Assistant General Manager of Chairman Room	Yang,Chuang-Bao	5,964	-	-	-
Assistant General Manager of System Development Business Department	Wang,Fu-Ching	(6,717)	-	(2,000)	-
Assistant General Manager of Finance Office	Liao,Ke-Huang	7,496	-	-	-

		2019		2021 as of April 30th	
Title	Name	Increase (Decrease) in Shares Held	Increase (Decrease) in Shares Pledged	Increase (Decrease) in Shares Held	Increase (Decrease) in Shares Pledged
Chairman and CEO	Chuo,Wen-Hen	352,474	240,000	(9,000)	-
Deputy Chairman	Chen,Chin-Tsai	(387,572)	-	(100,000)	-
Director and co-CEO	Chuo,Yung-Tsai	232,036	365,000	(135,000)	-
Director and General Manager and co-CEO	Tsai,Huey-Chin	(28,061)	-	(251,000)	-
Director	Lee,Shun-Ching	645,296	-	-	-
Director	Sanko Investments Ltd	(62,791)	(2,000,000)	(72,000)	-
	Representative: Huang,Ching-Yi (Note 1)	16	-	-	-
Independent Director	Chiang,Cheng-He	-	-	-	-
Independent Director	Chen,Ching-Huey	-	-	-	-
Independent Director	Tu,Li-Ming	-	-	-	-
Senior Deputy General Manager of Finance Office	Wu,Yue-Ching	(55,409)	-	(3,000)	-
Executive Assistant Manager of Production Business Group	Lee,Wen-Bin	3,656	-	(3,000)	-
Senior Assistant Manager of Information Office	Chang,Yong-Ming	3,000	-	(1,000)	-
Assistant Manager of Chairman's Office	Chiu,Shih-Rong	(16,691)	-	(4,000)	-
Assistant Manager of Chairman's Office	Chen,Hong-Ming	5,873	-	-	-
Assistant Manager of Chairman's Office	Huang, Lee-Hong	1,031	-	(2,000)	-
Assistant Manager of Chairman's Office (Note 3)	Yang, Fong-Ming	3,000	-	-	-
Assistant Manager of Production Business Group	Wu,Wen-Chia	147	-	-	-
Assistant Manager of Production Business Group (Note 4)	Lin,Chih-Hsiao	-	-	-	-
Assistant Manager of System Development Business Department (Note 5)	Chiang,Ming-Chun	(1,392)	-	-	-
Assistant Manager of the Business Office	Chang,Kun-Yao	365	-	-	-
Assistant Manager of Project Development Department (Note 6)	Dong,Cheng-Wei	(899)	-	-	-
Assistant Manager of Quality Assurance Department	Chou,Yi-Hsiu	3,000	-	-	-

Note 1: Song, Xian-De was relieved on February 15, 2020.02, and his shareholding declaration has ended here.

Note 2: Chu,Yue-Ling retired from 2021.04.01, and his shares have been declared here.

Note 3: Yang, Fong-Ming took office on June.19, 2020, and his shares will be declared starting from that day.

Note 4: Lin, Chih-Hsiao was relieved on 2020.04.01 and his shareholding declaration has ended here.

Note 5: Jiang, Ming-Jun retired from 2020.12.01, and his shares have been declared here.

Note 6: Dong Cheng-Wei was relieved on January 30, 2021, and his shareholding declaration has ended here.

(ii) Stock transferred to related parties: none.

(iii) Stock rights pledged to related parties: none.

viii. Information of the 10 Largest Shareholders Who Are Related, or Couples or Relatives within the Second Degree of Kinship

April 30th, 2021
unit: share; %

NAME OF MAJOR SHAREHOLDERS	SHARES HELD PERSONALLY		SHARES HELD BY SPOUSE OR MINOR CHILDREN		COMBINED SHARES HELD IN THE NAME OF OTHERS		NAMES AND RELATIONSHIP OF THE TOP TEN SHAREHOLDERS WHO ARE RELATED, COUPLES OR RELATIVES WITHIN THE SECOND DEGREE OF KINSHIP		REMARKS
	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Title/Name	Relationship	
HIWIN Investment Corporation Representative: Chuo, Yung-Tsai	22,114,669	6.68%	-	-	-	-	Chuo Yung-Tsai	Chairman	
	13,954,135	4.22%	1,225,063	0.37%	-	-	Chuo, Hsiu-Min Chuo, Wen-Hen	First degree of kinship	
Chuo, Yung-Tsai	13,954,135	4.22%	1,225,063	0.37%	-	-	Chuo, Hsiu-Min Chuo, Wen-Hen	First degree of kinship	
Cathay life Insurance Co. Ltd. Representative :Huang, Tiao-Gui	8,640,701	2.61%	-	-	-	-	-	-	
	-	-	-	-	-	-	-	-	
Nanshan Life Insurance Co., Ltd. Representative: Chen Tan	8,446,260	2.55%	-	-	-	-	-	-	
	-	-	-	-	-	-	-	-	
Lee, Shun-Chi	8,261,391	2.50%	406,682	0.12%	-	-	First Bank Trust-Fund Account Appointed by Lee, Shun-Chi	-	
Chuo Wen-Hen	6,629,808	2.00%	-	-	-	-	Chuo Yung-Tsai Chuo, Hsiu-Min	First degree of kinship Second degree of kinship	
First Bank Trust-Fund Account Appointed by Lee, Shun-Chi	6,000,000	1.81%	-	-	-	-	Lee, Shun-Chi	-	
American JPMorgan Chase Bank Taipei Branch entrusted with the custody of the advanced Star International Fund's series of funds, the advanced aggregate international stock index fund investment account	5,169,881	1.56%	-	-	-	-	-	-	
American JPMorgan Chase Bank Taipei Branch entrusted with the custody of Stichting depository APG emerging market stock mutual fund investment account	5,140,269	1.55%	-	-	-	-	-	-	
Chuo, Hsiu-Min	5,090,705	1.54%	421,320	0.13%	-	-	Chuo Yung-Tsai Chuo, Wen-Hen	First degree of kinship Second degree of kinship	

ix. The Shareholdings and Joint Shareholding Held by the Company, its Directors, its Supervisors, its Managers and Affiliates Controlled Directly or Indirectly by the Company in the Same Invested Businesses

December 31st, 2020
Unit: Shares; %

Reinvestment Business	Investment of the Company		Investment of Business Directly or Indirectly Controlled by Directors, Supervisors and Managers		Comprehensive Investment	
	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio
HIWIN Corporation, U.S.A.	2,148,000	100%	-	-	2,148,000	100%
HIWIN GmbH, Germany	Note	100%	-	-	Note	100%
HIWIN Corporation, Japan	54,200	100%	-	-	54,200	100%
Eterbright Solar Corporation	171,449,427	74%	14,186,871	6%	186,636,298	80%
HIWIN Singapore Pte.Ltd.	5,000,000	100%	-	-	5,000,000	100%
HIWIN Corporation, Korea	1,440,000	100%	-	-	1,440,000	100%
HIWIN S.R.L. Italy	Note	100%	-	-	Note	100%
HIWIN Corporation, China	Note	100%	-	-	Note	100%
HIWIN Healthcare Corp.	100,000	100%	-	-	100,000	100%
Matrix Precision Ltd.	2,171,075	51%	139,757	3%	2,310,832	54%
Luren Precision Shanghai Co.,Ltd.	-	-	Note	51%	Note	51%
Matrix Precision Suzhou Co., Ltd.	-	-	Note	51%	Note	51%
Matrix Machine Tool (Coventry) Ltd.	4,649,500	100%	-	-	4,649,500	100%
HIWIN (Schweiz) GmbH	243,000	81%	57,000	19%	300,000	100%

Note: No shares issued

IV. Capital Overview

i. Capital and Shares

(i) Source of Capital

Date	Issue Price	Authorized Stock		Paid-Up Capital		Remarks		
		Number of shares	Sum	Number of shares	Sum	Source of Capital	Subscriptions Paid with Property other than Cash	Other
1999.10.08	12	130,500	1,305,000	123,500	1,235,000	Cash Capital Increase	None	1999.08.05 (88)TCZL(1)No. 72181
2001.10.22	10	151,900	1,519,000	135,850	1,358,500	Capital Increase out of Earnings or Capital Reserves	None	2001.08.14 (90)TCZL(1)No. 151591
2002.10.15	10	151,900	1,519,000	139,925	1,399,255	Capital Increase out of Earnings	None	2002.08.14 (91)TCZL(1)No. 145107
2003.10.09	10	151,900	1,519,000	145,544	1,455,442	Capital Increase out of Earnings	None	2003.08.15 (92)TCZL(1)No. 137138
2004.10.05	10	191,038	1,910,380	156,918	1,569,178	Capital Increase out of Earnings	None	2004.08.06 FSC Certificate No.0930135195
2005.10.05	10	191,038	1,910,380	177,706	1,777,059	Capital Increase out of Earnings	None	2005.08.09 FSC Certificate No.0940132392
2006.08.02	10	300,000	3,000,000	201,345	2,013,448	Capital Increase out of Earnings	None	2006.08.02 FSC Certificate No.0950133960
2009.06.25	24	300,000	3,000,000	223,390	2,233,898	Cash Capital Increase	None	2009.01.08 FSC Certificate No.0970071383
2010.08.16	10	300,000	3,000,000	227,858	2,278,576	Capital Increase out of Earnings	None	2010.06.25 FSC Certificate No.0990032889
2011.08.29	10	300,000	3,000,000	234,693	2,346,933	Capital Increase out of Earnings	None	2011.07.11 FSC Certificate No.1000031785
2012.09.17	10	300,000	3,000,000	246,428	2,464,280	Capital Increase out of Earnings	None	2012.07.13 FSC Certificate No.1010031169
2013.09.18	10	300,000	3,000,000	253,821	2,538,208	Capital Increase out of Earnings	None	2013.07.18 FSC Certificate No.1020027958

2014.09.15	10	300,000	3,000,000	261,435	2,614,354	Capital Increase out of Earnings	None	2014.07.14 FSC Certificate No.1030026626
2015.09.02	10	300,000	3,000,000	269,278	2,692,785	Capital Increase out of Earnings	None	2015.09.02 FSC Certificate No.1040027343
2016.09.21	10	300,000	3,000,000	274,664	2,746,640	Capital Increase out of Earnings	None	2016.09.21 Department of Economy- Authorization No.10501226510
2017.09.01	10	300,000	3,000,000	280,157	2,801,573	Capital Increase out of Earnings	None	2017.09.01 Department of Economy- Authorization No.10601126420
2018.08.22	10	300,000	3,000,000	288,562	2,885,620	Capital Increase out of Earnings	None	2018.08.22 Department of Economy- Authorization No.10701102130
2018.10.05	250	500,000	5,000,000	300,562	3,005,620	Cash Capital Increase	None	2018.10.05 Department of Economy- Authorization No.10701122430
2019.08.27	10	1,000,000	10,000,000	309,579	3,095,789	Capital Increase out of Earnings	None	2019.08.27 Department of Economy- Authorization No.10801118450
2020.09.16	10	1,000,000	10,000,000	318,866	3,188,663	Capital Increase out of Earnings	None	2020.09.16 Department of Economy- Authorization No.1090168200
2021.01.28	195	1,000,000	10,000,000	330,866	3,308,663	Cash Capital Increase	None	2021.01.28 Department of Economy- Authorization No.11001002260

Unit: NT\$ Thousand; Thousand shares

Type of Shares	Approved share capital			Remarks
	Outstanding Shares	Unissued Shares	Totals	
Registered common stock	330,866,252	669,133,748	1,000,000,000	-

Information for Shelf Registration System: none.

(ii) Shareholding Structure

April 30th, 2021

Shareholding Structure Quantity	Governmental Agencies	Financial Institutions	Other Legal Persons	Individual	Foreign Institutions and Outsiders	Total
Number of People	5	18	403	38,237	798	39,461
Number of Shares held	9,066,691	19,605,108	45,906,566	98,769,547	157,518,340	330,866,252
Shareholding Ratio	2.74%	5.93%	13.88%	29.85%	47.60%	100.00%

(iii) Equity Distribution

April 30th, 2021

Class of Shareholding	Number of Shareholders	Number of Shares	Shareholding Ratio
1~999	28,670	2,172,009	0.66%
1,000~5,000	8,803	15,023,559	4.54%
5,001~10,000	767	5,364,096	1.62%
10,001~15,000	302	3,673,002	1.11%
15,001~20,000	144	2,510,104	0.76%
20,001~30,000	160	3,962,804	1.20%
30,001~50,000	148	5,767,706	1.75%
50,001~100,000	162	11,328,280	3.42%
100,001~200,000	107	15,011,668	4.54%
200,001~400,000	70	19,556,083	5.91%
400,001~600,000	40	19,332,598	5.84%
600,001~800,000	18	12,514,827	3.78%
800,001~1,000,000	12	10,506,354	3.18%
1,000,001 and above	58	204,143,162	61.69%
Total	39,461	330,866,252	100.00%

(iv) List of Major Shareholders

April 30th., 2021

Share	Number of Shares held	Shareholding Ratio
Name of Major Shareholders		
HIWIN Investment Corporation	22,114,669	6.68%
Chuo, Yung-Tsai	13,954,135	4.22%
Cathay life Insurance Co., Ltd	8,640,701	2.61%
Nanshan Life Insurance Co., Ltd.	8,446,260	2.55%
Lee, Shun-Chi	8,261,391	2.50%
Chuo, Wen-Hen	6,629,808	2.00%
First Bank Trust-Fund Account Appointed by Lee,Shun-Chi	6,000,000	1.81%
American JPMorgan Chase Bank Taipei Branch entrusted with the custody of Stichting depository APG emerging market stock mutual fund investment account	5,169,881	1.56%
American JPMorgan Chase Bank Taipei Branch entrusted with the custody of the advanced Star International Fund's series of funds, the advanced aggregate international stock index fund investment account	5,140,269	1.55%
Chuo, Hsiu-Min	5,090,705	1.54%

(v) Market price, net value, earnings, dividends and other relevant information for the last two years

Item \ Year			2019	2020	2021 until March 31st
Market Price per share	Highest		304.00	391.50	468.00
	Lowest		201.00	179.50	380.00
	Average		261.72	292.03	419.53
Net Value per share	Pre-Distribution		76.70	83.30	84.49(Note 2)
	Post-Distribution		70.08)	(Note 1)	(Note 1)
Earnings per Share	Weighted Average Number of Shares (1,000 Shares)		309,579	309,579	330,866(Note 2)
	Earnings per Share (after tax)		6.03	6.05	1.61(Note 2)
	Earnings per Share (after tax) after retroactive adjustment		5.85	(Note 1)	(Note 1)
Dividend per Share	Cash Dividends		1.8	2.0	-
	Stock Dividends	Earnings allotment	0.3	0.3(Note 1)	-
		Capital reserve allotment	-	-	-
	Accumulated Unpaid Dividends		-	-	-
Analysis of Return on Investment	Price/Earnings Ratio		43.40	48.27	-
	Price/Dividend Ratio		145.40	146.02	-
	Cash Dividends Yield(%)		0.69	0.68	-

Note 1: The earnings distribution for 2020 has not yet been approved by the Shareholders' Meeting

Note 2: The financial statement of the first quarter of 2021 reviewed by the accountant.

(vi) Dividend Policy and Implementation

1. Dividend Policy

The company has passed the amendment to the Articles of Association on June 28, 2019. According to the revised Articles of Association's surplus distribution policy, when distributing the surplus in each fiscal year, it shall first make up for the loss and set aside 10% as the statutory surplus reserve. However, when the statutory surplus reserve has reached the company's total capital, it is not subject to this limit. And in accordance with other laws and regulations to set aside (or reversal) special surplus reserve, the second dividend increase is less than 6% (inclusive). The distribution of surplus can be made in the form of cash dividends or stock dividends, but the proportion of stock dividends is not higher than two-thirds of the total shareholder dividends and shareholder dividends for the year.

The company may take into account the financial, business and operational factors and other factors, the amount remaining after deduction according to the amount specified in the preceding paragraph and the same as the undistributed surplus in the previous period and the full or part of the distributable surplus in the current year.

The articles of incorporation of the company not yet clearly specified the distribution ratio of shareholders' dividends, because the profit for the current year will be subject to adjustment based on future capital expenditure and capital situation, and shall be handled per resolution of the shareholders' meeting. As the company continues to expand factories, expand the scale of investment, and develop new products, it is necessary to retain a certain level of funds. It is estimated that the dividend distribution ratio in the near future should not differ significantly from approximately 30% to 40% in the past five years.

2. The dividend distribution proposed at the shareholders' meeting

As for the annual earnings distribution plan of 2020, the Board decided on March 23th, 2021, The total dividend to shareholders is NT\$760,992,384 (NTD 2.3 per share), which is divided into a stock dividend of NT\$99,259,880 (NTD 0.3 per share) and a cash dividend of NT\$661,732,504 (NTD 2.0 per share).; After the cash dividend is approved by the board of directors, it shall be reported to the shareholders' meeting in accordance with the law, and the director shall be authorized to distribute the dividend distribution base date.

3. Explanations of expected major changes in dividend policy: none

(vii) The influences of the bonus shares proposed at the shareholders' meeting on the Company's business performance and earnings per share: Not applicable because the Company didn't disclose financial forecasts.

(viii) Employee Bonuses and Remunerations of Directors

1. Percentage or scope of employee bonuses and remunerations of directors and provided for in the Articles of Incorporation:

The company's remuneration includes principal salary, various bonuses and employee dividends. The amount of various bonuses and employee dividends depends on the company's overall operating performance and employee performance.

According to Articles of Incorporation, if the company has earnings at the end of a fiscal year, it should make an allocation in this way: (1) a minimum of 1% for employee remunerations, (2) a maximum of 4% for directors' remunerations. The distribution proposal of employees' bonuses and directors' remuneration shall be reported to the shareholders' meeting. However, in case that the Company still has accumulated losses, the amount for offset shall be reserved, then the employees' and directors' remuneration may be distributed according to the above proportions.

2. Basis for estimating the amount of employee bonuses and remunerations of directors, basis for calculating the number of shares to be distributed as stock bonuses, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period:

At the end of the fiscal year, material differences between these estimates and the amounts proposed by the Board of Directors in the following year are adjusted for in the year of the proposal. If the actual amounts still differ from the proposed amounts after the publication of the annual financial statement, the differences are charged to the earnings of the following year as a result of change in accounting estimate.

3. Information on proposals passed by the board of directors to distribute employee bonuses:

(1) Remunerations to employees, directors and supervisors in the form of cash bonuses: NT\$ 154,385,363 for employees and NT\$77,192,681 for directors. The estimated ratios were 5.9% and 2.9%, respectively, in compliance with Articles of Incorporation of the Company.

(2) The proportion of the number of shares for employees as remunerations to net profits after tax and the total of employee bonuses of the individual or individual financial reports in the current period: Not applicable.

4. The actual distribution of employee bonuses and remunerations of directors and in the previous year

(1) The employee remunerations distributed in cash were NT\$ 149,303,725 in 2020.

(2) The actual remunerations of directors were NT\$ 74,651,863 in 2020.

(3) There is no difference between the actual distribution and the distribution passed at the Board Meeting.

(ix) Stock buyback: none.

- ii. Issuance of Corporate Bonds:** none.
- iii. Issuance of Preferred Stocks:** none.
- iv. Issuance of Global Depositary Receipts (GDR):** none.
- v. Exercise of Employee Stock Option Plan (ESOP):** none.
- vi. Acquisition of New Restricted Stock:** none.
- vii. Mergers and Acquisitions of New Shares Issued by Other Companies:** none.
- viii. Execution of Capital Utilization Plan:** The company hasn't issued marketable securities or completed the private placement of marketable securities, has completed the plan in the recent 3 years, with no plan effects shown.

V. Business Overview

i. Business Content

(i) Business Scope

1. The Main Content of the Company's Business:

The company is mainly engaged in R&D, design, manufacturing, sale, maintenance and pre-sales and after-sales services of linear guideway (GW), ball screws (BS), industrial robots, wafer robots, precision bearings, various robot arms, rotary tables, medical equipment semiconductor devices.

2. Business Proportion:

The turnover of 2020: Guideway for 66%, ball screw for 19%, industrial robots for 9%, others 6%.

3. The Current Product (Service) Items:

Our company provides key components, industrial robots, special machines and after-sales services for machine tools, industrial machinery, bioscience, medical equipment, equipment of electronics industry, photoelectricity, semiconductor devices and automation, etc. The current main products of the company are listed below:

Product Category		Series
1	Linear Guideway	Self-lubricating, quiet, roller, overload, microminiature, intelligent, dustproof, high rigidity, light weight, high torque resistance, cross configuration, extremely-low
2	Ball Screw	Precision grinding, precision rolling, high speed, heavy load, air cleaning, nut rotary, tangent circulating, quiet, cooling, intelligent, economical, precision rotary cut
3	Industrial Robot	Single axis robot, articulated robot arm series, parallel robot arm series, scale robotic arm series, wafer robotic arm series, electric gripper, end effector
4	Rotary Tables	Biaxial two-arm rotary table, Biaxial one-arm rotary table, single-axis vertical rotary table, single-axis horizontal rotary table
5	Reducer	Harmonic Reducer
6	Precision Bearing	Crossed roller bearing, ball screw bearing, bearing block
7	Medical Equipment	Rehabilitation equipment, nursing equipment, equipment of minimally invasive surgery

4. New products (service) slated for development:

- (1) Mass production of the second-generation intelligent ballscrew i4.0BS
- (2) Development and trial mass production of next-generation intelligent linear guideways.
- (3) Lower limb rehabilitation machine completed product upgrade and cost improvement.
- (4) Endoscope supports the robotic arm fastener to complete the development, medical certification, and mass production.

(ii) Industry Overview

1. Development and Current Situation of the Industry:

The raging Covid-19 pandemic in 2020 has changed global economic activities and supply chain ecology, and caused a huge impact on global industries. This single major factor also determines the rise and fall of various industries in 2020. Industries related to the pandemic, such as medical care, semiconductors, 3C, Internet of Things, logistics and freight, etc., have shown breakthrough growth.

Industries that are less relevant to the pandemic, such as machine tools, machinery, and aviation, have fallen into a downturn or even faced operational crisis. The short-term orders of the medical equipment industry, the explosive demand for semiconductors, 3C, and 5G, and the zero-touch automation equipment and smart manufacturing and industrial upgrading required in the post-pandemic era are even more urgent. Due to the severe global Covid-19 pandemic and the continuous promotion of the "Made in China 2025" and "Internet +" policies in the mainland, and the active deployment of advanced manufacturing capabilities, after the 19th National Congress of the Communist Party of China, more attention has been paid to environmental protection and the ecological environment; therefore, industrial

transformation and upgrading of automation and smart manufacturing will rapidly increase the demand for key components. In order to boost the country's economy, the Trump administration also proposed a "return to manufacturing" policy to promote the return of manufacturing and trade protection policies; Germany has a diversified industrial base and continues to lead the development of Industry 4.0. Looking forward to the future, driven by technology such as Industry 4.0, the Internet of Things, and big data, hardware innovation, software upgrades, and software and hardware integration continue to evolve, and smart manufacturing has become an inevitable development trend.

The IC Insights report stated: "Under the impact of COVID-19, the semiconductor industry is one of the most resilient markets this year. Even if pandemic caused a severe recession in the global economy in 2020, it has also accelerated Digital Transformation, driving the semiconductor market. Steady growth." In order to prevent the spread of the virus, curfew policies in various countries have made work at home, online meetings, online consumption, etc., become the norm. This has greatly increased the demand for electronic devices such as laptops, tablets, and data center servers. Therefore, the "home economy" has been adapted accordingly. With the rapid development of 5G and artificial intelligence, the semiconductor market will not only have no recession in 2020, but will also be able to grow upward. The growth drivers mainly come from memory chips, foundries, semiconductor equipment, and the performance of the Chinese market. In the foundry industry, there is even a state of imbalance between supply and demand.

With the rapid development of technology, artificial intelligence is gradually influencing our daily lives, mass automation, mechanical modularization has driven manufacture into the smart manufacture age, reshaping the industry's innovative value chain. The Fourth Industrial Revolution wave has pushed the industrial competition into a new phase, with the rise of technologies such as the Internet of Things, Big Data, Cloud-based Computing, and Artificial Intelligence, there are new requirements for industrial development. With the past method of supply chain linkage, precision machinery is about to be unable to adapt to the rapidly changing environment, and will be needing to form cross-industry alliances, such as working with Industrial IC, sensor, and telecommunication businesses, forming a new "Smart Precision Machinery" industrial group. According to predictions from the Topology Research Institute, the market scale of global smart manufacture and smart factories in 2020 will surpass 250 billion dollars. Due to the theme of smart manufacture, the future industry will depart from scale economies of mass production, and lean towards small batches, customization, flexible services, and derive into value-adding services such as all sorts of statistical analysis and management. New technologies like the Internet of Things, Artificial Intelligence, Cloud-based Computing, Big Data, Online-To-Offline Integration, will lead smart manufacture into industrial innovation

In the area of manufacturing automation, continuing the great migration of the manufacturing industry brought about by the Sino-US trade war, the Covid-19 pandemic has brought another wave of "de-globalization". The unemployment pressure of various countries due to the impact of the pandemic, and the urgent needs of the "local economy", Re-adjusting the supply chain so that key components can be produced locally, accelerating the development of manufacturing automation in various countries, and Industry 4.0 is driving the recovery and transformation of global manufacturing. Among them, the growth rate of industrial robots is the most noticeable. With the reduction of the labor population in Japan and Europe, and the rising labor costs in emerging countries such as China and Southeast Asia, there is an urgent need to automate the manufacturing process, and the production line has become more and more dependent on industrial robots for processing or assembly. According to estimates by the International Federation of Robotics (IFR), the cumulative installation of industrial robots in 2021 will reach 3.78 million units, nearly double the actual 1.83 million units in 2016. Especially for the Chinese manufacturing industry that has been hit by the Sino-US trade war, a large number of orders have returned to China after the pandemic. The problems of lack of labor and rising labor costs in China continue to exist. The only solution is to speed up the automation of subordinates. However, the realization of smart manufacturing requires the cooperation of key components and machinery, robots and system integration (SI) to move forward quickly. Therefore, HIWIN is advancing smart manufacturing and includes SI industry players as part of the integrated service.

The competitiveness of low-end and general-purpose machine tool products in the mainland machine tool industry is declining, and upstream and downstream orders are nearing the bottom. This situation

stimulates companies striving for the upstream to transform and upgrade to high-end differentiated products. In addition, American remanufacturing requires high-end tools. It is more certain that medium and high-end machine tool products will be the mainstream demand for the transformation and upgrading of the global manufacturing industry in the future. On the whole, the future development of machine tools will continue to upgrade to high-end five-axis machine tools, and the demand will gradually increase; currently equipped with high-precision and high-efficiency four-axis and five-axis Torque Motor (torque) rotary tables now only occupy the overall market 5%, mostly in European machines. It is expected that this all-electric Torque Motor rotary table will gradually become a trend. It will be deployed in Japan, Europe, Taiwan, China and other regions, and is expected to grow substantially. In addition, the automotive industry, which accounts for nearly 50% of the global consumption of machine tools, will continue to develop trends in electric vehicles, which will affect the product types of future machine tools; the equipment required for 5G infrastructure construction will also bring business opportunities for industrial machinery.

The Taiwanese Machinery Industry has always been the behind-the-scenes backer of industrial upgrade, from hi-tech manufacture, civil engineering, to agriculture and mining, they all go hand in hand with the machinery industry, therefore there goes a saying "Machinery is the mother of Industry". IEK states that, "Industrialization of Smart Machinery" and "Intelligentization of Industry" are the two visionary themes the current policy is proposing; and industrial robotics are the key elements in building a automated, intelligentized manufacturing system, which is the focus of the industry's future growth. Due to the difficulty of hiring in the manufacture industry, and manufacturing demands in responses to diversification, with the stimulation of multiple factors like wage increase, labor shortage, and hopes of increasing product quality, the manufacture industry's demand for automation and industrial robotics applications has been getting more earnest, which is brewing the beginning of the new wave of mass robotics usage. The global market scale of artificial intelligence related technology, including robotic products, will increase exponentially to over 80 billion dollars in 2020, the industrial robotics industry is expected to become a "Winner Take All" situation. To meet the global market demands, the four families of industrial robotics and some component factories are continuously expanding factories or adding production lines. On technological developments, the trends include light and affordable, personifying the user interface, modularizing the structure, and increasing the collaboration abilities between man and machine, to meet the demands of the industry's diversified applications, and shaping possibilities for the future's rapid developments

The global developments of machine tools are leaning towards multi-axis and high efficiency as the mainstream, therefore high-end five-axis and comprehensive processing machines have a higher standard for component designing, processing and assembling techniques, which is the goal of Taiwan's machine tool industry increasing their development skills and upgrading their additional value. According to research conducted by Market and Markets, the demand for global machine tools is expected to grow at a rate of 6% per year. This growth is mainly for the development of industrial development in China and India. Among them, multi-axis machine tools account for 15% of the overall market, and are expected to grow at a compound annual growth rate of 6.7% per year. After the demand for low-end and general-purpose machine tools in the China market plummeted, China is pushing "China's Manufacturing 2025". Enterprises need to go through transformational upgraded. In addition, US remanufacturing also requires high-end machine tools, further solidifying medium to high-end tool machine products to be the mainstream demand for the transformation and upgrading of global manufacturing in the future. In addition, in the global trend of developing Industry 4.0, machine tool manufacturers have also developed smart machines and production lines in combination with technologies such as complete machines, robots, Internet of Things, big data and AI. In addition, the current Torque motor rotary table only accounts for 5% of the overall market, and is expected to grow to 40% in 2020. There are still huge market opportunities for manufacturers interested in developing high-end multi-axis machine tools.

According to predictions from the credit rating agency Fitch, the global automobile sales decreased by 4% in 2019, mainly due to demand declining in China, the largest automobile market. With secondhand cars sales rising and the Chinese government increasing their emission standards, these factors have driven down the sales of new cars in China. With stricter environment protection laws and renewable energy cars being rolled out, the global automobile industry is facing a dramatic shift, including the entire renewable energy industry chain and maintenance service methods etc. The high growth of electric cars sales, is mainly due to the boost of policies. In Germany, Israel, and the Netherlands where the growth

is highest, these countries have banned the sales of fuel cars by 2030, and electric car sales are expected to account for 10% of the global automobile market in 2021. As for the components for cars, with future cars becoming electrically powered, light-structured, intelligentized as the three core technologies, therefore the demand for low consumption vehicles such as renewable energy cars will dramatically increase, while developing advanced driving assistance systems and Internet of Vehicles will be the driving factor to increase the demand for R-EPS and car-used ballscrew, which is projected to become the mainstream style for steering systems by 2031. Also, due to China cooperating with global environmental protection issues, gas consumption and pollution emission codes are getting stricter every day, therefore the electric-assistive ballscrew will be the new trend in the future China market, the potential business opportunity is immense.

In 2020, various car manufacturers began to promote advanced driver assistance systems (ADAS), which can make driving on the road safer and more convenient. With the promotion of traffic safety regulations in various countries, various ADAS systems have begun to be mandatory. In recent years, China, the United States, Japan, the European Union, and Taiwan have established new laws. For example, Japan will compulsorily install an emergency brake assist system (AEB) in 2021, and the United States will list AEB as standard equipment in September 2022. All medium and heavy commercial vehicles must be equipped with the AEB system. As the future vehicles will be developed with the core technologies of power electrification, lightweight structure, and vehicle intelligence, in terms of vehicle components, the advantages of high reliability, high precision and high efficiency of the ball screw will also enable the vehicle to be powered by electric power. The main reasons for the introduction of steering systems (EPS) and intelligent braking systems (IBS) are expected to increase significantly in the future for the supply of automotive screws for new energy vehicles and ADAS products.

The medical care industry has also been influenced by technologies such as big data, artificial intelligence, and Internet of Things, which are changing the medical care method, besides hospital no longer being the center of treatment, the industry development has shifted from viral treatment to a more preventive full-body health management, and the interface that facilitated the changes is the Internet of Medical things, a network consisted of medical equipment with internet connective capabilities. Through the integration of clinical knowledge and technology, treatment equipment can be programmed and executed remotely, increasing the efficiency and precision of treatment. Another important industry trend is the application of human-robot collaborative robotics in the field of surgery, combining cutting-edge visual technology with precision positioning, breaking the boundaries of human sight and decreasing errors caused by fatigue, therefore decreasing the chance of surgical failure. In addition to Da Vinci, four surgical robots approved by the FDA or CE for release. At the moment As pointed out by Forbes Magazine, the global aging population, the rapid rise of chronically ill patients and disabled people, rising health expenditures, and rising costs of economic and social burden are pressing matter that are the pushing the development of intelligent digital health care. According to Radiant Insights research, it points out that the global smart health market will reach US\$225.5 billion in 2022. Major nations have entered the old age society. In response to that the increase of the elderly population, the combination of medical care and health care, care service at home, and healthy lifespan are important trends in current welfare development, it is expected that there will be magnificent increase of needs on home-based welfare products, rehabilitation products and care robots. Products and services designed specifically for elderly people will also become emerging areas for all parties to engage in. The surgical industry is gradually emerging from the clinical benefits of robot-assisted surgery, such as for precise brain guidance surgery, for joint replacement surgery, and for minimally invasive surgery to reduce patient bleeding and improve the success rate. According to TrendForce, research pointed out that the market size of surgical robots in 2021 can reach 9.3 billion US dollars, and its compound growth rate is as high as 19.3%.

2. The relevance of the upper stream, midstream and lower stream of the industry:

Raw Materials (Upper Stream)	Main Products	Main Application (Lower Stream)
Steel, Steel Ball	Ball screw, Guideway	Semiconductor, opto-electronics manufacturing and test equipment, automation equipment, medical equipment of bioscience, electronic industry, machine tool, industrial machinery

3. Development trend of products:

Smart manufacturing is a global trend, and HIWIN has deployed smart automation and robotics for a long time, and its products are moving towards high value-added products, high-end manufacturing and digital applications. In addition to developing its own intelligent ball screw, HIWIN has formed an alliance with Taiwan and the International Semiconductor Industry Association, Taiwan Smart Automation and Robotics Association, and Taiwan's Tool Machines and Components Industry Association to expand the layout of smart components, smart machinery, and wisdom. The system is designed to supply the world's advanced manufacturing needs and assist customers in the transformation and upgrading.

From the trend of major industrial exhibitions and markets in recent years, many devices have begun to introduce intelligent functions, and the demand for the IOT industry has also begun to increase. The products in the market are only records or warnings, but still lack of predictive function, in order to maintain uninterrupted production capacity and maintain product accuracy, especially the ball screw is the key component of the equipment. At present, the smart ball screw of HIWIN has been the industry's leading indicator, except for the built-in dedicated sensing IC. For self-developed, it also collects large data on the actual line, which can instantly monitor screw temperature, thermal deformation, vibration quantity, lubrication status, predict the life of the product through algorithms, achieve preventive maintenance, improve production efficiency, and visualize abnormal reminder, instant feedback on the maintenance schedule of the machine, allowing customers to arrange maintenance, replacement and repair of components in advance, avoiding losses caused by downtime, and achieving the Industry 4.0 goal.

The development of multi-axis robotic arms, the development of key components is the key, the key components required are mainly four, precision reducer, servo motor, roller bearing and drive control unit, the cost of these components account for the whole The cost of the shaft robot is more than 50%. At present, the key technologies of these four parts are mostly in the hands of European, American and Japanese manufacturers. Each multi-axis robotic arm factory itself has at least one key component technical strength, and it is matched with it. The technology owned by domestic manufacturers is combined into a complete and solid key component supply chain, and through the design of special specifications, consumers can avoid buying parts directly from component suppliers and increase profits through the maintenance market of multi-axis robots.

Wafer robots began to use visual sensing and machine networking to expand their application fields. In response to this trend, the wafer arm of HIWIN has also developed more models for different industry usage scenarios, itineraries and different manufacturing processes, making the application of production line automation more flexible and fast to connect. In addition, the core structure of the wafer arm not only strengthens modularization, but also emphasizes its commonality. Through the parallel development and vertical integration of product specifications, a more powerful cost advantage and control mode are created. The new product "Semiconductor Transmission Module" of HIWIN adopts the industry standard "SECS / GEM" communication format. It can be quickly connected to the production line regardless of whether the end user is foundry, packaging or various processes on the production line. Fully achieve the development of the shared module architecture, and expand it in parallel to the wafer boat handling arm, wafer arm, and panel arm. At the same time, for special needs of each success, special instructions and dedicated end modules can be created to make the same main structure The expansion of the complete connection, more effective. The wafer transfer module EFEM used in the semiconductor industry passed the SEMI S2 international safety certification this year. HIWIN-EFEM can be planned according to customer needs, and matched with the corresponding model of HIWIN wafer robot according to product specifications, making the equipment and process more efficient and competitive.

In recent years, the automobile industry is still developing with the two main axes of energy saving and intelligent driving. In the future, Level 4 vehicles with autonomous driving will allow drivers to become passengers, and life on the car can be seamlessly integrated with companies, schools, hospitals, and homes. In 2018, Audi took the lead in proposing the concept of "25th hour", that is, liberating hands and brain during movement, creating more free time. In order to realize the automatic driving of the vehicle, the two indispensable systems: the electric power steering system (EPS) and the intelligent braking system (IBS) are also required to meet the high reliability and NVH requirements of the vehicle, and the

precision ball screw is used as the key component. The proportion of R-EPS has been increasing year by year, and legal entities estimate that 80% of new cars worldwide will include R-EPS as standard equipment in 2022.

The newly developed Super Z ball screw from HIWIN Technologies introduces optimized design and manufacturing technology, which can reduce the volume by 30% compared with the traditional screw and the performance of the ball screw. The new generation of cooled ball screw optimizes the flow path of the coolant. Design and configuration not only reduce the waste of machining stroke, but also improve the assembly efficiency of the tool machine. Industrial and commercial products are becoming lighter and lighter. In response to this demand, HIWIN is actively developing micro-small and lightweight linear slides to provide more precise displacement and lighter installation.

In recent years, the automobile industry has flourished, including the expansion of new models, the development of all-electric and oil-electric power technologies, and the application of smart-vehicle systems to drive the continuous supply chain. Automotive molds rely on high-precision machine tools for high precision, and HIWIN's new generation of cooled ball screws provide a stable thermostatic positioning system, a key component that keeps the machine tool at high precision. In response to the development trend of electric vehicles and unmanned self-driving vehicles, the vehicle's electric power steering system (R-EPS) developed by HIWIN has active control functions to achieve active safety control of vehicles, such as body dynamic stability system, lane offset assist system, obstacles. Dodge, active parking assistance, etc., are functions that traditional hydraulic auxiliary steering systems cannot achieve. The legal entity estimates that 80% of new cars in the world will be listed as R-EPS in 2020.

HIWIN Medical Equipment is mainly designed to assist senior self-reliance and care needs, develop lighter and smarter equipment for use in community and personal wear, and combine biomedical sensors to provide evaluation and feedback systems. The user is more convenient and intuitive in operation. In recent years, due to advances in feedback sensing technology, high-output thin motor, human-robot interaction, and dynamic physiological signal analysis technology, the growth of related rehabilitation machine evaluation systems has been promoted. It is estimated that rehabilitation robots will gradually be extended from rehabilitation training to the wisdom of the patient's physiological state and efficacy evaluation is automated, and the effectiveness of rehabilitation equipment and the number of service patients per unit time are further enhanced by big data analysis. Welfare products are also oriented towards home, wisdom, remote care, and reduction of human resources. Their products have health promotion, ability recovery, care prevention, and strengthening the physical function of the elderly. The development direction of surgical robots follows the development of new clinical procedures, allowing doctors to operate robots by remote control. However, in the new methods of operation such as single hole surgery, natural hole surgery, etc., there is no fully effective product to assist in the market. This is also the future direction of various robot manufacturers, such as da Vinci SP system.

In response to the increasingly complex processing forms of the machine tool industry, the development of five-axis composite processing machines has improved processing efficiency and accuracy. Therefore, five-axis high-end machine tools are now important equipment for the transformation and upgrading of the global manufacturing industry, and are also important to judge the level of a country's machine tool industry. Indicators, regardless of China's manufacturing upgrades, US remanufacturing, new mobile phone market, 5G and precision molds, etc., require high-end machine tools. The C-axis and AC-axis rotary tables produced by HIWIN are equipped with torque motors, which greatly improves precision and efficiency. It has rapidly expanded in important markets in the world. It has been adopted by machine tool manufacturers in Europe, America, Japan, Taiwan, and China. This product will become the future driving force of revenue after the ball screw and linear slide.

Commonly used drive sources for articulated robotic arms include electric motors, hydraulic and pneumatic drive units. Among them, servo motor drive is the most common drive method because of its high precision and reliability, due to the joints of the articulated robotic arm. A low-speed, high-torque drive source is required. Therefore, the servo motor must be used with a reducer. The reducer for the articulated robot must have the following requirements: high repeatability, stable swing speed, low friction, high efficiency, and small size. Light weight, large transmission torque, etc. The company's self-developed Torque motor rotary table, with its fast response and high torque, is equipped with an absolute encoder. The position feedback is quite accurate and can effectively meet the rotary axis module

technology required by various tool operators. In the future, all rotary shaft products will be developed in a full range, including high-end product lines such as rotary spindle heads and two-axis spindle heads.

Industry 4.0's requirements for robotic arms are becoming more and more sophisticated and increasingly light. In response to this demand, HIWIN is actively developing micro-small and lightweight linear slides to provide more precise displacement and lighter installation. Industrial robots have also begun to use a large number of visual sensing, machine networking, and expand their application areas. The robotic arm of HIWIN Technology has also developed more models of different sensing, stroke and load in response to this trend, making automation applications more flexible. In addition, in the core structure of the robot arm, not only enhance the modularization, but also emphasize the commonality, through the parallel development and vertical integration of product specifications, create a more powerful cost advantage. The new intelligent technology "Smart Electric Clamping Claw" is the only gripper product in the world that adopts the "mini-double rotary linear module". It can be controlled regardless of the strength, direction, stroke and speed of the clamping. For objects that are easily deformed, easily broken, and easily damaged, it is more effective to use with a robotic arm.

4. Competition of products:

HIWIN's products have the characteristics of integrating group resources, technological innovation, and key components. We have long been engaged in the development of electromechanical integration, robot manufacturing, and the manufacture of smart mechanical components. Therefore, HIWIN's differentiation and competitive advantage from other linear transmission products competitors such as China, Germany, and Japan have become clear. Because of this multi-dimensional high-end product development strategy, HIWIN Technologies has been able to flexibly adapt to the changing international economic situation, leading the industry and reducing the impact on the market. In the face of the competition of so many linear transmission component manufacturers around the world, the result of our years of research and development and HIWIN's electromechanical integration powers, not only differentiated and more diverse with competitor products, but also consolidate the global linear transmission component market indicators.

In terms of competition for key components, as the Japanese peers have hardly expanded their production capacity in recent years, and the supply chain of German linear slide manufacturers in China affected by environmental protection issues. During the period when the market is in short supply, HIWIN can demonstrate its competitiveness and value and meet customer demand in time. In the strategy of product competition, HIWIN Technologies continues to invest in materials science research, actively search for alternative materials that can replace or even better quality, and simultaneously develop spare parts technology that can be quickly produced and quickly assembled to quickly seize potential customers. With the development of smart components and smart robots, HIWIN is equipped with electronic control software and system services to provide customers with complete solutions and a great competitive advantage in the market. For example, the industry-leading smart ball screw with four diagnostic functions of temperature, preload, vibration and lubrication is more intelligent than European and Japanese competitors.

The competitive situation of linear products has undergone changes in the underlying structure in recent years. Major brands occupy the market, but new competitors have emerged in the low-end market, striking customer orders with large price differences. Most of these competing brands come from mainland China and South Korea. Low-priced products enter the European and Asian markets by changing the brand packaging. In the face of these new competitors, HIWIN increased its competitiveness with a modular product portfolio, saved customers the time to purchase other accessories and provided differentiated services. Facing the high-end market demand, the HIWIN Smart Screw i4.0BS is leading the industry to provide customers with key components for smart manufacturing transformation. Bringing customers to HIWIN will accelerate the progress of important projects and expand the market.

The cost of the reducer in the key components accounts for 1/3 of the cost of the domestic production machine, which is much higher than the 1/10~1/6 of the international manufacturers. It must rely on imports, and the bargaining space is small plus tariffs. Naturally, the cost of the whole machine is increased, and in the face of a highly competitive market, it can be imagined that the price competitiveness of domestic robots is low. Therefore, in addition to strengthening the self-developed

development of key components of the robot, the company has built a system service team and provided complete line planning and services. Through continuous optimization of the design and performance of the robot arm, the selected industries are selected, and the robot production line suitable for the customer is planned and designed. Develop the overall solution for vertical industrial robots. After the introduction of the harmonic reducer introduced by HIWIN in 2018, the key components required for the production of the robot include: servo motor, drive, ball spline, cross ball bearing and harmonic reducer, all of which can be 100% homemade, helping HIWIN with the development of all kinds of robots.

For the whole machine manufacturer who intends to invest in development, except for a few capable first-line manufacturers, it will consider to develop the four/five axes internally to master the wider channel, but not necessarily can make the key components, and Taiwan compared with the European and Japanese manufacturers, there is still room for improvement. Most of the operators who are accustomed to the concentration of the precision machinery industry in the central region are still inclined to the outsourcing operation mode of professional four- and five-axis manufacturers. According to the required speed, torque and precision, the components of the four-five axes are determined, and the quality and inertia of the structure are matched. Component size and matching controller parameters, but the key component technology is in the hands of others, it will face supply instability and high cost.

In the industrial robot industry, the core technologies are in the four major families (ABB in Switzerland, FANUC in Japan, KUKA in KUKA, YASKAWA in Yaskawa, Japan) and Nabtesco and Hamerna in the gearbox market. Harmonic Drive, which accounts for more than 70% of the market share of the mainland robot industry, has almost monopolized high-end fields such as robot manufacturing and welding. The gradual emergence of the mainland domestic wafer arm, although its accuracy and quality stability has not been compared with Japan and the United States, but its cost is relatively low, can correspond to some industries that do not need high precision, such as LED Industry only. The biggest bottleneck in the development of the domestic robot industry is that the technology of the three key components cannot be broken, and the key component outsourcing will lose its competitiveness. In the face of such a highly competitive market, in addition to strengthening the self-developed development of key components of the robot, And to build a system service team and provide complete line planning and service, through continuous optimization of the design and performance of the robot arm to improve cost performance, and has been tailor-made for customers, planning and designing the ability to adapt to the customer's robotic production line.

The main competition of the torque motor rotary table is the early development of European suppliers. Due to the difficulty of overall cost and maintenance, Asian machine tool manufacturers still use mechanical rotary tables. However, the mechanical backlash affects the processing accuracy and limits Asia's development of high-end machine tools. HIWIN Technologies integrates a self-made water-cooled torque motor and a cross-roller bearing torque motor rotary table, which has the advantages of high precision and zero backlash, which greatly reduces manufacturing costs and solves the past difficulties of relying on European imports. The machine industry has set off a wave of high-end competition, and will further attack the European high-end machine tool market with the competitiveness of HIWIN products and services.

In the vehicle electric power steering system (R-EPS) market, the current international manufacturers have achieved stable supply performance, while mainland manufacturers are still in the initial stage of development. There are no manufacturers in China that have successfully mass-produced R-EPS; Experience and verification, R-EPS key components, including the self-developed capabilities of the complete core technology of ball screw, motor and control unit, have a good foundation for entering the automotive market in the future.

The competitiveness of HIWIN's Medical Equipment lies in the practicality of designing for customer needs and the reasonable price of integrating self-made key components. In the rehabilitation robot market in mainland and Southeast Asia, they are used by customers with high cost performance, surpassing the installation of European competitive products. Quantity. Recently, the relatively fast-developing competitor's intelligent overall rehabilitation program from the mainland provides one-stop procurement of goods with the overall automation equipment required by the rehabilitation department, including upper limb robots, lower limb robots, and early walking intelligent feedback devices. Currently, due to the price It is still high and the market is not yet popular. For the surgical robot arm, HIWIN is

one of the few industrial robot arm manufacturers with medical manufacturing and sales experience. Therefore, in the trend of gradually expanding surgical robots, it has become the target of surgical robot manufacturers for cooperation

HIWIN has the full industry 4.0 trend product, which can provide customers with a one-stop service for transformational upgrade. In the whole factory intelligentized production line project of several industrial giants, HIWIN is the only supplier and provides services in the electromechanical integration systems field with strong competitiveness. HIWIN flexibly uses the group's high-precision mechanical and electrical components to supply customers with a suitable product mix to meet their different needs and add value to customers. In the future, the common requirements of each process will be further refined, and the product portfolio fixedly used for each process will be converted into a standardized module to save customers the difference in assembly time and accuracy of multiple parts. At the same time, it will also promote the electromechanical integrated sales model at the global sales base to respond to the rapidly changing market.

(iii) Technology and R&D Overview

HIWIN filed a total of 249 applications at home and abroad and obtained 147 patents in 2020, and owned 2,130 valid patents at the end of 2020. It ranked 41th in “Invention Patent Certificates”, 57th in “Patent Public Certificates”, 57th in Invention Patent Public Certificates, and was also No.1 in Taiwan’s precision machinery field.

1. R&D Expenses in the Last Year and as of the Publication Date of the Annual Report

Unit: NTD Thousand

Item	2020	2021 until March 31st
R&D Expenses	1,014,154	249,616

2. Technologies and Products Developed Successfully in the Last Five Years

Year	Product
2016	<ol style="list-style-type: none"> 1. Development of next generation intelligent ball screws 2. Continuous development and pilot volume production of ball screws (Super Z) 3. Continuous development and volume production of self-lubricating module (EL) f ball screws 4. Development of long-stroke single axis robot module 5. Specification expansion and volume production of high-speed ball screws (Super T) 6. Development and volume production of linear guideway (CG) of high-resistant torque DB 7. Continuous development and volume production of self-lubricating oil box (E2) 8. Continuous development and volume production of SCARA robot arm RS406, which achieved 2006/42/EC, 2014/35/EU and 2014/30/EU certification 9. Development of highly dust-proof cover of roller guideway (RG) and linear guideway (CG) of high-resistant torque DB 10. Development of spine surgery robot system
2017	<ol style="list-style-type: none"> 1. Continuous development of type 2 of New cycle ball screw (Super Z) and pilot volume production of type 1 2. Development of next generation intelligent ball screws 3. Development and mass production of new dust-proof ball screw (FW) 4. Continuous development and mass production of AG cross-profile linear guideway. 5. Continuous development and mass production of RGS/RGF ultra-low roller liner guideway. 6. Robotic Endoscope Holder MTG-H100 and robot for bath MHS-B100 were certified by Taiwan TFDA. 7. Complete development of Teaching upper limb Training System MST-R100 prototype 8. Complete development of the ear and nose endoscope surgery robotic arm MTG-E100 prototype 9. The articulated arm and the SCARA robot arm are verified by the "TARS". 10. Volume production of the S series integrated electric gripper 11. Volume production of the RJ series circuit rotary joints 12. Development of Automotive Screw (VBS)

Year	Product
2018	<ol style="list-style-type: none"> 1.The new recirculating ball screw (Super Z) type1 is fully mass-produced. 2.The next generation of intelligent ball screw prototypes was developed. 3.The ultra-small line rail completes the prototype development. 4.The development of the covered roller linear slides was completed and mass production. 5.The endoscope-supporting robot arm for continuous development and mass production. 6.Mass production of the articulated robotic arm RT610 series. 7.The articulated robot arm RA605-710-GB has obtained CE certification. 8.The EFEM wafer transfer module is SEMI S2 certified. 9.The panel arm completes the prototype development. 10.DATORKER harmonic reducer has been developed and mass produced.
2019	<ol style="list-style-type: none"> 1. Test production of the second-generation intelligent ballscrew i4.0BS 2. Mass production of the ball screw common dust-proof module. 3. Prototype development of non-circulating ballscrew. 4. Completion of partial specification development and mass production of ultra-small line rails 5. Completion of prototype development on the limited-stroke guide rail 6. Development of the SCARA robotic arm RS405/RS410-LU series 7. Development of articulated robot arm system RA605-GC / RA610-GC series. 8. Completion of prototype development on small robotic arm. 9. Completion of prototype development of second generation of lower limb rehabilitation machine. 10.Completion of prototype development and pre-clinical verification on the upper limb rehabilitation machine.
2020	<ol style="list-style-type: none"> 1.The precision screws for vehicles have passed the IATF 16949 automotive quality management system certification. 2.The product upgrade and cost improvement of the lower limb rehabilitation machine have been completed. 3. The endoscope supports the robotic arm fastener family to complete the development, medical certification, and mass production. 4. Complete prototype development of composite high-speed turntable. 5.Development and mass production of dust-proof version of Scala robotic arm. 6.Mass production of the next-generation smart ball screw i4.0BS.

(iv) Long, Short Term Business Development Strategy

1. Short Term Business Development Strategy

- (1) Serving metal processing end customers, establishing a 3+1-axis machine modification upgrade model, and driving industrial upgrading.
- (2) Mainly promote high-end new products, rotary table, smart screw and electromechanical integrated products, and open up new niche markets.
- (3) Deeply cultivate the semiconductor industry, make HIWIN components, sub-system components, system components and other product groups Total Solutions became an important supply chain.
- (4) Build Robot Cell modules and systems to lower the barriers for customer introduction of robots.
- (5) Expand the business of the automotive industry and automotive screws.
- (6) Integrate the group's mechanical and electrical products and system service partners to cooperate to provide customers with overall solution services.
- (7) Provide customers with intelligent products with predictive functions.

2.Long Term Business Development Strategy

- (1) Expand the Torque Motor rotary table application industry and become a key product for the new generation of manufacturing upgrades.
- (2) Extend sales and services to end customers and assist customers in their transformation and upgrading.
- (3) Build the MIT robot brand and increase the market share of industrial robots and medical robots.
- (4) Enter the automobile production and supply chain, become a long-term partner of electric vehicle screws, and develop a new business map.
- (5) Increase cooperation with system integrators to provide customers with solutions and after-sales service.
- (6) Continue to promote the Group's mechanical and electrical products and provide original services to customers.
- (7) Promote smart products with predictive functions and create value for customers.

ii. Market, Production and Sales Status

(i) Market Analysis

1. Sales Regions of Major Commodities:

HIWIN product sales operations are mainly operating in four regions, Taiwan, Germany, Japan and the United States, and are classified according to operating locations as follows:

Unit: NTD Thousands

Operation Sites of Business Units	2019	2020
Taiwan	10,800,977	11,875,478
Germany	3,195,886	2,739,620
China	2,162,162	3,099,527
Japan	1,292,002	783,389
U.S.A.	1,045,061	1,020,183
Others	1,713,710	1,748,462
Total	20,209,798	21,266,659

2. Future Market Supply, Demand and Growth:

Looking forward to the new year, industrial production and consumer demand are gradually recovering due to the advent of vaccines. Many forecasts will show growth. The OECD predicts that the global economic recession will reach 4.5% in 2020 and will grow 5.0% next year, and the demand side will grow substantially.

In terms of market area, the speed of economic recovery will be determined by the availability of vaccines. Some advanced countries have begun to vaccinate, while other countries are likely to continue to be trapped by the pandemic due to their inability to vaccinate. The research unit estimates that among the world's three largest economies, G3 (the United States, Europe, and China), GDP growth in the United States and Europe is expected to boost about 2%, and most emerging economies will benefit later. In addition, most in the market believe that the direction of the US China policy will not change in a short period of time, especially in the anti-blocking China (14th Five-Year) plan, which can be seen in the 5G, AI and semiconductor industry policies, so how to respond to the US and China The gradual decoupling of the supply chain between the two systems is an important issue in the future. In addition, the "Regional Comprehensive Economic Partnership Agreement" (RCEP) has a significant impact on Taiwan's manufacturing industry. In the face of the trend that the supply chain has been concentrated in mainland China in the past and gradually spread to Southeast Asia and other places, coupled with the fact that Chinese manufacturing and American manufacturing have driven market demand, In addition, due to the effect of pandemic's delayed second production base in Southeast Asia, the transfer of supply chains and the establishment of automated factories will increase the demand for manufacturing industry machinery and automation in the Southeast Asian market. Therefore, how to expand the market and channels in Southeast Asia is a top priority. .

From an industrial perspective, after the 2019-2020 downturn for machine tools bottoms out, it is estimated that demand will rebound sharply; the demand for semiconductor production equipment is due to the development of new technologies such as 5G, AI, intelligent vehicles and electric vehicles, and Continental Semiconductor's independence. With the strong support of the government, demand will continue to rise; demand for smart manufacturing and industrial automation will continue to be strong; biotechnology medicine, telehealth, and precision medicine will continue to flourish, and there will be more and more technology companies Investment; mobile tools in areas such as mini-cars and electric vehicles will continue to have growth momentum before the global border is completely unblocked, and may have more substantial growth due to the underestimation of previous demand. The demand for automation in the market will continue in 2021. Manufacturing and supply chain capacity will gradually

recover in the post-pandemic era, but manpower shortage will become a major problem. Intelligent automated production combined with AI and robots will be a key alternative solution.

On the supply side, it is expected that pandemic will gradually be under control in 2021 and the economy will rebound. It is an important issue for 2021 to estimate whether the supply and distribution of production capacity are appropriate. Shanghai Bank will mainly promote high-end new product torque rotary table, expanding from leading machine tool manufacturers in Japan and Germany to the world, providing customers with upgraded products; in addition, it will comprehensively promote the group's electromechanical integrated products in the semiconductor, electronics, automotive and other industries. The production process provides an optimized overall solution, so that customers' overall productivity and accuracy can be improved, and the added value can be maximized. In response to the large demand for automation, the multi-axis robots of Shanghai Bank also continue to advance smart functions, expanding to semiconductor, PCB, medical, food, electronics and other industries; it is expected that high-end new products and industry 4.0 trend products will have a significant growth. We will respond to this wave of price wars with a marketing approach of full products, electromechanical integration, package shipments, and overall solutions. In addition, the strong demand for Torque Motor rotary table, wafer robot/wafer system and other various industrial robots will also be the driving force for the continued growth of HIWIN's revenue.

3.Competitive Niche:

- (1)Complete electromechanical integrated products, targeting the needed key components and systems for the development of Industry 4.0
- (2)Leader in precision technology, products made for the medium high-end market, little homogeneous competition
- (3)Systems product component self-produce ratio is high, costs and quality are competitive
- (4)Global layout balanced, diversifying regional economic fluctuation risks

4.Advantages and Disadvantages of Development Prospects and the Solutions:

(1)Advantages :

- (1-1)The group's technological resources are complete, long-term deep cultivation
- (1-2)High-end precision product technology are leading in the industry
- (1-3)Innovative electromechanical integration service method
- (1-4)Global layout complete, stably rooted local service web
- (1-5)With the overall environment moving towards Industry 4.0, the demand for smart manufacture increases

(2)Disadvantages :

- (2-1)Intelligentized system information talent are difficult to acquire
- (2-2)Linear products are becoming red ocean markets, low-price competitors increase
- (2-3)Imitating catch-ups in the same industry, market opportunities are limited
- (2-4)There are many international instability variables, and regional events link the global economy

(3)Solutions :

- (3-1)Cooperate cross-field on developing artificial intelligence technologies, integrating information software and staff management systems
- (3-2)Provide differentiable services with electromechanical solutions
- (3-3)Focus on important projects, exert our influence by becoming the leader of the industry, accelerate market dominance
- (3-4)Steady local industry with global channels, balance the impact from global fluctuation

(ii) Important Use and Manufacturing Process of Main Products

1. Primary Use of Products:

The drive control products manufactured by HIWIN Technologies are mainly applied to the semiconductor, photoelectric and testing equipment, automation equipment, biochemical and medical equipment, electronic industry, machine tool, solar energy, LED and industrial machinery, etc. The drive control products of the Company corresponds to the rising environmental awareness and the pursuit of high-quality life in the modern society; therefore, the more advanced the industry, the larger the demand.

2.Main Manufacturing Process:

- (1) Ball Screw
Tapping → thermal treatment → thread-cutting → shoulder machining → external diameter processing → precision shaping → test → assemble → inspect
- (2) Linear Guideway
Thermal treatment → drill hole → precision forming → inspect → assemble → final inspection

(iii) Supply of Main Raw Materials

Raw Material	Country	Supply Status
Steel	Taiwan	Good
Steel	Japan	Good
Steel	Germany	Good
Steel	South Korea	Good

(iv) Customers with over 10% of gross purchase or gross sales in any year of the last 2 years:

1. List of manufacturers with over 10% of gross purchase

Unit: NTD Thousand

2019				2020				First Quarter of 2021			
Name	Sum	To Net Purchases%	Relationship with the Issuer	Name	Sum	To Net Purchases%	Relationship with the Issuer	Name	Sum	To Net Purchases%	Relationship with the Issuer
No manufacturers that take up more than 10% of total purchase amount				No manufacturers that take up more than 10% of total purchase amount				No manufacturers that take up more than 10% of total purchase amount			
Net Purchase	7,825,791	100.0		Net Purchase	8,022,474	100.0		Net Purchase	2,716,921	100.0	

Cause of increase or decrease: not applicable.

2. List of customers with over 10% of gross sales

Unit: NTD Thousand

2019				2020				First Quarter of 2021			
Name	Sum	To Net Sales%	Relationship with the Issuer	Name	Sum	To Net Sales%	Relationship with the Issuer	Name	Sum	To Net Sales%	Relationship with the Issuer
A customer	2,365,611	11.7		B customer	3,965,792	18.6		B customer	804,471	13.4	
B Customer	2,292,954	11.3		A Customer	2,568,011	12.1		A Customer	750,916	12.5	
Others	15,551,233	77.0		Others	14,732,856			Others	4,436,060		
Net Sales	20,209,798	100.0		Net Sales	21,266,659			Net Sales	5,991,447		

Cause of increase or decrease: no major change.

(v) Production Quantity and Value of the Last 2 Years

Unit: NTD Thousand; Thousand units

Quantity	Year	2019	2020
Commodity			

	Capacity	Production Quantity	Production Value	Capacity	Production Quantity	Production Value
Ball Screw	2,750	1,222	3,421,266	2,750	1,598	3,744,954
Linear Guideway	32,780	24,128	13,108,340	33,100	26,711	13,959,264

(vi) Sales Quantity and Value of the Last 2 Years

Unit: NTD Thousand; Thousand units

Quantity \ Year Commodity	2019				2020			
	Domestic Sales		Export Sales		Domestic Sales		Export Sales	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Ball Screw	129	536,037	1,137	3,009,295	136	492,305	1,546	3,449,947
Linear Guideway	496	530,785	24,661	13,136,700	483	500,762	26,228	13,458,642
Others	—	495,145	—	2,501,836	—	388,634	—	2,976,369
Total	—	1,561,967	—	18,647,831	—	1,381,701	—	19,884,958

iii. Employee Data of the Recent Two Years and Up to the Publication Date

Year		2019	2020	Current Year Until March 31st, 2021
Number of Employees (Note)	Indirect Employees	2,546	2,482	2,515
	Direct Employees	3,655	3,834	3,968
	Total(people)	6,201	6,316	6,483
Mean Age (Note)		34.50	34.50	34.63
Average Length of Service (Note)		5.58	5.58	5.76
Education Background (%)	Doctor	1.64	0.32	0.31
	Master	13.48	10.50	10.09
	Junior College	53.35	55.08	54.96
	High School	28.90	31.06	31.37
	Without A High School Diploma	2.63	3.04	3.27

Note: Information of number of employees, mean age, average length of service and education background include that of the subsidiaries

iv. Information Regarding Expenditure on Environmental Protection

Information of the Company's environmental safety and health:

(i) Environmental safety and health management performance:

1. Passed ISO 14001 environmental management system verification in 1997.
2. Plant I passed OHSAS 18001 Occupational Safety and Health Management System verification in 2002.
3. Plant I passed Taiwan Occupational Safety and Health Management System (CNS15506) verification in 2008.

4. Plant I was awarded Outstanding Unit with No Disasters in Working Hours (no disabling injuries for 7,593,510 hours) by Council of Labor Affairs, Executive Yuan in 2011.
5. Passed BSI ISO14064-1 (Greenhouse Gas) external audit in 2012 and continue to conduct external audit every year.
6. Ball Screw passed PAS 2050 (Product Carbon Footprint) external audit in 2012.
7. The Operational Headquarters, Plant II, Tanzi Plant, Yunke Plant and Yunke Plant II passed TUV OHSAS 18001 and Occupational Safety and Health Management System (CNS15506) verification, and gained Performance Recognition of the Occupational Safety and Health Management System, Ministry of Labor, in 2013.
8. The Operational Headquarters acquired Cleaner Production Evaluation System Certificate from Industrial Development Bureau, MOEA, in 2013.
9. The Operational Headquarters passed TUV ISO 50001 energy management system verification in 2014.
10. Yunke Plant II and Yunke Plant passed TUV ISO 50001 energy management system verification in 2015.
11. The Operational Headquarters, Plant II, Tanzi Plant, Yunke Plant and Yunke Plant II passed annual certificate changing of TUV OHSAS 18001 and Occupational Safety and Health Management System (CNS15506).
12. Plant I and Tanzi Plant passed TUV ISO 50001 in 2016.
13. The operating headquarters and the Plant I passed ISO 14001: 2015 edition verification in 2017
14. Yunke Plant II passed the TUV ISO 50001 energy management system evaluation in 2018
15. Plant was awarded the Gold Medal of the Republic of China Industrial Safety and Health Association for the award of the Excellent Unit for Disaster-free Working Hours (accumulated 12,058,371 hours without disability injury) in 2018
16. Received the Occupational Safety and Health Management System ISO 45001 International Standard Certification in 2019
17. In 2019, ISO50001:2018 passed the verification of version transition.
18. In 2020, the R16 ball screw and RGW45 linear slide have passed the ISO14067:2018 external verification.
19. Passed ISO14046:2014 to organize external verification of water footprint in 2020.

(ii) Air pollution control

1. According to the stationary pollution source under environmental regulations, the Company has pollution prevention equipment and maintains them regularly to improve their stability and guarantee the exhaust meets regulatory requirements.
2. The pollutant concentration is detected regularly and below the limits.

(iii) Water resource and waste water management:

1. There is waste water treatment equipment in every plant, so waste water is treated and discharged into the sewage system after it meets the effluent standard.
2. Each plant has applied for a water pollution prevention and control measure license in accordance with law, and regularly commissions a testing agency accredited by the Environmental Protection Agency to the factory to detect the wastewater discharge situation to effectively monitor the discharge water quality regularly. Exceed the discharge water discharge standard, has adopted administrative management control, and has been improved to complete.
3. It carries out a drill according to the wastewater treatment procedure regularly every year to reduce the impact of improper wastewater treatment on the environment.
4. To implement water resource management, the Department of Industrial Safety and Environmental Protection calculate tap water consumption monthly to confirm whether the water consumption is normal.
5. For domestic sewage: HIWIN has set up a reclaimed water recycling system at its operational headquarters. The recovered domestic sewage is mostly used for toilet flushing and green plant irrigation. The waste water from Yunke No. 2 Factory is treated and used for the process. 32,791 metric tons in 2020, an increase of 1,431 tons from 31,360 metric tons in 2019.

(iv) Waste Management

1. The types of HIWIN's waste are general business waste and hazardous business waste, which are temporarily stored in the temporary waste storage area according to the type, and then commissioned by a cleaning agency approved by the Environmental Protection Agency for removal and transportation. In order to confirm whether there are leaks or other violations of environmental protection laws and regulations during the transportation and disposal, there are 2 violations in 2020, which have been counseled and improved.
2. Continue to implement waste reduction activities, and conduct education and training on waste disposal and resource recycling classification and regular on-the-job training when new personnel enter the factory, and conduct waste classification audits in various units. At the same time, the classification of various departments will be reported at the meeting to effectively implement the goal of waste classification and reduction. Education training will be 100% in 2020.
3. The waste management of HIWIN Technologies adheres to the principle of recycling, in order to avoid the waste generated under the environmental impact and cannot be effectively treated; review the life cycle assessment of various raw materials, products, transportation, packaging, etc. Through source reduction measures to reduce waste output, 3 reduction targets were proposed to save 179.32 tons waste in total.

(v) Energy management and reduction

1. Total losses (including compensation) and punishment, and future countermeasures (including improvement measures), and possible expenditures (including the estimated amount of losses, punishment and compensation due to failure to take countermeasures; those not able to be estimated reasonably should be stated clearly) in the last year and as of the publication date of the annual report: not applicable.
2. The Operational Headquarters of HIWIN, Plant I, Plant II, TanZi Plant, Yunke Plant carried out and built ISO 50001 energy management system in 2014; by means of system implementation and energy audit, it managed energy use effectively, made energy management policies, advocated the energy saving policy and set reduction goals; after actual implementation and improvement in 2020, 3,820,000 degrees and annual electricity costs of NT\$ 11.22 million were saved and 1,944 tons of CO₂e emissions were reduced.

Plant	Reduction plan	Annual energy (degrees)	Annual savings (ten thousand)	Reduction of carbon (metric tons of CO ₂ e)
Operation Headquarters	Air pressure leak repair and energy saving plan	26,272	125	217
Operation Headquarters	Adjust the control of two ice water main engines	793,317	233	404
JK Pplant 2	Air pressure leak repair and energy saving plan	371,050	109	189
Gon Plant 2	Decrease the air compressor supply pressure plan	60,387	18	31
Gon Plant 2	Air pressure leak repair and energy saving plan	839,567	247	427
Yunke Plant Plant 1	Air pressure leak repair and energy saving plan	108,848	32	55
Yunke Plant Plant 1	Adjust the pressure setting value of the air compressor	98,699	29	50
Yunke Plant Plant 1	Adjust two air compressors to install frequency converters	114,434	34	58
Yunke Plant Plant 1	Improve the efficiency of the process ice water host	201,353	59	102

	and the chain			
Yunke Plant Plant 2	Add frequency converter to air compressor	127,038	37	65
Yunke Plant Plant 2	Optimal operation of air compressor group	75,832	22	39
Yunke Plant Plant 3	Adjust the water temperature of the chiller	55,612	16	28
Dapumay Plant	Decrease the temperature of ICU inverter room air conditioner	7,505	2	4
Dapumay Plant	Incorporate 3 zone frequency conversion air compressors and 1 support zone 2 air compressor system	240,897	71	123
Dapumay Plant	Repair the leakage of air pipelines and fittings in Zone 2 and 3	215,824	63	110
Dapumay Plant	Air pressure system reduces compressed air pressure	83,358	25	42
	Total	3,819,993	1,122	1,944

3. Energy-saving improvement target: HIWIN estimates that another NTD\$12.84 million will be invested in 2021, which can save 6.81 million kilowatt-hours of electricity, save about 19.22 million NTD in electricity bills, and achieve a direct carbon reduction of 3,495 metric tons of CO₂-e.

v. Labor Relations

(i) Employee welfare measures, further education, trainings, retirement system and implementation, labor agreement and employee equity protection measures:

HIWIN pays great attention to employees; to pursue sustainable operation, create safe, clean and high quality working environment and make employees enjoy work, it joins hands with Taiwan's industry and commerce to promote "Happy Enterprise", paying attention to the balance between employees' work and life, reference has been made to international human rights conventions to formulate and expose safeguarding human rights policies. It provides employees with a development platform, cultivates talents positively and offers a good salary and welfare; to make employees have a sound mind and body, it holds activities irregularly, such as mountain climbing and hiking, and holds sports meetings regularly and provides professional health consultation by inviting doctors to plants. It provides employees with diverse communication channels, such as labor meetings, departmental meetings, monthly meetings, opinion boxes and special lines, to listen to their opinions so as to promote harmony between employees and the employer.

Since it's founded, it has listed the employees as the biggest asset, which can show its emphasis on talents; it employs employees fairly and openly, implements gender equality and treats employees equally, regardless of their gender, religion, race, nationality or political party; it respects every talent, and employs the disabled actively to care for them and fulfill corporate social responsibility. To net talents, it provides Research and

Development Substitute Services, cooperates with universities and colleges, has internship programs, performs industry-university collaboration and provides opportunities to visit the enterprise.

1. Employee welfare measures:

(1) Taiwan Parent Company

Through the welfare policy: insurance/health care, comprehensive care for the insurance plan of the colleagues, meal subsidies, new home benefits, wedding and funeral subsidies, babysitting subsidies, staff quarters and employee compensation, etc., each employee of HIWIN Technologies can be fully cared for, and the employees and family members have a better quality of life, and become an important pillar and backing for supporting HIWIN employees. HIWIN Technologies provides a comprehensive welfare system as follows:

Welfare System	Items
Insurance/Medical Care	Group insurance, regular health examination
Insurance plan employees' that ensures comprehensive care	In accordance with the law, every employee is insured with labor insurance and universal health insurance, so that colleagues can be fully protected. In addition, in order to ensure the living security of employees and their families, it also increases group insurance for employees, employees, and other medical care, accidents, and major illnesses.
Meal subsidy	In order to develop and motivate employees and team skills, the company gives the department a "meal subsidy" every quarter, so that colleagues can arrange group dinners or entertainment, and relax and get closer to each other.
New home gift	The home environment helps the colleagues to settle down their work. Therefore, for the purchase of homeowners, the new homes will be given a new residence fee of NT\$1,200-6,000.
Wedding and funeral allowance	In order to improve the well-being of employees, colleagues will be entitled to a wedding payment ranging from NT\$5,200-60,000 to seniority. If the person or the family is unfortunately killed, there will be a concession of NT\$7,000-130,000.
Babysitting allowance	A baby allowance of NT\$5,000/month (for a period of 3 years) per child is given to encourage the birth of the same person. Originally for 2 years, it will be extended to 3 years from October 1, 2017.
Employee dormitory	Considering the accommodation expenses and safety issues of foreign employees, HIWIN Technology provides low-cost and well-established safety management system for staff quarters, and implements care and care, so that colleagues can live with peace of mind, enhance interpersonal interaction and save money.
Employee compensation	If the company makes a profit in the year, it will pay the employee bonus of 10% or less, but not less than 1%, and distribute the employees' compensation to enable the employers and employees to share the operating results.
Others	Staff restaurants, staff parking, free overtime meals and snacks, wedding and funeral allowances, travel grants, three coupons, birthday vouchers, special store discounts, sports prizes, massage services, etc.

In order to improve Taiwan's fertility rate and economic development considerations, HIWIN began promoting the "nursing-in-child subsidy" policy in 2012, employees will be able to receive NT\$5,000 per month for three consecutive years, regardless of gender (up to NT\$180,000 in 3 years). In addition to the value of work, employees can also build a happy family and fulfill their responsibilities.

(2) Subsidiaries

➤It carries out employee welfare measures according to local laws and the labor market condition, and hands out performance bonuses based on the business conditions of its subsidiaries.

2. Refresher courses and trainings:

(1) Taiwan Parent Company

- Excellent talents are the cornerstone of the sustainable operation of an enterprise; to improve employees' ability and quality and maintain the long-term competitive edge, the Company's chairman, general managers and senior managers act as the internal lecturers, spending tens of thousands of funding on employee educational training annually, maintaining the average training expense at over NTD 2,000 per person, assuring every employee of the opportunity to receive training.
- The company has a complete training system, including new employee training, core competency training, professional competency training, management competency training and external training, etc. Employees can be trained properly through classroom training, on-the-job training, external training, reading party, lecture, further education, job rotation and project appointment; the training content and methods are diverse and rich.
- For colleagues who want to continue education to take their degrees, it provides tuition subsidy schemes. It has cooperated with schools to open two-year junior college/technical college for colleagues to further their education.

(2) Subsidiaries

- Each subsidiary provides new employee training, core competency training and professional competency training, and gives colleagues opportunities to further their education depending on the situation.

3. Retirement system:

HIWIN has a sound financial system, and establishes pension plans and retirement programs and allocates stable pension and payments according to Labor Standard Laws and Labor Pension Act. It commissions an actuary to provide pension reports regularly so as to ensure the pension balance and guarantee colleagues will be pensionable in the future.

(1) Taiwan Parent Company

- According to Labor Standard Laws and Labor Pension Act, it has established defined-benefit and defined-contribution pension plans and retirement programs. As for the former, it allocates 2% of the employee's gross salary every month as the pension fund, which is saved in the special account in Bank of Taiwan in the name of Supervisory Committee of Workers' Retirement Fund; as to the latter, it allocates 6% of the employee's gross salary every month as the pension fund, which is saved in the individual account in Bureau of Labor Insurance.

➤Retirement system and implementation:

Pension System	Old	New
Applicable law	Labor Standards Law	Labor Pension Statutes
Distribution Method	2% of the employee's monthly salary, deposited in the name of the company into a Bank of Taiwan account	6% of the employee insurance level is paid to the individual account of the Labor Insurance Bureau
Amount	Labor Retirement Reserves amounted to NT\$110,358 thousand as of the end of December, 2020	New pensions of NT\$119,794 thousand in 2020.

(2) Subsidiaries

- Each subsidiary implements pension rules according to local laws.

4. Labor agreement and employee equity protection measures

- HIWIN Technologies and its subsidiaries always attaches importance to employee benefits; labor problems are solved through two-way communications; they convene

labor meetings regularly to coordinate labor relations, promote employee-employer cooperation and working conditions and plan labor welfare, so the labor relation has been harmonious since the factories were opened and no major labor dispute has occurred.

➤In addition to insured group insurance, the company occasionally organizes environmental and safety lectures and occupational safety and health courses, and regularly publishes environmental, health and safety electronic newspapers to protect the personal safety of colleagues and handle them in an emergency.

(ii) Losses Caused by Labor Disputes in the Last Year and as of the Publication Date of the Annual Report:

HIWIN Technologies (including the parent company and its subsidiaries) has a harmonious relationship between employers and employees, and there are no major losses arising from labor disputes and labor disputes.

(iii) Any establishment on employee behavior or code of ethics?

HIWIN Technologies has working rules to regulate the working hours, rewards and punishments, promotion and welfare measures of colleagues

vi. Important Contracts

April 30th, 2021

Nature of Contract	Party	Duration	Content	Restrictions
Contract of Factory Lease	William Tools Co., Ltd.	2014.11.16-2024.11.15	Factory Lease	None
	Wei-Chen Co., Ltd.	2020.08.01-2022.07.31	Factory Lease	None
	UDIFA Co., Ltd.	2020.01.01-2021.12.31	Factory Lease	None
	Yunlin Technology-based Industrial Park Service Center	2016.12.19-2036.12.18	Land Lease	None
Long-Term Loan	Bank of Taiwan	2011.06.16-2026.06.16	Secured Loan	None
	Bank of Taiwan	2011.12.28-2026.12.28	Secured Loan	None
	Bank of Taiwan	2012.08.22-2027.08.22	Secured Loan	None
	Bank of Taiwan	2013.10.30-2028.10.30	Secured Loan	None
	Bank of Taiwan	2014.06.20-2029.06.20	Secured Loan	None
	Bank of Taiwan	2014.07.21-2029.07.21	Secured Loan	None
	Bank of Taiwan	2014.07.30-2029.07.30	Secured Loan	None
	Bank of Taiwan	2015.05.04-2022.05.04	Secured Loan	None
	Bank of Taiwan	2015.05.04-2030.05.04	Secured Loan	None
	Bank of Taiwan	2016.11.21-2031.11.21	Secured Loan	None
	Bank of Taiwan	2016.11.21-2023.11.21	Secured Loan	None
	Bank of Taiwan	2016.02.04-2031.02.04	Secured Loan	None
	Bank of Taiwan	2019.02.21-2026.02.21	Secured Loan	None
	Bank of Taiwan	2019.02.21-2034.02.21	Secured Loan	None
	Bank of Taiwan	2020.05.06-2027.04.15	Secured Loan	None
	Bank of Taiwan	2020.04.21-2030.04.15	Secured Loan	None
	Bank of Taiwan	2020.04.21-2027.04.15	Secured Loan	None
	Changhua Bank	2020.05.26-2027.05.15	Secured Loan	None
	Changhua Bank	2020.03.26-2030.03.26	Secured Loan	None
	Changhua Bank	2020.03.26-2035.03.26	Secured Loan	None

Nature of Contract	Party	Duration	Content	Restrictions
	China Export and Import Bank	2020.04.30-2027.04.15	Secured Loan	None
	Land bank of Taiwan	2021.02.04-2026.02.04	Secured Loan	None
	KGI Bank	2021.02.01-2023.02.01	Mid-term Working Capital	None

VI. Financial Overview

i. Condensed Balance Sheets and Statements of Income for the Past Five Years

(i) Condensed Balance Sheet-International Financial Reporting Standards (Consolidated)

Unit: NT Thousand

Item \ Year		2016	2017	2018	2019	2020	Till 2021/3/31 Financial Information
Liquid Assets		11,668,110	13,111,622	18,454,284	14,847,455	15,609,183	16,119,433
Immovable Property, Plant and Equipment		17,796,029	21,303,831	25,226,895	28,279,428	27,864,527	27,672,403
Intangible Assets		192,388	177,915	256,163	256,163	256,163	256,163
Other Assets		3,309,998	2,980,190	4,955,500	4,948,810	4,307,909	4,830,799
Total Assets		32,966,525	37,573,558	48,892,842	48,331,856	48,037,782	48,878,798
Liquid Liabilities	Before Distribution	10,656,204	13,318,739	17,638,899	15,622,870	12,451,303	13,212,628
	After Distribution	11,095,666	14,299,290	19,742,833	16,180,112	Note 2	Not Applicable
Non-Liquid Liabilities		7,510,403	7,654,970	6,815,543	9,054,509	8,197,085	7,937,359
Total Liabilities	Before Distribution	18,166,607	20,973,709	24,454,442	24,677,379	20,648,388	21,149,987
	After Distribution	18,606,069	21,954,260	26,558,376	25,234,621	Note 2	Not Applicable
Equity Attributable to the Parent Company		14,101,611	16,293,096	24,180,459	23,743,253	27,562,128	27,596,216
Capital Stock		2,746,640	2,801,573	3,005,620	3,095,789	3,308,663	3,308,663
Capital Reserve		308,630	308,630	3,236,274	3,236,274	5,600,568	5,602,509
Retained Earnings	Before Distribution	11,311,874	13,433,833	17,563,425	17,116,355	18,256,261	18,126,624
	After Distribution	10,872,412	12,453,282	15,459,491	16,559,113	Note 2	Not Applicable
Other Equities		(265,533)	(250,940)	375,140	294,835	396,636	918,420
Non-Controlling Equities		698,307	306,753	257,941	(88,776)	(172,734)	(227,405)
Total Equity	Before Distribution	14,799,918	16,599,849	24,438,400	23,654,477	27,389,394	27,728,811
	After Distribution	14,360,456	15,619,298	22,334,466	23,097,235	Note 2	Not Applicable

Note 1: The consolidated balance sheet is based on International Financial Reporting Standards and audited and certified by accountants.

Note 2: The 2020 dividend distribution case was approved by the board of directors on March 23th, 2021, but it has not yet been approved by the shareholders meeting.

(ii) Condensed Balance Sheet-International Financial Reporting Standards (Individual)

Unit: NTD Thousand

Item \ Year		2016	2017	2018	2019	2020
Liquid Assets		9,063,997	10,043,806	14,812,932	11,161,567	11,602,773

Immovable Property, Plant and Equipment		14,289,991	16,833,733	20,804,336	22,336,826	21,629,762
Intangible Assets		-	-	-	-	-
Other Assets		6,332,876	6,249,042	8,610,485	8,495,812	8,581,402
Total Assets		29,686,864	33,126,581	44,227,753	41,994,205	41,813,937
Liquid Liabilities	Before Distribution	8,783,530	10,466,752	14,381,950	10,998,741	7,571,678
	After Distribution	9,222,992	11,447,303	16,485,884	11,225,983	Note 2
Non-Current Liabilities		6,801,723	6,366,733	5,665,344	7,252,211	6,680,131
Total Liabilities	Before Distribution	15,585,253	16,833,485	20,047,294	18,250,952	14,251,809
	After Distribution	16,024,715	17,814,036	22,151,228	18,808,194	Note 2
Equity Attributable to Owners of the Parent		Non Applicable	Non Applicable	Non Applicable	Non Applicable	Non Applicable
Capital Stock		2,746,640	2,801,573	3,005,620	3,095,789	3,308,663
Capital Reserve		308,630	308,630	3,236,274	3,236,274	5,600,568
Retained earnings	Before Distribution	11,311,874	13,433,833	17,563,425	17,116,355	118,256,261
	After Distribution	10,872,412	12,453,282	15,459,491	16,559,113	Note 2
Other Equities		(265,533)	(250,940)	375,140	294,835	396,636
Non-Controlling Equities		Non Applicable	Non Applicable	Non Applicable	Non Applicable	Non Applicable
Total Equity	Before Distribution	14,101,611	16,293,096	24,180,459	23,743,253	27,562,128
	After Distribution	13,662,149	15,312,545	22,076,525	23,186,011	Note 2

Note 1: The individual balance sheet is based on International Financial Reporting Standards and audited and certified by accountants

Note 2: The 2020 dividend distribution case was approved by the board of directors on March 23th, 2021, but it has not yet been approved by the shareholders meeting.

(iii) Condensed Consolidated Income Statement -International Financial Reporting Standards (Consolidated)

Unit: NTD Thousand

Item \ Year	2016	2017	2018	2019	2020	2021 until March 31st
Operating Revenue	16,118,298	21,164,764	29,333,129	20,209,798	21,266,659	5,991,447
Operating Margin	5,302,045	7,582,638	11,629,580	6,775,015	5,790,407	1,904,296
Operating Profit and Loss	1,450,907	3,345,101	6,419,195	2,400,890	1,732,474	810,690
Non-Operating Income and Expenses	(261,210)	(532,966)	(323,235)	(191,041)	570,997	(143,470)
Net Profit Before Tax	1,189,697	2,812,135	6,095,960	2,209,849	2,303,471	667,220

Net Profit of the Term	960,777	2,251,520	4,890,423	1,640,877	1,698,779	479,399
Other Consolidated Profit and Loss of the Term (Net of Tax)	(173,357)	(30,303)	483,704	(34,226)	93,724	521,751
Total Consolidated Profit and Loss of the Term	787,420	2,221,217	5,374,127	1,606,651	1,792,503	1,001,150
Net Profits Attributable to Owners of the Parent Company	1,326,815	2,738,019	5,392,257	1,865,316	1,929,730	532,096
Net Profit Attributable to Non-Controlling Equities	(366,038)	(486,499)	(501,834)	(224,439)	(230,951)	(52,697)
Total Consolidated Profit and Loss Attributable to Owners of the Parent Company	1,152,567	2,709,808	5,878,542	1,827,643	2,017,501	1,053,880
Total Consolidated Profit and Loss Attributable to Non-Controlling Equities	(365,147)	(488,591)	(504,415)	(220,992)	(224,998)	(52,730)
Earnings per Share	4.34	8.94	17.38	5.85	6.05	1.61

Note: The consolidated income statement is based on International Financial Reporting Standards and audited and certified by accountants.

(iv) Condensed Consolidated Income Statement -International Financial Reporting Standards (Individual)

Unit: NTD Thousand

Item \ Year	2016	2017	2018	2019	20120
Operating Revenue	12,541,259	17,053,792	24,600,218	14,831,319	16,783,132
Operating Margin	3,975,130	6,121,731	9,427,810	4,199,689	3,849,949
Operating Profit and Loss	2,412,824	3,852,729	6,077,872	2,918,580	2,175,984
Non-Operating Income and Expenses	(917,680)	(671,682)	212,726	(593,695)	220,347
Net Profit Before Tax	1,495,144	3,181,047	6,290,598	2,324,885	2,396,331
Net Profit of the Term	1,326,815	2,738,019	5,392,257	1,865,316	1,929,730
Other Consolidated Profit and Loss of the Term (Net of Tax)	(174,248)	(28,211)	486,285	(37,673)	87,771
Total Consolidated Profit and Loss of the Term	1,152,567	2,709,808	5,878,542	1,827,643	2,017,501
Net Profits Attributable to Owners of the Parent Company	Non-Applicable	Non-Applicable	Non-Applicable	Non-Applicable	Non-Applicable
Net Profit Attributable to Non-Controlling Equities	Non-Applicable	Non-Applicable	Non-Applicable	Non-Applicable	Non-Applicable

Total Consolidated Profit and Loss Attributable to Owners of the Parent Company	Non-Applicable	Non-Applicable	Non-Applicable	Non-Applicable	Non-Applicable
Total Consolidated Profit and Loss Attributable to Non-Controlling Equities	Non-Applicable	Non-Applicable	Non-Applicable	Non-Applicable	Non-Applicable
Earnings per Share	4.34	8.94	17.38	5.85	6.05

Note: The consolidated income statement is based on International Financial Reporting Standards and audited and certified by accountants.

(v) CPA Name and Audit Opinions of the Last 5 Years

Year	CPA	Name	Audit Opinion
2016	Deloitte & Touche	Yan,Hsiao-Fang, Tseng,Dong-Yun	Unqualified Opinion
2017	Deloitte & Touche	Yan,Hsiao-Fang, Tseng,Dong-Yun	Unqualified Opinion
2018	Deloitte & Touche	Yan,Hsiao-Fang, Tseng,Dong-Yun	Unqualified Opinion
2019	Deloitte & Touche	Tseng,Dong-Yun, Wu,Li-Dong	Unqualified Opinion
2020	Deloitte & Touche	Tseng,Dong-Yun, Wu,Li-Dong	Unqualified Opinion

ii. Financial Analyses for the Last Five Years

(i) International Financial Reporting Standards (Consolidated)

Item \ Year		2016	2017	2018	2019	2020	2021 until March 31st
Financial Structure (%)	Liability-Asset Ratio	55.11	55.82	50.02	51.06	42.98	43.27
	Ratio of Long-Term Capital to Immovable Property, Plant and Equipment	125.37	113.85	123.89	115.66	120.47	128.89
Debt-Paying Ability	Liquidity Ratio (%)	109.50	98.44	104.62	95.04	125.36	122.00
	Quick Ratio (%)	66.19	56.99	53.26	45.90	74.49	72.26
	Interest Protection Multiples	8.43	22.41	42.47	12.20	11.43	15.69
Operating Ability	Receivables Turnover Ratio	3.13	4.63	5.57	3.69	3.79	3.84
	Average Collection Period	117	79	66	99	96	95
	Inventory Turnover Ratio	1.98	2.48	2.29	1.51	2.00	2.25
	Payables Turnover Ratio	4.75	4.14	3.57	3.41	5.54	4.74
	Inventory Conversion Period	184	147	159	242	183	162
	Immovable Property, Plant and Equipment Turnover Ratio	0.96	1.08	1.26	0.76	0.76	0.86

	Total Assets Turnover Ratio	0.49	0.60	0.68	0.42	0.44	0.49
Profitability	Return on Assets (%)	3.33	6.69	11.59	3.71	3.91	4.04
	Return on Equity (%)	6.56	14.34	23.83	6.82	6.93	7.22
	Net Profit Before Tax to Paid-up Capital Ratio (%)	43.31	100.38	202.82	71.38	69.62	20.17
	Net Profit Ratio (%)	5.96	10.64	16.67	8.12	7.99	8.00
	Earnings per Share (NT\$)	4.34	8.94	17.38	5.85	6.05	1.61
Cash Flow (%)	Cash Flow Ratio	41.56	49.30	29.20	8.92	42.18	10.89
	Cash Flow Adequacy Ratio (Note 1)	51.73	80.06	66.96	52.46	70.06	68.19
	Cash Reinvestment Ratio	17.32	25.26	13.34	(2.17)	13.19	4.04
Degree of Leverage	Degree of Operating Leverage	3.61	2.29	1.81	3.07	3.91	2.62
	Degree of Financial Leverage	1.12	1.04	1.02	1.09	1.15	1.06
<p>Reasons why each financial ratio has changed by 20% in the last two years:</p> <ol style="list-style-type: none"> 1. The increase in current ratio and quick ratio was mainly due to the increase in cash capital and good operations which resulted in the increase in accounts receivable. 2. The increase in inventory turnover rate, payable turnover rate and decrease in sales days were mainly due to good operations this year. 3. The increase in various ratios of cash flow was mainly due to the large amount of cash generated from operating activities this year. <p>The increase in operating leverage was mainly due to the decrease in operating profit this year compared to the previous period.</p>							

Note: The consolidated financial statement is based on International Financial Reporting Standards and audited and certified by accountants.

(ii) International Financial Reporting Standards (Individual)

Item \ Year		2016	2017	2018	2019	2020
Financial Structure (%)	Liability-Asset Ratio	52.50	50.82	45.33	43.46	34.08
	Ratio of Long-Term Capital to Immovable Property, Plant and Equipment	146.28	134.61	143.46	138.76	158.31
Debt-Paying Ability	Liquidity Ratio (%)	103.19	95.96	103.00	101.48	153.24
	Quick Ratio (%)	70.16	62.67	61.10	55.69	103.86
	Interest Protection Multiples	11.99	32.27	79.54	23.42	21.21
Operating Ability	Receivables Turnover Ratio	2.46	3.44	4.01	2.54	3.12
	Average Collection Period	148	106	91	144	117
	Inventory Turnover Ratio	2.51	3.32	3.12	1.87	2.81
	Payables Turnover Ratio	4.39	3.83	3.37	2.92	5.03
	Inventory Conversion Period	146	110	117	195	130
	Immovable Property, Plant and Equipment Turnover Ratio	0.91	1.10	1.31	0.69	0.76
	Total Assets Turnover Ratio	0.42	0.54	0.64	0.34	0.40

Profitability	Return on Assets (%)	4.84	8.99	14.11	4.53	4.84
	Return on Equity (%)	9.56	18.02	26.65	7.78	7.52
	Net Profit Before Tax to Paid-up Capital Ratio (%)	54.44	113.55	209.29	75.10	72.43
	Net Profit Ratio (%)	10.58	16.06	21.92	12.58	11.50
	Earnings per Share (NT\$)	4.34	8.94	17.38	6.03	6.05
Cash Flow (%)	Cash Flow Ratio	47.02	64.10	40.06	18.59	66.18
	Cash Flow Adequacy Ratio (Note 1)	60.94	89.06	78.49	67.51	84.70
	Cash Reinvestment Ratio	17.05	27.67	16.02	(0.19)	13.10
Degree of Leverage	Degree of Operating Leverage	1.97	1.79	1.69	1.79	2.45
	Degree of Financial Leverage	1.06	1.03	1.01	1.04	1.06
<p>Reasons why each financial ratio has changed by 20% in the last two years:</p> <ol style="list-style-type: none"> 1. The reduction in various financial ratios of interest protection multiples, operating capacity and profitability was mainly due to the decrease in profit this year compared with the previous period. 2. The decrease in the turnover rate of accounts receivable and the increase in the number of cash collection days are mainly due to the decline in revenue. 3. The decrease in cash flow ratio and cash reinvestment ratio was mainly due to less cash generated from operating activities this year. 						

Note: The individual financial statement is based on International Financial Reporting Standards and audited and certified by accountants.

1. Financial Structure

- (1) Debt Asset Ratio=Total Liabilities/Total Assets
- (2) Ratio of Long-Term Capital to Immovable Property, Plant and Equipment= (Total Equity+Non-Current Liabilities)/ Net Amount of Immovable Property, Plant and Equipment

2. Debt-Paying Ability

- (1) Liquid Ratio =Liquid Assets/Liquid Liabilities
- (2) Quick Ratio = (Liquid Assets-Inventory-Upfront Fees)/Liquid Liabilities
- (3) Interest Protection Multiples= Profit before Income Tax and Interest Expense / Interest Expense of This Period

3. Operating Ability

- (1) Receivables (Including Receivables and Notes Receivable from Operating Activities) Turnover Ratio=Net Sales/Balance of Average Receivables of Each Period (Including Receivables and Notes Receivable from Operating Activities)
- (2) Average Collection Period =365/Receivables Turnover Ratio
- (3) Inventory Turnover Ratio= Cost of Sales/Average Inventory
- (4) Payables (Including Payables and Notes Payable from Operating Activities) Turnover Ratio= Cost of Sales /Balance of Average Payables of Each Period (Including Payables and Notes Payable from Operating Activities)
- (5) Inventory Conversion Period=365/Inventory Turnover Ratio
- (6) Ratio of Long-Term Capital to Immovable Property, Plant and Equipment= (Total Equity+Non-Current Liabilities)/Net amount of Immovable Property, Plant and Equipment
- (7) Total Assets Turnover Ratio=Net Sales/Total Assets

4. Profitability

- (1) Return on Assets= [Profit and Loss After Tax+ Interest Expense*(1-Tax Rate)]/Average Total Assets
- (2) Return on Equity=Profit and Loss After Tax/Average Net Shareholders' Equity
- (3) Net Profit Ratio =Profit and Loss After Tax/Net Sales
- (4) Earnings per Share= (Profit And Loss Attributable to the owners of the parent company -Dividend on Preferred Stock)/Weighted Average Outstanding Shares

5. Cash Flow

- (1) Cash Flow Ratio= Cash Flow from Operating Activities /Liquid Liabilities

- (2) Cash Flow Adequacy Ratio= Cash Flow from Operating Activities of the last 5 years/ (Capital Expenditure+ Inventory Increase +Cash Dividend) of the last 5 years
- (3) Cash Reinvestment Ratio= (Cash Flow from Operating Activities -Cash Dividend)/ (Gross Amount of Immovable Property, Plant and Equipment + Permanent Investment +Other Non-liquid Assets+ Working Capital)
- 6. Degree of Leverage
 - (1) Degree of Operating Leverage= (Net Operating Revenue- Variable Operating Costs and Expenses)/Operating Profit
 - (2) Degree of Financial Leverage=Operating Profit/ (Operating Profit-Interest Expense)

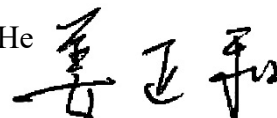
iii. The Audit Committee's Audit Report of the Financial Report for the Past Year

HIWIN Technologies Corp. The Audit Committee's Audit Report

We have checked the Financial Statements in 2020, Business Report and Earning Distribution Plan prepared by the Board of Directors. In our opinion, all statements and reports referred to above are prepared according to law. This report is submitted in accordance with Article 14.4 of Securities Exchange Act and Article 219 of the Company Act. For your review and approval.

HIWIN Technologies Co., Ltd.

Audit Committee Convener: Chiang, Cheng-He



March 23th, 2021

iv. The Financial Report and the Accountant's Audit Report for the Past Year

Please refer to Appendix 1.

v. Consolidated Financial Statements Audited by CPA for the Past Year

Please refer to Appendix 2.

vi. The Impacts of Any Financial Difficulties Encountered by the Company or Its Affiliates in the Past Year and up to the Annual Report Publication Date on the Company's Financial Status: none.

VII. Review and Analysis of Financial Status, Financial Performance, and Risk Management

i. Financial Status

(i) Financial Position Analysis

Unit: NTD Thousand

Item \ Year	2019	2020	Difference	
			Sum	%
Liquid Assets	14,847,455	15,609,183	761,728	5.13
Fund and Investment	1,221,460	1,166,972	(54,488)	(4.46)
Immovable Property, Plant and Equipment	28,279,428	27,684,527	(594,901)	(2.10)
Other Assets	3,983,513	3,577,100	(406,413)	(10.20)
Total Assets	48,331,856	48,037,782	(294,074)	(0.61)
Liquid Liabilities	15,622,870	12,451,303	(3,171,567)	(20.30)
Long-Term Liabilities	7,833,258	6,892,359	(940,899)	(12.01)
Other Liabilities	1,221,251	1,304,726	83,475	6.84
Total Liabilities	24,677,379	20,648,388	(4,028,991)	(16.33)
Equity Attributable to Owners of the Parent Company	23,743,253	27,562,128	3,818,875	16.08
Equity	3,095,789	3,308,663	212,874	6.88
Capital Reserve	3,236,274	5,600,568	2,364,294	73.06
Retained Earnings	17,116,355	18,256,261	1,139,906	6.66
Other Equities	294,835	396,636	101,801	34.53
Non-Controlling Equities	(88,776)	(172,734)	(83,958)	94.57
Total Equity	23,654,477	27,389,394	3,734,917	15.79

Note: The consolidated financial statement is based on International Financial Reporting Standards and audited and certified by accountants.

(II) Analysis of changes in the increase or decrease ratio exceeding 20%:

1. Liquid-term liabilities decrease is mainly due to sufficient funds to pay loans.
2. Capital reserve increased is mainly due to stock issue at a premium price.
3. Other equity increased due to the increased in the number of foreign currency exchange rate conversions
4. Decreased non-controlling interests, mainly due to subsidiaries operating

ii. Financial Performance

(i) Operating Results Analysis

Unit: NTD Thousand

Item \ Year	2019	2020	Increased (Decreased) Amount	Rate of Change (%)
Net Operating Revenue	20,209,798	21,266,659	1,056,861	5.23
Operating Costs	13,434,783	15,476,252	2,041,469	15.20
Operating Margin	6,775,015	5,790,407	(984,608)	(14.53)
Operating Expenses	4,374,125	4,057,933	(316,192)	(7.23)
Operating Profit	2,400,890	1,732,474	(668,416)	(27.84)
Non-Operating Income and Expenses	(191,041)	570,997	762,038	(398.89)
Profit Before Tax	2,209,849	2,303,471	93,622	4.24
Income Tax Expense	568,972	604,692	35,720	6.28
Net Profit of This Year	1,640,877	1,698,779	57,902	3.53
Other Consolidated Profit and Loss of the Term (Net of Tax)	(34,226)	93,724	127,950	(373.84)
Total Consolidated Profit and Loss of the Term	1,606,651	1,792,503	185,852	11.57
Net Profits Attributable to Owners of the Parent Company	1,865,316	1,929,730	64,414	3.45
Net Profit Attributable to Non-Controlling Equities	(224,439)	(230,951)	(6,512)	2.90
Total Consolidated Profit and Loss Attributable to Owners of the Parent Company	1,827,643	2,017,501	189,858	10.39
Total Consolidated Profit and Loss Attributable to Non-Controlling Equities	(220,992)	(224,998)	(4,006)	1.81

Note: The consolidated financial statement is based on International Financial Reporting Standards and audited and certified by accountants.

(ii) Analysis for the Change over 20%:

1. Operating profit and Other Consolidated Profit and Loss of the Term decreased: Mainly due to the impact of the pandemic and the China-US trade war in the current period, the decline in the unit price of sales has reduced the gross profit margin.
2. Non-operating income increased: Mainly due to CNY and Euro appreciate against Taiwan dollar during the current period.

(iii) Possible Effects of Expected Sales Quantity and Its Basis on the Company's Future Financial Business and the Company's Countermove:

Please refer to "Letter to Shareholders".

iii. Cash Flow

(i) Liquidity Analysis of the Last 2 Years:

Item \ Year	2019	2020	Increase (Decrease) Percentage (%)
Cash Flow Ratio (%)	8.92	42.18	372.87
Cash Flow Adequacy Ratio (%)	52.46	68.19	29.98
Cash Reinvestment Ratio (%)	(2.17)	13.19	(707.83)
Analysis for the Change over 20%: Above ratios increased mainly because the cash from operating increased this year.			

Note: The consolidated financial statement is based on International Financial Reporting Standards.

(ii) Improvement plan for insufficient liquidity: Not applicable.

(iii) Analysis of cash liquidity in the coming year: The company expects that the cash and cash inflows from operating activities on the books in the coming year should be able to cover investment activities and financing activities. No worries about cash liquidity in the coming year.

iv. Effects of Major Capital Expenditure on Financial Business of the Past Year

(i) Major Capital Expenditure and Capital Source

Unit: NTD Thousand

Projects	Actual or Expected Capital Source	Actual or Expected Completion Date	Total Capital Required in 2020 and 2021	Actual Capital Expenditure in 2020 and Planned Capital Expenditure in 2021	
				2020	2021
Building factories	Own funds, financing	2021.12	2,319,071	639,071	1,680,000
Increasing production equipment	Own funds, financing	2021.12	2,309,878	989,878	1,320,000

(ii) Estimated Benefits

The capital expenditure is mainly for capacity expansion for future business growth and vertical integration of the manufacturing process so as to strengthen the quality, the elasticity of the delivery time and the optimum cost competitiveness continuously.

v. Investment Policy of the Past Year, Main Causes for Profits or Losses, Improvement Plan and Investment Plan for the Coming Year

The reinvestment strategy of HIWIN Technologies is to strengthen the overall development of the Group in products, processes, key technologies, marketing and service customers. The goal is to accelerate the globalization layout. In April and December in 2020, HIWIN Technologies acquired a 50% and 31% stake in Hiwin (Schweiz) GmbH, and HIWIN Germany owns it 19% stake, total own HIWIN Swiss 100% stake. By obtaining control and mastering its operating activities, it hopes that through its sales channels, it can play the role of group resource integration and achieve the goal of enhancing the group's overall operating efficiency.

In 2020, the subsidiaries of HIWIN Technologies in Germany, the United States, Singapore, China, Italy, Swiss and Mega Fabs were all profitable. The continuous expansion of the Japanese subsidiary resulted in an increase in related personnel and management expenses, and the short-term revenue growth benefit has not yet been reflected as a loss in 2020. The South Korea subsidiary has gradually become more effective in their efforts to develop the market in recent years. However,

it have not yet reached the economic scale and are still showing losses in the year. Hope that with continued multiple cultivation of the market, the introduction of excellent talents and more complete product lines, the future operating conditions can get better gradually.

MATRIX Precision Co., Ltd. and MATRIX, a major British gear machine manufacturer, jointly market, research and develop, and improve processing efficiency and automation to move toward smart manufacturing. In response to the advent of the era of electric vehicles, the company is committed to the development of new models, and continues to optimize machines to expand the market with higher added value, and the expected loss situation is expected to gradually improve.

Eterbright Solar Corporation is currently focusing on R&D and new product promotion. However, due to the downturn in the solar energy industry and the collapse of the market price of solar energy products, it has not yet made a profit in 2020. After the conversion rate is improved and the development of niche products is expanded, the operating conditions are expected to gradually improve.

In other overseas markets where no subsidiaries have been established, the company will also assess whether it is necessary to establish a direct unit at a suitable location in the local area, and immediately support agents in each region or directly supply customers.

vi. Risk Analysis

(i) Risk Factors: analyze and evaluate the following items in the last year and as of the publication date of the annual report.

1.Impact of interest rate, change in exchange rate and inflation on company profit and loss, the company's countermeasures

(1) Interest Rate:

As of the date of publication of the annual report, HIWIN's long-term and short-term borrowings can be used cyclically within the contract period as stipulated in the contract, under the precondition of improving the financial structure and reducing the risk of interest rate changes. The Company evaluates the bank lending rate regularly and compares it with the market rate; it keeps close contact with the bank to get a favorable rate, so the interest rate change has no major effects on it. Therefore, the change in interest rates did not have a significant impact on HIWIN.

(2) Exchange Rate:

Its revenue in 2020 mainly came from RMB, followed by Euros and US Dollars; its main raw materials and machinery equipment were paid for in dollars, euro and yen; it has been implementing foreign exchange risk management policies of "Assets and Liabilities Management" over the years and also used the forward foreign exchange contract to reduce the exchange rate risk produced by assets and liabilities. To cope with exchange rate change risk, it collects information regarding to exchange rate changes at any time to know and analyze the exchange movements, interact with the bank well and take proper countermeasures against exchange rate movement to avoid exchange rate risk.

(3) Inflation and Deflation:

The annual growth rate of Taiwan's CPI announced in 2020 and estimated for 2021 is respectively -0.23% and 1.33%. The assessment of inflation risk is still within an acceptable range. It reduces costs through raw materials inventory management, procurement strategy, product design and research innovation of the manufacturing process so that it can cope with environmental changes so as to reduce effects of the external environment.

2.Policies of Engagement in High-Risk and High Leveraged Investment, Lending Funds to Other Parties, Endorsements and Guarantees and Derivatives Transaction, Main Causes for Profits or Losses and Future Countermeasures

- (1)HIWIN has never been engaged in high-risk and high leveraged investment deals.
- (2)As of the date of publication of the annual report, except for responding to the operating needs of the subsidiary, the funds were loaned to the subsidiary: except for HIWIN Italian, HIWIN Japan and Matrix, HIWIN Technologies did not loan the funds to others. At the end of 2020, the balance and the actual amount of expenditure are both NT \$ 256,180,000 , the above-mentioned fund loan and others are handled in accordance with the provisions of the "Fund loan and others operating procedures" and approved by the board of directors
- (3)HIWIN Technologies made endorsements and guarantees according to Procedures for Endorsements and Guarantees, which was also approved by the Board; the balance at the end of 2020 was NT\$4,824,769 thousand , The actual amount of expenditure is NT\$3,394,971 thousand ; this endorsement and guarantee can effectively reduce subsidiaries 'capital increase demand for the parent company and is also beneficial to tax planning.
- (4)HIWIN performs the financial derivatives transaction steadily and conservatively to avoid risks (using actual foreign exchange receipts and payments to avoid actual exchange rate fluctuation risk produced by purchases and sales), and hasn't been engaged in speculative transaction.

3.Future R&D Plan and Estimated R & D Costs

R&D costs of HIWIN (parent company and its subsidiaries) in 2020 were NT\$1,014,154 thousand, accounting for 5% of the revenue, 86,967 thousand less or 8% decreased compared in 2019's NT\$1,101,121 thousand. It'll be engaged in R & D positively in the future to lay a solid foundation for a long-term development potential, developing new products such as reducers, medical robots and various multi-axis robots, and its key items of R&D are listed below:

Plan Title	Current progress	Important factors that decide the success of future R&D
Compound high-speed turntable	Expected specification expansion	Should be able to successfully complete the research and development
Smart linear guideway development	In development	Should be able to successfully complete the research and development
Upper/lower limb rehabilitation robot development	In development	Should be able to successfully complete the research and development
Special screw for steering system	Expected specification expansion	Should be able to successfully complete the research and development

HIWIN's R&D costs in 2021 is estimated to be about NT\$ 1,200,000 thousand~NT\$ 1,300,000 thousand, up 10%~15% from 2020; with the goal of R&D costs accounting for 10% of the revenue, its R&D marches towards Industry 4.0 and the future environmental, green and intelligent automation industry; besides meeting customer requirements, it will continue to integrate the manufacturing processes, reengineer the internal process and reduce costs to expand its competitive advantage in the marketplace.

4. Effects of Changes in Major Policies and Laws at Home and Abroad on HIWIN's Business and Finance and Its Countermeasures

The company is a professional maker of drive control and system products, which are key parts and also necessities in the economic development; Changes in major policies and laws at home and abroad have little effects on its business and finance and no such changes have affected its business and finance in the last year and as of the publication date of the annual report. The Company's management team always pays attention to changes in major

policies and laws at home and abroad, know the development status and cope with market conditions change to reduce possible adverse effects in the future.

5. Effects of Technology and Industry Changes on the Company's Business and Finance and Its Countermeasures

With the development of Industry 4.0, the demand for intelligent manufacturing and robot fields will rise rapidly and the demand for various robots in the future will explode. Different research institutions define robot equipment differently; for example, some institutions include automation equipment to calculate the output value. Therefore, Japan Robot Association (JARA), International Federation of Robotics (IFR) and research institutions estimate the future output value of the global robots differently. However, all the institutes estimate that the output value of the global robots will reach about 80 billion dollars in 2020. Now the industrial robots are widely used in different industrial production fields, such as charge-in, spraying, welding and assembling and mainly used in manufacturing industries, such as automobile, electronics, machinery, chemical engineering and food. To meet the demand of population aging and low birth rate for home automation.

To meet the demand of population aging and low birth rate, human needs for welfare equipment, medical equipment and rehabilitation equipment are increasing. HIWIN will continue to research and develop new products besides robots for lower limb muscle training, bathing spa systems, and endoscope-supporting robot arms. In addition, due to the awareness rise on CO₂ emission reduction and energy saving, HIWIN also accelerate the development and deployment of green energy products also expands the industry category client base.

The technology and industry evolution aim at promoting human well-being, which coincides with HIWIN's management ideas. Therefore, HIWIN produces the most complete robot types in the world, and the global layout has been gradually put into place, it will continue to improve the R&D ability, increase the variety and the added value of the products, grasp the long-term development trends of technology and industry and adjust its short-term, mid-term and long-term development strategies in due time to realize the sustainable operation

6. Effects of Corporate Image Change on Corporate Crisis Management and Its Countermeasures

HIWIN has a long term commitment to corporate social responsibility, public benefits and educational activities (please refer to iii (v) for details); it has won many awards over the years; the intelligent ballscrew i4.0BS won the Silver Medal at the "Taiwan Excellence Award", the "Taiwan Top Ten Sustainable Model Enterprises Award", "Taiwan Business Sustainability Report Gold Medal Award" and "Innovation and Growth Award and Talent Development Award; all these show HIWIN has a good corporate image; in case of situations that will change the corporate image, the crisis response team will take necessary countermeasures.

7. Anticipated Benefits, Possible Risks and Countermeasures of Mergers

In April and December of 2020, HIWIN Technologies acquired a 50% and 31% stake in Hiwin (Schweiz) GmbH (hereinafter referred to as HIWIN Swiss), and HIWIN Germany owns it 19% stake, total own HIWIN Swiss 100% stake. The main business of HIWIN Swiss is the manufacturing and processing of precision transmission parts, ball screws, linear slides and industrial robots. Sales, it is expected that the HIWIN Group's sales network in Europe will be more complete, and the value will be increased by the strategy of fast delivery of nearby services. After evaluation, its risk is limited; as of the date of publication of the annual report, the company has no other merger and acquisition activities

8. Anticipated Benefits, Possible Risks and Countermeasures of Plant Expansion

Please refer to VII. iv of the annual report for plant expansion. HIWIN has been laying a solid foundation over the years, rich experience and good results in investing R&D and process improvement. In addition to continuing to extend the process forward to capture the source of raw materials and reduce the cost of material purchases, the continuous

improvement of the process has been put into production in the most profitable way. Therefore, the efficiency of the expansion of the plant is expected to be significantly higher than that of the existing plant.

Although the expansion of the plant requires capital investment, the developed product can also reduce the production cost in addition to meeting the scale, and it can also complete the product line of the company, to provide one-stop shopping for products such as customer components and sub-systems. The financial analysis also shows that in addition to increasing production capacity, the expansion of the plant can also reduce product costs and increase gross profit margin due to economies of scale. In summary, even if the economy temporarily declines, the company can flexibly control the production line and the configuration of each product's production capacity due to the advantages of key technologies. The risk of expanding the plant should be limited.

9. Risks and Countermeasures of Centralized Purchases or Sales

In 2020 and 2019, there is no single vendor with a purchase of more than 10% of HIWIN, so there is no situation of concentration of purchases; the net sales of the largest sales customers in 2020 and 2019 accounted for 18.6% and 11.7% of the net sales of the whole year respectively. The reason for the high increase in the sales ratio of the largest customer in 2020 is that due to the Covid-19 pandemic impact in 2020, many countries around the world have been severely affected, the economy is severely recessed, and many small and medium-sized enterprises in mainland China are also facing shutdowns; the customers who have worked for customers are large companies in the 5G and semiconductor industries. Instead, their operations have grown, so their sales amount and proportion have increased. The end customers of customer B are distributed in a wide range of industries, and most of them are large-scale enterprises in various industries. If the sales are not concentrated in one customer, there should be no excessive sales concentration, and the risk should be limited. The company adopts close observation and grasp of its business conditions, and timely evaluates and adjusts its credit conditions to respond, and the evaluation risk should be limited.

10. Effects of Huge Transfer or Change of Stock Rights of Directors, Supervisors or Shareholders Holding over 10% of the Shares on HIWIN, the Risks and Countermeasures
They haven't transferred or changed their stock rights in large quantities in the last year and as of the publication date of the annual report.

11. Effects of the Change of Management Right on the Company, Risks and Countermeasures
HIWIN's management right hasn't changed in the last year and as of the publication date of the annual report.

12. Litigation & Non-Litigation

There have been no litigation & non-litigation cases as of the publication date of the annual report.

13. Other Important Risks and Countermeasures

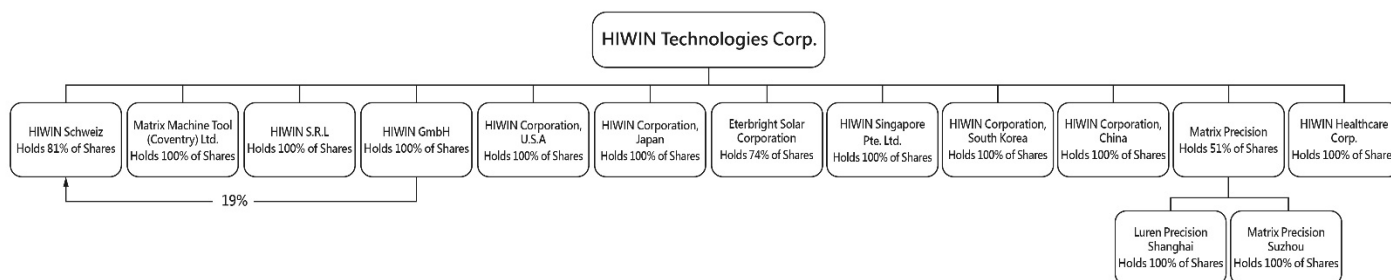
There have been no such risks in the last year and as of the publication date of the annual report.

vii. Other Important Matters: None.

VIII. Special Disclosures

i. Information on Affiliates

(i) Organizational Structure of Affiliates HIWIN Healthcare Corp; 100% Shares Held



Note: the organizational structure of affiliates as of April 30th, 2020

(ii) Basic Information of Affiliates

Company Name	Establishment Date	Address	Paid-in Capital (Note)	Major Business or Production Items
HIWIN Corporation, U.S.A	19920915	12455 Jim Dhamer Drive, Huntley, IL 60142, U.S.A	USD10,740,000	Manufacturing and sale of Precision drive parts, ball screws, linear guideways and industrial robots
HIWIN GmbH	19930401	Brücklesbünd 2 D-77654 Offenburg, Germany	EUR5,635,000	Manufacturing and sale of Precision drive parts, ball screws, linear guideways and industrial robots
HIWIN Corporation, Japan	19991101	3F, Sannomiya-Chuo Bldg., 4-2-20 Goko-dori, Chuo-ku, Kobe-shi, Hyogo, 651-0087, Japan	JPY440,000,000	Manufacturing and sale of Precision drive parts, ball screws, linear guideways and industrial robots
Eterbright Solar Corporation	20101201	No. 442-1, Zhonghua Rd., Toufen City, Miaoli County 351, Taiwan	NTD2,311,514,690	Research, development, design, manufacture and sale of solar cells, electronic components, generation transmission, and power distribution products, etc.
HIWIN S.R.L	20130329	Via Pitagora 4, 20861 Brugherio (MB)	EUR8,500,000	Manufacturing and sale of Precision drive parts, ball screws, linear guideways and industrial robots
HIWIN Singapore Pte. Ltd.	20130807	Block 203 Woodlands Avenue 9 #06-51 Woodlands Spectrum II Singapore 738956	SGD5,000,000	Manufacturing and sale of Precision drive parts, ball screws, linear guideways and industrial robots

Company Name	Establishment Date	Address	Paid-in Capital (Note)	Major Business or Production Items
HIWIN Corporation, South Korea	20131008	125-25 Saneop-ro, 156beongil, Gwonseon-gu, Suwon-si, Gyeonggi-do 441-811, Korea	KRW7,200,000,000	Manufacturing and sale of Precision drive parts, ball screws, linear guideways and industrial robots
HIWIN Corporation, China	20140408	No. 2, Xiazhuang Road, Suzhou Industrial Park	CNY300,000,000	Manufacturing and sale of Precision drive parts, ball screws, linear guideways and industrial robots
HIWIN Healthcare Corp.	20150421	Portcullis TrustNet Chambers, P.O. Box 1225, Apia, Samoa	USD100,000	Sale of medical robots
Matrix Precision Co., Ltd.	19940502	No. 1-9, Li Hsin 1st Rd., Hsinchu Science Park, Hsinchu City	NTD292,525,000	Development, design, manufacturing and sale of high precision gear cutter and gear lapping machine tool
Luren Precision, Shanghai	20090109	B, Floor 6, Building 2, No.401, Caobao Road, Xuhui District, Shanghai	CNY3,010,000	Sale of high precision gear cutter and gear lapping machine tool
Matrix Suzhou	20190522	No. 2 Xiazhuang Road, Suzhou Industrial Park	CNY2,000,000	Sales of precision gear cutters and machine tools.
Matrix Machine Tool (Coventry) Ltd.	20031021	Herald Avenue, Coventry Business Park CV5 6UB United Kingdom	GBP4,649,500	Design, manufacture and sale of thread forming machines
HIWIN (Schweiz) GmbH	19990707	Eichwiesstrasse 20, 8645 Jona, Switzerland	CHF300,000	Manufacturing and sales of precision transmission parts, ball screws, linear slides and industrial robots.

Note: the base date of paid-in capital is April 30th, 2021; unit: dollar in each currency

(iii) Information of the Same Shareholders of Affiliates Deemed to Be Controlling Corporates and Subsidiary Corporates: None.

(vi) The Industries Covered by Business of Affiliates; If Business of Affiliates Is Connected, State the Division of Work:

The industries covered by business of HIWIN's affiliates are mainly "Drive Control and System Technology Products Manufacturing Service", "Gear tools machine industry" and "Solar photovoltaic industry"; as a whole, the affiliates create the maximum comprehensive benefits through mutual support in technology, capacity, marketing and service, and provide customers with "Global Innovative Value-Added Service" to ensure HIWIN's leading position in the global market.

(v) Information of Directors, Supervisors and General Managers of Affiliates

Unit: Shares; %

Company Name	Title	Name or Representative	Number of Shares Held	Share holding Ratio
HIWIN Corporation, U.S.A	Chairman	Chuo, Yung-Tsai	-	-
	Director	Chuo, Wen-Hen, Tsai, Huey-Ching, Chiu, Shi-Rong	-	-
	General Manager	Chiu, Shi-Rong	-	-
HIWIN Germany GmbH	Chairman	Chuo, Yung-Tsai	-	-
	General Manager	Werner Mäurer	-	-
HIWIN Corporation, Japan	Chairman	Chuo, Yung-Tsai	-	-
	Director	Yang, Feng-Ming, Tsai, Huey-Ching, Shuda Nakata, Chuo, Hsiu-Yu	-	-
	Supervisor	Liao Ke-Huang	-	-
Eterbright Solar Corporation	Chairman	Representative of HIWIN Investments Corp.: Chuo, Yung-Tsai	19,458,751	8%
	Co-Chairman	Chuo, Wen-Hen	1,308,477	1%
	Director	Representative of HIWIN Technologies Corp.: Wu, Yue-Ching	171,449,427	74%
	Director	Lee, Shun-Chi	2,225,766	1%
	Director	Chuo, Hsiu-Yu	808,467	0%
	Director/General Manager	Lin, Ming-Yao	89,437	0%
	Supervisor	Liao, Ke-Huang	66,377	0%
HIWIN S.R.L.	Chairman	Chuo, Wen-Hen	-	-
	General Manager	Yang, Chuang-Bao	-	-
HIWIN Singapore Pte. Ltd.	Chairman	Chuo, Yung-Tsai	-	-
	Director	Chuo, Wen-Hen, Yu, Kai-Sheng, Chen, Yong-Hsiang	-	-
	General Manager	Chen, Yong-Hsiang	-	-
HIWIN Corporation, South Korea	Chairman	Chuo Yung-Tsai	-	-
	Director	Chuo, Wen-Hen, Yu, Kai-Sheng	-	-
	Supervisor	Chiang, Mei-Chih	-	-
	General Manager	Chang, Yun-Jie	-	-
HIWIN China	Chairman	Chuo, Yung-Tsai	-	-
	Director	Tsai, Huey-Ching, Yu, Kai-Sheng	-	-
	Supervisor	Wu, Yue-Ching	-	-
	General Manager	Peng, Yan-Chi	-	-

HIWIN Healthcare Corp.	Chairman	Tsai, Huey-Ching	-	-
Matrix Precision	Chairman/General Manager	Chuo, Yung-Tsai	11,438	0%
	Co-Chairman	Chuo, Wen-Hen	22,525	0%
	Director	Representative of HIWIN Technologies Corp.: Tsai, Huey-Ching	14,656,075	50%
	Director	Representative of HIWIN Technologies Corp.: Wu, Yue-Ching		
	Director	Representative of HIWIN Technologies Corp.: Chu, Yue-Ling		
	Director	All Horng Gear Industry Co., LTD.	960,164	3%
	Director	Taiwan Gong Ji Chang Co., Ltd.	28,007	0%
	Supervisor	Hsu, Yu-Jen	57,329	0%
	General Manager	Chu, Yue-Ling	140,000	0%
Luren Precision Shanghai	Chairman/General Manager	Hong, Chi-Hsiung	-	-
	Supervisor	Xu, Zhi-An	-	-
Matrix Suzhou	Chairman	Hong, Chi-Hsiung	-	-
	Director	Chu, Yue-Ling, Chen Hong-Ming	-	-
	Supervisor	Liao, Ke-Huang	-	-
	General Manager	Wang, Zhi-Hong	-	-
Matrix Machine Tool (Coventry) Ltd.	Director	Chuo, Wen-Hen, Chu, Yue-Ling, Hsue Chih-Chiang, Nelson Chiow, Paul Farndon	-	-
	General Manager	Chu, Yue-Ling	-	-
HIWIN (Schweiz) GmbH	Chairman	Chuo, Yung-Tsai	-	-
	General Manager	Liu, Mei-Li	-	-

Note 1: shares unissued.

Note 2: data as of April 30th, 2021

(vi) Business Status of Affiliates

Unit: NTD Thousand

Company Name	Paid-in Capital	Total Assets	Total Liabilities	Net Value	Operating Revenue	Operating Profit (Loss)	Profit (Loss) of the Current Period	Earnings per Share (NT\$)
HIWIN Corporation, U.S.A.	303,495	1,097,853	397,815	700,038	1,020,689	106,560	103,997	48.42
HIWIN Germany GmbH	224,494	2,713,975	594,985	2,118,990	2,774,729	229,371	184,400	Note 1
HIWIN Corporation, Japan	121,676	1,342,387	1,251,901	90,486	783,389	(171,818)	(176,778)	(3,261.59)

Eterbright Solar Corporation	2,311,515	1,395,588	2,247,515	(851,927)	41,357	(543,511)	(534,534)	(2.31)
HIWIN S.R.L.	289,170	729,339	567,150	162,189	875,786	40,230	28,376	Note 1
HIWIN Singapore Pte. Ltd.	117,550	124,499	114,434	10,065	247,238	44,558	48,063	9.61
HIWIN Corporation, South Korea	202,945	216,600	282,991	(66,391)	349,585	(33,193)	(21,203)	(14.72)
HIWIN China	1,498,040	3,939,770	2,057,982	1,881,788	3,026,355	90,242	70,402	Note 1
Matrix Precision Corp.	292,525	1,923,842	1,825,954	97,888	211,336	(208,868)	(212,378)	(7.26)
HIWIN Healthcare Corp.	3,108	2,873	167	2,706	22,065	(40)	(32)	(0.32)
Luren Precision Shanghai	14,047	4,342	66	4,276	1,593	(1,824)	(6,790)	Note 1
Matrix Suzhou	9,076	54,676	49,196	5,480	77,582	593	153	Note 1
Matrix Machine Tool (Coventry) Ltd.	186,352	381,269	158,646	222,623	36,405	(62,245)	(53,544)	(11.52)
Hiwin (Schweiz) GmbH	9,414	324,671	73,134	251,537	225,615	6,690	19,398	64.66

Note 1: Shares unissued.

Note 2: If the Affiliates are foreign companies, convert the related figures to NT\$ at the rate on the report day:

	Closing Rate	Average Rate
1 USD	NT\$ 28.480	29.549
1 EUR	NT\$ 35.02	33.71
1 JPY	NT\$ 0.2763	0.2769
1 SGD	NT\$ 21.56	21.43
1 KRW	NT\$ 0.02644	0.02529
1 CNY	NT\$ 4.377	4.282
1 GBP	NT\$ 38.90	37.94
1 CHF	32.31	31.60

Note 3: the base date of the financial information of Affiliates' business status is Dec. 31st, 2020.

(vii) Consolidated Financial Statements of Affiliates: Please refer to Appendix i.

(viii) Related Reports: None.

ii. Private Placement of Securities during the Past Year and up to the Annual Report Publication Date: None.

iii. Holding or Disposal of Stocks of the Company by Subsidiaries in the Past Year and up to the Annual Report Publication Date: None.

iv. Other Necessary Supplemental Information: None.

v. Events Having Significant Impacts on Shareholders' Equity or Security Price According to Article 36.2.2 of Securities Exchange Act in the Past Year and up to the Issuance of Annual Report: None.

Appendix i : Financial Report of Recent Year and CPA Audit Report

The Board of Directors and Shareholders
HIWIN Technologies Corporation

Opinion

We have audited the accompanying consolidated financial statements of HIWIN Technologies Corporation (the “Corporation”) and its subsidiaries (collectively the “Group”), which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

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, 2020 and 2019, 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 auditing standards generally accepted in 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, 2020. 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 matters of the Group’s consolidated financial statements for the year ended December 31, 2020 are as follows:

Revenue Recognition

The sales of the Group mainly rely on distribution channels. Revenue from the sale of goods is recognized when the Group satisfied the performance obligations. There is a risk that revenue might be recognized even when specific conditions have not been satisfied. Because of the risk of misstatement and materiality of sales revenue generated by distribution channels, we identified sales revenue as a key audit matter. The accounting policy on sales revenue recognition is disclosed in Note 4 to the consolidated financial statements.

Our key audit procedures performed in respect of revenue recognition included the following:

1. We understood the internal controls and evaluated the design and implementation of key controls, and tested the operating effectiveness of relevant controls over order acceptance and shipping procedures; we selected sample sales transactions of distribution channels and verified that order receipts and the timing of revenue recognition were in accordance with the terms of transaction.

2. We validated the terms of transactions against sales contracts and orders from major distributors to ensure the consistency between terms of transaction and the timing of revenue recognition; we tested the records of sales returns against source documents and checked whether there was any unusual item during the year and after the balance sheet date.

Valuation and Impairment Assessment of Inventory

As of December 31, 2020, the carrying amount of inventory was \$6,197,806 thousand. Such carrying amount of inventory is measured at the lower of cost or net realizable value, which subject to the management's judgment and estimation uncertainty. Therefore, valuation and impairment assessment of inventory was identified as a key audit matter. The accounting policy on the valuation and impairment assessment of inventory and the details of inventory are disclosed in Notes 4, 5 and 10 to the consolidated financial statements.

Our key audit procedures performed in respect of the valuation and impairment assessment included the following:

1. We understood the related internal controls and procedures on the valuation of inventory and assessed that impairment assessment was in accordance with the approved procedures.
2. We assessed the reasonableness of allowance for impairment of inventory by reference to aging of inventories and the level of inventory consumed and sold during the year.
3. We tested the net realizable value of sample inventory items against the selling price, and checked the completeness and accuracy of the net realizable value.
4. We compared the net realizable value of sample inventory items with the carrying amount to confirm that the carrying amount of inventory did not exceed its net realizable value.
5. We evaluated the adequacy of provision for obsolete and damaged inventories during our observation of inventory counts.

Other Matter

We have also audited the parent company only financial statements of HIWIN Technologies Corporation as of and for the years ended December 31, 2020 and 2019 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 the 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 auditing standards generally accepted in 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 auditing standards generally accepted in 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, 2020 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 audit resulting in this independent auditors' report are Done-Yuin Tseng and Li-Tung Wu.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 23, 2021

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.

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020		2019	
ASSETS	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 2,603,652	5	\$ 2,008,745	4
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	128	-	2,584	-
Notes receivable from unrelated parties, net (Notes 4 and 9)	1,208,512	2	404,636	1
Notes receivable from related parties, net (Notes 4 and 27)	693	-	878	-
Trade receivables from unrelated parties, net (Notes 4 and 9)	5,116,498	11	4,404,813	9
Trade receivables from related parties, net (Notes 4 and 27)	16,211	-	17,352	-
Inventories (Notes 4, 5 and 10)	6,197,806	13	7,552,944	16
Other current assets (Notes 6, 27 and 28)	<u>465,683</u>	<u>1</u>	<u>455,503</u>	<u>1</u>
Total current assets	<u>15,609,183</u>	<u>32</u>	<u>14,847,455</u>	<u>31</u>
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	944,234	2	1,026,394	2
Financial assets at amortized cost - non-current (Note 4)	2,906	-	2,922	-
Investments accounted for using the equity method (Notes 4 and 12)	219,832	-	192,144	-
Property, plant and equipment (Notes 4, 13, 27 and 28)	27,864,527	58	28,279,428	58
Right-of-use assets (Notes 4, 14, 27 and 28)	729,913	2	792,490	2
Goodwill (Note 4)	256,163	1	256,163	1
Deferred tax assets (Notes 4 and 21)	361,720	1	388,328	1
Prepayments for machinery and equipment (Note 15)	1,768,214	4	2,293,112	5
Refundable deposits (Note 4)	63,913	-	80,711	-
Other non-current assets (Notes 4, 9 and 27)	<u>217,177</u>	<u>-</u>	<u>172,709</u>	<u>-</u>
Total non-current assets	<u>32,428,599</u>	<u>68</u>	<u>33,484,401</u>	<u>69</u>
TOTAL	<u>\$ 48,037,782</u>	<u>100</u>	<u>\$ 48,331,856</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 16 and 28)	\$ 5,542,045	12	\$ 9,762,417	20
Short-term bills payable (Note 16)	19,936	-	-	-
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	7,327	-	29	-
Contract liabilities - current (Note 4)	102,129	-	120,069	-
Notes payable	8,762	-	8,581	-
Trade payables to unrelated parties	3,182,134	7	2,141,878	5
Trade payables to related parties (Note 27)	111,356	-	131,925	-
Other payables (Notes 17 and 27)	1,623,389	3	1,541,424	3
Current tax liabilities (Notes 4 and 21)	335,972	1	145,818	-
Lease liabilities - current (Notes 4, 14 and 27)	136,892	-	157,851	1
Current portion of long-term borrowings (Notes 16 and 28)	1,273,168	3	1,519,285	3
Other current liabilities (Note 4)	<u>108,193</u>	<u>-</u>	<u>93,593</u>	<u>-</u>
Total current liabilities	<u>12,451,303</u>	<u>26</u>	<u>15,622,870</u>	<u>32</u>
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 16 and 28)	6,892,359	14	7,833,258	16
Deferred tax liabilities (Notes 4 and 21)	556,757	1	450,354	1
Lease liabilities - non-current (Notes 4, 14 and 27)	442,220	1	482,527	1
Net defined benefit liabilities - non-current (Notes 4 and 18)	294,571	1	276,353	1
Other non-current liabilities (Note 16)	<u>11,178</u>	<u>-</u>	<u>12,017</u>	<u>-</u>
Total non-current liabilities	<u>8,197,085</u>	<u>17</u>	<u>9,054,509</u>	<u>19</u>
Total liabilities	<u>20,648,388</u>	<u>43</u>	<u>24,677,379</u>	<u>51</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION				
Ordinary shares	3,308,663	7	3,095,789	6
Capital surplus	5,600,568	11	3,236,274	7
Retained earnings				
Legal reserve	2,892,584	6	2,706,052	5
Unappropriated earnings	15,363,677	32	14,410,303	30
Other equity	<u>396,636</u>	<u>1</u>	<u>294,835</u>	<u>1</u>
Total equity attributable to owners of the Corporation	27,562,128	57	23,743,253	49
NON-CONTROLLING INTERESTS	<u>(172,734)</u>	<u>-</u>	<u>(88,776)</u>	<u>-</u>
Total equity	<u>27,389,394</u>	<u>57</u>	<u>23,654,477</u>	<u>49</u>
TOTAL	<u>\$ 48,037,782</u>	<u>100</u>	<u>\$ 48,331,856</u>	<u>100</u>

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

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	Amount	%	Amount	%
SALES (Notes 4 and 27)	\$ 21,266,659	100	\$ 20,209,798	100
COST OF GOODS SOLD (Notes 10, 20 and 27)	<u>15,476,252</u>	<u>73</u>	<u>13,434,783</u>	<u>66</u>
GROSS PROFIT	<u>5,790,407</u>	<u>27</u>	<u>6,775,015</u>	<u>34</u>
OPERATING EXPENSES (Notes 20 and 27)				
Selling and marketing expenses	1,339,520	6	1,664,827	8
General and administrative expenses	1,704,259	8	1,608,177	8
Research and development expenses	<u>1,014,154</u>	<u>5</u>	<u>1,101,121</u>	<u>6</u>
Total operating expenses	<u>4,057,933</u>	<u>19</u>	<u>4,374,125</u>	<u>22</u>
PROFIT FROM OPERATIONS	<u>1,732,474</u>	<u>8</u>	<u>2,400,890</u>	<u>12</u>
NON-OPERATING INCOME AND EXPENSES				
Subsidy revenue (Note 4)	123,581	-	53,743	-
Finance costs (Notes 4, 20 and 27)	(220,921)	(1)	(197,357)	(1)
Share of profit of associates accounted for using the equity method (Notes 4 and 12)	33,700	-	15,857	-
Interest income (Note 4)	13,082	-	11,147	-
Gain from bargain purchase (Notes 4 and 23)	46,271	-	-	-
Other income (Notes 4 and 27)	126,497	1	161,547	1
Gain (loss) on disposal of property, plant and equipment (Note 4)	340,046	2	(12,077)	-
Net foreign exchange gain (loss) (Notes 4 and 30)	186,774	1	(179,342)	(1)
Other expenses	(31,043)	-	(24,665)	-
Valuation gain (loss) on financial assets (liabilities) at fair value through profit or loss (Note 4)	(46,990)	-	15,433	-
Impairment loss (Notes 4 and 13)	<u>-</u>	<u>-</u>	<u>(35,327)</u>	<u>-</u>
Total non-operating income and expenses	<u>570,997</u>	<u>3</u>	<u>(191,041)</u>	<u>(1)</u>
PROFIT BEFORE INCOME TAX	2,303,471	11	2,209,849	11
INCOME TAX EXPENSE (Notes 4 and 21)	<u>604,692</u>	<u>3</u>	<u>568,972</u>	<u>3</u>
NET PROFIT FOR THE YEAR	<u>1,698,779</u>	<u>8</u>	<u>1,640,877</u>	<u>8</u>

(Continued)

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS) (Note 4)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 18)	\$ (66,387)	-	\$ 41,679	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	71,167	-	64,130	1
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 21)	14,874	-	(7,751)	-
	<u>19,654</u>	<u>-</u>	<u>98,058</u>	<u>1</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	92,246	-	(165,766)	(1)
Income tax relating to items that may be reclassified subsequently to profit or loss (Note 21)	(18,176)	-	33,482	-
	<u>74,070</u>	<u>-</u>	<u>(132,284)</u>	<u>(1)</u>
Other comprehensive income (loss) for the year, net of income tax	<u>93,724</u>	<u>-</u>	<u>(34,226)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 1,792,503</u>	<u>8</u>	<u>\$ 1,606,651</u>	<u>8</u>
NET PROFIT (LOSS) ATTRIBUTABLE TO:				
Owners of the Corporation	\$ 1,929,730	9	\$ 1,865,316	9
Non-controlling interests	<u>(230,951)</u>	<u>(1)</u>	<u>(224,439)</u>	<u>(1)</u>
	<u>\$ 1,698,779</u>	<u>8</u>	<u>\$ 1,640,877</u>	<u>8</u>
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Owners of the Corporation	\$ 2,017,501	9	\$ 1,827,643	9
Non-controlling interests	<u>(224,998)</u>	<u>(1)</u>	<u>(220,992)</u>	<u>(1)</u>
	<u>\$ 1,792,503</u>	<u>8</u>	<u>\$ 1,606,651</u>	<u>8</u>
EARNINGS PER SHARE (Note 22)				
Basic	<u>\$ 6.05</u>		<u>\$ 5.85</u>	
Diluted	<u>\$ 6.03</u>		<u>\$ 5.83</u>	

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

(Concluded)

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars, Except Dividends Per Share)

	Equity Attributable to Owners of the Corporation (Note 19)									
	Equity Attributable to Owners of the Corporation (Note 19)					Other Equity		Total	Non-controlling Interests (Notes 11 and 24)	Total Equity
	Ordinary Shares	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive			
BALANCE AT JANUARY 1, 2019	\$ 3,005,620	\$ 3,236,274	\$ 2,166,826	\$ 250,940	\$ 15,145,659	\$ (275,194)	\$ 650,334	\$ 24,180,459	\$ 257,941	\$ 24,438,400
Appropriation of 2018 earnings										
Legal reserve	-	-	539,226	-	(539,226)	-	-	-	-	-
Special reserve	-	-	-	(250,940)	250,940	-	-	-	-	-
Cash dividends - NT\$7.0 per share	-	-	-	-	(2,103,934)	-	-	(2,103,934)	-	(2,103,934)
Share dividends - NT\$0.3 per share	90,169	-	-	-	(90,169)	-	-	-	-	-
	90,169	-	539,226	(250,940)	(2,482,389)	-	-	(2,103,934)	-	(2,103,934)
Difference between consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	-	-	-	-	(160,915)	-	-	(160,915)	160,915	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	(286,640)	(286,640)
Disposals of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	9,995	-	(9,995)	-	-	-
Net profit (loss) for the year ended December 31, 2019	-	-	-	-	1,865,316	-	-	1,865,316	(224,439)	1,640,877
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	32,637	(134,440)	64,130	(37,673)	3,447	(34,226)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	1,897,953	(134,440)	64,130	1,827,643	(220,992)	1,606,651
BALANCE AT DECEMBER 31, 2019	3,095,789	3,236,274	2,706,052	-	14,410,303	(409,634)	704,469	23,743,253	(88,776)	23,654,477
Appropriation of 2019 earnings										
Legal reserve	-	-	186,532	-	(186,532)	-	-	-	-	-
Cash dividends - NT\$1.8 per share	-	-	-	-	(557,242)	-	-	(557,242)	-	(557,242)
Share dividends - NT\$0.3 per share	92,874	-	-	-	(92,874)	-	-	-	-	-
	92,874	-	186,532	-	(836,648)	-	-	(557,242)	-	(557,242)
Issuance of ordinary shares for cash	120,000	2,215,000	-	-	-	-	-	2,335,000	-	2,335,000
Changes in non-controlling interests	-	-	-	-	-	-	-	-	99,460	99,460
Difference between consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	-	-	-	-	(125,678)	-	-	(125,678)	125,678	-
Changes in percentage of ownership interests in subsidiaries	-	84,098	-	-	-	-	-	84,098	(84,098)	-
Share-based payments	-	65,196	-	-	-	-	-	65,196	-	65,196
Disposals of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	42,136	-	(42,136)	-	-	-
Net profit (loss) for the year ended December 31, 2020	-	-	-	-	1,929,730	-	-	1,929,730	(230,951)	1,698,779
Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	-	(56,166)	72,770	71,167	87,771	5,953	93,724
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	1,873,564	72,770	71,167	2,017,501	(224,998)	1,792,503
BALANCE AT DECEMBER 31, 2020	\$ 3,308,663	\$ 5,600,568	\$ 2,892,584	\$ -	\$ 15,363,677	\$ (336,864)	\$ 733,500	\$ 27,562,128	\$ (172,734)	\$ 27,389,394

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

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 2,303,471	\$ 2,209,849
Adjustments for :		
Depreciation expenses	2,269,473	2,191,307
Amortization expenses	58,870	58,945
Expected credit loss recognized on trade receivables	7,707	12,071
Net loss (gain) on fair value changes of financial assets and liabilities at fair value through profit or loss	7,199	(2,555)
Finance costs	220,921	197,357
Interest income	(13,082)	(11,147)
Dividend income	(35,495)	(66,401)
Compensation costs of employees' share-based payments	65,196	-
Share of profit or loss of associates accounted for using the equity method	(33,700)	(15,857)
Loss (gain) on disposal of property, plant and equipment	(340,046)	12,077
Impairment loss recognized on non-financial assets	214,772	141,607
Unrealized foreign currency exchange loss (gain), net	(94,848)	73,816
Gain from bargain purchase	(46,271)	-
Others	(4,055)	(307)
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	2,555	(5,493)
Notes receivable	(784,838)	618,353
Trade receivables	(563,060)	480,525
Inventories	1,603,102	1,388,845
Other current assets	(22,422)	202,762
Contract liabilities	(17,940)	(65,432)
Notes payable	181	(3,850)
Trade payables	962,043	(3,241,239)
Other payables	(6,797)	(1,461,398)
Other current liabilities	8,774	(17,611)
Net defined benefit liabilities	(49,632)	8,002
Cash generated from operations	5,712,078	2,704,226
Interest received	13,108	22,158
Dividend received	35,495	66,401
Interest paid	(235,933)	(205,955)
Income taxes paid	(273,317)	(1,193,037)
Net cash generated from operating activities	<u>5,251,431</u>	<u>1,393,793</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	(12,606)	(36,000)
Proceeds from sale of financial assets at fair value through other comprehensive income	-	7,896

(Continued)

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020	2019
Return of capital surplus from financial assets at fair value through other comprehensive income	\$ 120,477	\$ -
Purchase of financial assets at amortized cost	-	(2,922)
Proceeds from disposal of financial assets at amortized cost	-	2,700
Net cash inflow on acquisition of subsidiaries (Note 23)	12,648	-
Payments for property, plant and equipment	(1,073,608)	(3,265,274)
Proceeds from disposal of property, plant and equipment	688,500	36,266
Decrease (increase) in refundable deposits	17,007	(1,766)
Decrease (increase) in other financial assets	3,300	(3,300)
Increase in other non-current assets	(110,929)	(68,488)
Increase in prepayments for machinery and equipment	(555,341)	(1,409,147)
Dividend received from associates	<u>9,610</u>	<u>6,014</u>
Net cash used in investing activities	<u>(900,942)</u>	<u>(4,734,021)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from short-term borrowings	(4,220,849)	3,599,141
Proceeds from short-term bills payable	19,936	-
Proceeds from long-term borrowings	573,048	3,466,921
Repayments of long-term borrowings	(1,773,362)	(1,893,956)
Repayment of the principal portion of lease liabilities	(172,453)	(171,944)
Decrease in other non-current liabilities	(1,049)	(24,550)
Dividends paid	(557,242)	(2,103,934)
Proceeds from issuance of ordinary shares	2,335,000	-
Acquisition of additional shares of subsidiary	(200,000)	(302,123)
Changes in non-controlling interests	<u>229,665</u>	<u>15,483</u>
Net cash generated from (used in) financing activities	<u>(3,767,306)</u>	<u>2,585,038</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	<u>11,724</u>	<u>(23,297)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	594,907	(778,487)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>2,008,745</u>	<u>2,787,232</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 2,603,652</u>	<u>\$ 2,008,745</u>

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

(Concluded)

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

HIWIN Technologies Corporation (the “Corporation”) was incorporated on October 11, 1989. It manufactures and sells ballscrews, linear guideways, industrial robots, aerospace automation equipment parts, computer numerical control (CNC) milling machines and medical equipment.

The Corporation was approved by the Securities and Futures Bureau (SFB), Financial Supervisory Commission (FSC) to become a public company on April 16, 1997. The shares of the Corporation have been listed on the Taiwan Stock Exchange (TWSE) since June 26, 2009.

The consolidated financial statements are presented in the Corporation’s functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Corporation’s board of directors on March 23, 2021.

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

- a. Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the FSC

The initial application of the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the accounting policies of the Corporation and its subsidiaries (collectively referred to as the “Group”).

- b. The IFRSs endorsed by the FSC for application starting from 2021

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”	Effective immediately upon promulgation by the IASB
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”	January 1, 2021
Amendment to IFRS 16 “Covid-19-Related Rent Concessions”	June 1, 2020

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

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

New IFRSs	Effective Date Announced by IASB (Note 1)
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 2)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 3)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 6)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 7)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 4)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 5)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 3: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 4: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 5: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

Note 6: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 7: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed and issued into effect by the FSC.

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- 3) Level 3 inputs are unobservable inputs for an asset or liability.

c. Classification of current and non-current assets and liabilities

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within twelve months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period; and
- 3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

Assets and liabilities that are not classified as current are classified as non-current.

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Corporation and the entities controlled by the Corporation (i.e., its subsidiaries).

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective dates of acquisitions up to the effective dates of disposals, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Corporation.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Corporation and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the interests of the Group and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Corporation.

See Note 11, Tables 8 and 9 for detailed information on subsidiaries (including the percentages of ownership and main businesses).

e. Business combinations

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognized in profit or loss as they are incurred.

Goodwill is measured as the excess of the sum of the consideration transferred and the fair value of the acquirer's previously held equity interests in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held interests in the acquiree, the excess is recognized immediately in profit or loss as a bargain purchase gain.

f. Foreign currencies

In preparing the financial statements of the entities in the Group, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of transaction.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including the subsidiaries or associates in other countries that use currencies which are different from the Corporation) are translated into the New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are recognized in other comprehensive income and attributed to the owners of the Corporation and non-controlling interests as appropriate.

g. Inventories

Inventories consist of raw materials, supplies, work-in-process, finished goods and merchandise and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at weighted-average cost on the balance sheet date.

h. Investment in associates

An associate is an entity over which the Group has significant influence and which is neither a subsidiary nor an interest in a joint venture.

The Group uses the equity method to account for its investments in associates.

Under the equity method, investments in an associate is initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. The Group also recognizes the changes in the Group's share of equity of associates.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of an associate at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When the Group subscribes for additional new shares of an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group's proportionate interest in the associate. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in capital surplus from investments in associates accounted for using the equity method. If the Group's ownership interest is reduced due to its additional subscription of the new shares of associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required had the investee directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for using the equity method is insufficient, the shortage is debited to retained earnings.

When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Group has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

The entire carrying amount of an investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Impairment loss is deducted from the carrying amount. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date on which its investment ceases to be an associate. Any retained investment is measured at fair value at that date, and the fair value is regarded as the investment's fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required had that associate directly disposed of the related assets or liabilities.

When an entity in the Group transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

i. Property, plant, and equipment

Property, plant and equipment are measured at cost, less accumulated depreciation recognized and accumulated impairment loss recognized.

Property, plant and equipment in the course of construction are measured at cost less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for their intended use.

Except for freehold land which is not depreciated, the depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

j. Goodwill

Goodwill arising from the acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units or groups of cash-generating units (referred to as "cash-generating units") that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then pro rata to the other assets of the unit based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. Any impairment loss recognized on goodwill is not reversed in subsequent periods.

If goodwill has been allocated to a cash-generating unit and the entity disposes of an operation within that unit, the goodwill associated with the operation which is disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal, and is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

k. Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

2) Internally-generated intangible assets - research and development expenditures

Expenditures on research activities are recognized as expenses in the period in which they are incurred.

An internally-generated intangible asset arising from the development phase of an internal project is recognized if, and only if, all of the following have been demonstrated:

- a) The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- b) The intention to complete the intangible asset and use or sell it;
- c) The ability to use or sell the intangible asset;
- d) How the intangible asset will generate probable future economic benefits;
- e) The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- f) The ability to measure reliably the expenditures attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible assets is the sum of the expenditures incurred from the date when such an intangible asset first meets the recognition criteria listed above. Subsequent to initial recognition, such intangible assets are measured on the same basis as intangible assets that are acquired separately.

3) Derecognition of intangible assets

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

l. Impairment of property, plant and equipment, right-of-use asset and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use asset and intangible assets (excluding goodwill) to determine whether there is any indication that those assets have suffered any impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount (less amortization and depreciation) that would have been determined had no impairment loss been recognized on the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

m. Financial instruments

Financial assets and financial liabilities are recognized when an entity in the Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a settlement date basis.

a) Measurement categories

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost and equity instruments at FVTOCI.

i. Financial asset at FVTPL

Financial asset is classified as at FVTPL when such financial asset is mandatorily classified as at FVTPL. Financial assets mandatorily classified as at FVTPL do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 26.

ii. Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, notes receivable, trade receivables, and refundable deposits at amortized cost, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such financial asset, except for:

- i) Purchased or originated credit-impaired financial asset, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial asset; and
- ii) Financial assets that are not credit impaired on purchase or origination but have subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

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

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

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

iii. Investments in equity instruments at FVTOCI

On initial recognition, the Group may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

b) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables).

The Group always recognizes lifetime expected credit loss (ECL) for trade receivables. For all other financial instruments, the Group recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECL represents the expected credit loss that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

For internal credit risk management purposes, the Group determines that the following situations indicate that a financial asset is in default (without taking into account any collateral held by the Group):

- i. Internal or external information shows that the debtor is unlikely to pay its creditors.
- ii. When a financial asset is more than 90 days past due unless the Group has reasonable and corroborative information to support a more lagged default criterion.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

c) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss that had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

2) Equity instruments

Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Corporation's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Corporation's own equity instruments.

3) Financial liabilities

a) Subsequent measurement

Except the following situations, all the financial liabilities are measured at amortized cost using the effective interest method:

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when such financial liabilities are held for trading.

Financial liabilities held for trading are stated at fair value, with any gain or loss arising on remeasurement recognized in profit or loss. The fair value is determined in the manner described in Note 26.

b) Derecognition of financial liabilities

The difference between the carrying amount of a financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

4) Derivative financial instruments

The Group enters into foreign exchange forward to manage its exposure to foreign exchange rate risks.

Derivatives are initially recognized at fair value at the date on which the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately. When the fair value of derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of derivative financial instrument is negative, the derivative is recognized as a financial liability.

n. Provision

Provisions are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Provisions for the expected cost of warranty obligations to assure that products comply with agree-upon specifications are recognized on the date of sale of the relevant products at the best estimate of the expenditure required to settle the Group's obligation.

o. Revenue recognition

The Group identifies contracts with customers, allocates the transaction price to the performance obligations, and recognizes revenue when performance obligations are satisfied.

For contract where the period between the date on which the Group transfers a promised good or service to a customer and the date on which the customer pays for that good or service is one year or less, the Group does not adjust the promised amount of consideration for the effects of a significant financing component.

Sales of goods are recognized as revenue when the goods are delivered to the customer's specific location/the goods are shipped/the goods are picked up because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. Trade receivable is recognized concurrently. The transaction price received is recognized as a contract liability until the goods have been delivered to the customer.

The Group does not recognize revenue on materials delivered to subcontractors because this delivery does not involve a transfer of control.

p. Leases

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease.

1) The Group as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

2) The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for by applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. For a lease modification that is not accounted for as a separate lease, the Group accounts for the remeasurement of the lease liability by (a) decreasing the carrying amount of the right-of-use asset of lease modifications that decreased the scope of the lease, and recognizing in profit or loss any gain or loss on the partial or full termination of the lease; (b) making a corresponding adjustment to the right-of-use asset of all other lease modifications. Lease liabilities are presented on a separate line in the consolidated balance sheets.

q. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Other than that which is stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

r. Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received.

Government grants related to income are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

The benefit of a government loan received at a below-market rate of interest is treated as a government grant measured as the difference between the proceeds received and the fair value of the loan based on prevailing market interest rates.

s. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expenses when employees have rendered service entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost and net interest on the net defined benefit liabilities are recognized as employee benefits expense in the period in which they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities represent the actual deficit in the Group's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

t. Share-based payment arrangements

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

issued ordinary shares for cash which are reserved for employees is the date on which the number of shares that the employees purchase is confirmed.

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

u. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

Income tax payable (recoverable) is based on taxable profit (loss) for the year determined according to the applicable tax laws of each tax jurisdiction.

According to the Income Tax Law in the ROC, an additional tax on unappropriated earnings is provided for in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is calculated on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred taxes for the year

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, management is required to make judgments, estimations and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The Group considers the economic implications of the COVID-19 when making its critical accounting estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

Key Sources of Estimation Uncertainty - Write-down of Inventories

The net realizable value of inventories is the estimated selling price in the ordinary course of business less the estimated costs of completion and disposal. The estimation of net realizable value is based on current market conditions and historical experience with product sales of a similar nature. Changes in market conditions may have a material impact on the estimation of the net realizable value.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2020	2019
Cash on hand	\$ 2,324	\$ 2,262
Checking accounts and demand deposits	2,362,456	1,654,407
Pledged time deposits	2,000	5,300
Cash equivalents		
Time deposits (investments with original maturities of less than 3 months)	<u>238,872</u>	<u>352,076</u>
	2,605,652	2,014,045
Less: Pledged time deposits (classified as other current assets)	<u>(2,000)</u>	<u>(5,300)</u>
	<u>\$ 2,603,652</u>	<u>\$ 2,008,745</u>
<u>Rate of interest per annum (%)</u>		
Cash in bank	0.00-0.40	0.00-0.40
Time deposits (investments with original maturities of less than 3 months)	0.05-2.40	0.05-2.60
Pledged time deposits	0.82	0.81-1.07

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group's financial assets and liabilities mandatorily designated as at fair value through profit or loss (FVTPL) are all generated from its derivative financial products of foreign exchange forward contracts. At the end of the reporting period, outstanding foreign exchange forward contracts not under hedge accounting are as follows:

	Currency	Maturity Date	Notional Amount (In Thousands)
<u>December 31, 2020</u>			
Sell	EUR/NTD	2021.1.15-2021.4.21	EUR3,100/NT\$105,754
Sell	RMB/NTD	2021.1.5-2021.3.8	RMB85,000/NT\$361,257
Sell	USD/NTD	2021.1.26-2021.3.29	US\$1,700/NT\$47,862
<u>December 31, 2019</u>			
Sell	EUR/NTD	2020.1.30-2020.3.16	EUR2,700/NT\$91,280
Sell	RMB/NTD	2020.1.13-2020.3.17	RMB114,000/NT\$490,284

The Group entered into foreign exchange forward contracts to manage exposures due to exchange rate fluctuations of foreign currency denominated assets and liabilities.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NON-CURRENT

Investments in Equity Instruments at Fair Value Through Other Comprehensive Income (FVTOCI)	December 31	
	2020	2019
<u>Domestic listed ordinary shares</u>		
HIWIN Mikrosystem Corp. (HIWIN Mikrosystem)	\$ 860,140	\$ 787,509
<u>Domestic unlisted ordinary shares</u>		
Ever Fortune. AI CO., Ltd. (Ever Fortune.)	45,017	28,010
Taichung International Country Club	2,650	2,500
Sunengine Corporation Ltd. (Sunengine)	-	-
King Kong Iron Work Ltd.	-	-
<u>Overseas unlisted ordinary shares</u>		
Kaland Holdings Corp. (Kaland)	36,427	205,055
HIWIN (Schweiz) GmbH (Note 11)	-	3,320
	<u>\$ 944,234</u>	<u>\$ 1,026,394</u>

The Investment Commission of Ministry of Economic Affairs (MOEA) approved the Corporation's investment in Suzhou YIFU Finance Leasing Co., Ltd. (YIFU Finance). The investment in the amount of US\$8,168 thousand was made through Kaland and Cheer Tone Group Limited in British Virgin Islands (BVI). YIFU Finance mainly engages in finance leasing services.

In October 2020, the Corporation's board of directors resolved a return of share premium of US\$4,213 thousand to Kaland.

These investments in equity instruments are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes.

In April 2019, the Group acquired ordinary shares of Ever Fortune in the amount of \$36,000 thousand. In December 2020, the Group acquired additional shares amounting to \$12,606 thousand in Ever Fortune. Both investments are held for medium to long-term strategic purposes; the management designated these investments as at FVTOCI.

In September 2019, the Group sold part of its ordinary shares in HIWIN Mikrosystem. The shares sold had a fair value of \$7,896 thousand and its related unrealized valuation gain of \$9,995 thousand was transferred from other equity to retained earnings.

9. NOTES RECEIVABLE AND TRADE RECEIVABLES

	December 31	
	2020	2019
<u>Notes receivable from unrelated parties</u>		
At amortized cost		
Gross carrying amount	\$ 1,209,090	\$ 405,233
Less: Allowance for impairment loss	<u>(578)</u>	<u>(597)</u>
	<u>\$ 1,208,512</u>	<u>\$ 404,636</u>
<u>Trade receivables from unrelated parties</u>		
At amortized cost		
Gross carrying amount	\$ 5,133,330	\$ 4,432,320
Less: Allowance for impairment loss	<u>(16,832)</u>	<u>(27,507)</u>
	<u>\$ 5,116,498</u>	<u>\$ 4,404,813</u>

a. Notes receivable

The Group's aging of notes receivable is as follows:

	December 31	
	2020	2019
Not past due	\$ 1,209,090	\$ 405,233
Past due	<u>-</u>	<u>-</u>
	<u>\$ 1,209,090</u>	<u>\$ 405,233</u>

The above aging schedule was based on the past due days.

The Group entered into a factoring agreement with financial institutions to sell its discounted notes receivable. Although the Group has transferred the contractual rights to receive cash flows, the Group is still obligated to bear the default risk of such discounted notes receivable. Thus, it did not meet the conditions for derecognition of financial assets. The related information is as follows:

Purchaser of Notes Receivable	December 31, 2020		
	Notes Receivable Transferred	Amount in Advanced (Note)	Interest Rate
Bank of China	\$ 157,973	\$ 157,973	3.13%
China Construction Bank	<u>4,377</u>	<u>4,377</u>	3.00%
	<u>\$ 162,350</u>	<u>\$ 162,350</u>	

Note: Classified under short-term borrowings; for related information of guarantees and short-term borrowings, refer to Notes 16 and 28.

b. Trade receivables

The Group determines the credit period of sales of goods based on the counterparty's credit rating, location and transaction terms.

In order to minimize credit risk, the management of the Group has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Group's credit risk was significantly reduced.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated by reference to the past default experience of the customer, the customer's current financial position, economic condition of the industry in which the customer operates, as well as the GDP forecasts and industry outlooks. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For trade receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of trade receivables.

	Not Past Due	1 to 120 Days	121 to 360 Days	Over 360 Days	Total
<u>December 31, 2020</u>					
Expected credit loss rate	0.001%-0.1%	0.01%-40%	2%-100%	10%-100%	
Gross carrying amount	\$ 4,605,244	\$ 508,843	\$ 6,150	\$ 13,093	\$ 5,133,330
Loss allowance (Lifetime ECL)	<u>(3,155)</u>	<u>(1,888)</u>	<u>(631)</u>	<u>(11,158)</u>	<u>(16,832)</u>
Amortized cost	<u>\$ 4,602,089</u>	<u>\$ 506,955</u>	<u>\$ 5,519</u>	<u>\$ 1,935</u>	<u>\$ 5,116,498</u>

	Not Past Due	1 to 120 Days	121 to 360 Days	Over 360 Days	Total
<u>December 31, 2019</u>					
Expected credit loss rate	0.001%-0.1%	0.01%-40%	2%-100%	10%-100%	
Gross carrying amount	\$ 2,769,020	\$ 1,537,171	\$ 118,296	\$ 7,833	\$ 4,432,320
Loss allowance (Lifetime ECL)	<u>(9,687)</u>	<u>(8,906)</u>	<u>(4,494)</u>	<u>(4,420)</u>	<u>(27,507)</u>
Amortized cost	<u>\$ 2,759,333</u>	<u>\$ 1,528,265</u>	<u>\$ 113,802</u>	<u>\$ 3,413</u>	<u>\$ 4,404,813</u>

The movements of the loss allowance were as follows (other receivables are classified as other non-current assets):

	<u>For the Year Ended December 31, 2020</u>		
	Notes Receivable	Trade Receivables	Other Receivables
Balance at January 1, 2020	\$ 597	\$ 27,507	\$ 13,697
Net remeasurement of loss allowance	(19)	(5,972)	13,698
Amounts written off	-	(4,160)	-
Foreign exchange gains and losses	<u>-</u>	<u>(543)</u>	<u>-</u>
Balance at December 31, 2020	<u>\$ 578</u>	<u>\$ 16,832</u>	<u>\$ 27,395</u>

	<u>For the Year Ended December 31, 2019</u>		
	Notes Receivable	Trade Receivables	Other Receivables
Balance at January 1, 2019	\$ 2,022	\$ 18,285	\$ 13,697
Net remeasurement of loss allowance	(1,425)	13,496	-
Amounts written off	-	(3,409)	-
Foreign exchange gains and losses	<u>-</u>	<u>(865)</u>	<u>-</u>
Balance at December 31, 2019	<u>\$ 597</u>	<u>\$ 27,507</u>	<u>\$ 13,697</u>

10. INVENTORIES

	<u>December 31</u>	
	2020	2019
Merchandise	\$ 2,086	\$ 3,432
Finished goods	1,989,847	2,275,276
Work in process	1,692,451	1,546,353
Raw materials and supplies	2,272,683	3,459,706
Inventory in transit	<u>240,739</u>	<u>268,177</u>
	<u>\$ 6,197,806</u>	<u>\$ 7,552,944</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2020 and 2019 was \$15,476,252 thousand and \$13,434,783 thousand, respectively.

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2020 and 2019 included inventory write-downs of \$214,772 thousand and \$106,280 thousand, respectively, and unallocated fixed overhead of \$386,739 thousand and \$353,611 thousand, respectively.

11. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements

Investor	Investee	Main Business	% of Ownership December 31	
			2020	2019
The Corporation	HIWIN Corporation, U.S.A. ("HIWIN USA")	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	100	100
	HIWIN Corporation, Japan ("HIWIN Japan")	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	100	100
	HIWIN GmbH ("HIWIN Germany")	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	100	100
	Eterbright Solar Corporation ("Eterbright")	Research, development, design, manufacture and sale of solar cell, electronic components, electric power supply, electric transmission and power distribution machinery products	74	74
	HIWIN Singapore Pte. Ltd. ("HIWIN Singapore")	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	100	100
	HIWIN Corporation Co., Ltd. ("HIWIN Korea")	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	100	100
	HIWIN Technologies (China) Corporation ("HIWIN China")	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	100	100
	Matrix Precision Co., Ltd. (formerly, Luren Precision Co., Ltd.) ("Matrix Precision")	Research, development, production, manufacture and sale of gear cutting tools and machinery	51	71
	HIWIN Healthcare Corp.	Sale of medical robots	100	100
	HIWIN S.R.L. ("HIWIN Italy")	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	100	100
	Matrix Machine Tool (Coventry) Limited (Matrix)	Design, integrated application, research, development, manufacture and sale of thread forming machinery	100	100
	HIWIN (Schweiz) GmbH ("HIWIN Schweiz")	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	81	-
HIWIN Germany	HIWIN Schweiz	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	19	19
Matrix Precision	Luren Precision Machinery (Shanghai) Co., Ltd. ("Luren Shanghai")	Sale of gear cutting tools and machinery	100	100
	Suzhou Matrix Precision Machinery Co., Ltd. ("Suzhou Matrix")	Sale of gear cutting tools and machinery	100	100

The Corporation acquired 50% and 31% of the shares of HIWIN Schweiz for \$66,300 thousand and \$200,000 thousand in April 2020 and December 2020, respectively; together with the 19% shareholding proportion of HIWIN Schweiz held by HIWIN Germany before the acquisition, the Group's total percentage of ownership in HIWIN Schweiz was 100%, and HIWIN Schweiz became a subsidiary of the Group.

The Corporation acquired 48% of the shares of Matrix for \$220,864 thousand in July 2019, and increased its ownership percentage from 52% to 100%.

In July 2019, Matrix Precision invested RMB2,000 thousand to set up a 100% owned company, Suzhou Matrix.

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

Name of Subsidiary	Proportion of Ownership and Voting Rights Held by Non-controlling Interests	
	December 31	
	2020	2019
Eterbright	26%	26%
Matrix Precision	49%	29%

See Tables 8 and 9 for the information on place of incorporation and principal place of business.

Name of Subsidiary	Income (Loss) and Comprehensive Income (Loss) Allocated to Non-controlling Interests		Accumulated Non-controlling Interests	
	For the Year Ended December 31		December 31	
	2020	2019	2020	2019
Eterbright	\$ (138,070)	\$ (143,835)	\$ (220,053)	\$ (81,983)
Matrix Precision	(91,456)	(66,874)	47,319	(6,793)
HIWIN Schweiz	4,528	-	-	-
Matrix	-	(10,283)	-	-
	<u>\$ (224,998)</u>	<u>\$ (220,992)</u>	<u>\$ (172,734)</u>	<u>\$ (88,776)</u>

The summarized financial information below represents amounts before intragroup eliminations.

Eterbright

	December 31	
	2020	2019
Current assets	\$ 247,253	\$ 259,983
Non-current assets	1,148,335	1,202,962
Current liabilities	(2,158,118)	(1,626,893)
Non-current liabilities	<u>(89,397)</u>	<u>(153,445)</u>
Equity	<u>\$ (851,927)</u>	<u>\$ (317,393)</u>
Equity attributable to:		
Owners of Eterbright	\$ (631,874)	\$ (235,410)
Non-controlling interests of Eterbright	<u>(220,053)</u>	<u>(81,983)</u>
	<u>\$ (851,927)</u>	<u>\$ (317,393)</u>

	For the Year Ended December 31	
	2020	2019
Revenue	\$ 41,357	\$ 183,483
Net loss for the year	\$ (534,534)	\$ (556,852)
Other comprehensive income (loss) for the year	<u>-</u>	<u>-</u>
Total comprehensive loss for the year	\$ (534,534)	\$ (556,852)
Loss and total comprehensive loss attributable to:		
Owners of Eterbright	\$ (396,464)	\$ (413,017)
Non-controlling interests of Eterbright	<u>(138,070)</u>	<u>(143,835)</u>
	\$ (534,534)	\$ (556,852)
Net cash inflow (outflow) from:		
Operating activities	\$ (313,604)	\$ (371,941)
Investing activities	(35,951)	(48,075)
Financing activities	<u>363,436</u>	<u>388,643</u>
Net cash inflow (outflow)	\$ 13,881	\$ (31,373)

Matrix Precision and Matrix Precision's subsidiaries

	December 31	
	2020	2019
Current assets	\$ 555,851	\$ 610,890
Non-current assets	1,389,660	1,391,702
Current liabilities	(890,223)	(1,060,204)
Non-current liabilities	<u>(957,400)</u>	<u>(996,268)</u>
Equity	\$ 97,888	\$ (53,880)
Equity attributable to:		
Owners of Matrix Precision	\$ 48,731	\$ (49,332)
Non-controlling interests of Matrix Precision	<u>49,157</u>	<u>(4,548)</u>
	\$ 97,888	\$ (53,880)

	For the Year Ended December 31	
	2020	2019
Revenue	\$ 222,684	\$ 277,173
Net loss for the year	\$ (212,378)	\$ (229,449)
Other comprehensive income for the year	<u>9,631</u>	<u>3,709</u>
Total comprehensive loss for the year	\$ (202,747)	\$ (225,740)

(Continued)

	For the Year Ended December 31	
	2020	2019
Loss attributable to:		
Owners of Matrix Precision	\$ (115,805)	\$ (160,247)
Non-controlling interests of Matrix Precision	<u>(96,573)</u>	<u>(69,202)</u>
	<u>\$ (212,378)</u>	<u>\$ (229,449)</u>
Total comprehensive loss attributable to:		
Owners of Matrix Precision	\$ (110,886)	\$ (157,579)
Non-controlling interests of Matrix Precision	<u>(91,861)</u>	<u>(68,161)</u>
	<u>\$ (202,747)</u>	<u>\$ (225,740)</u>
Net cash inflow (outflow) from:		
Operating activities	\$ 337,748	\$ (228,017)
Investing activities	(30,544)	(783,007)
Financing activities	<u>(266,923)</u>	<u>1,032,637</u>
Net cash inflow	<u>\$ 40,281</u>	<u>\$ 21,613</u>
		(Concluded)

HIWIN Schweiz

	For the Eight Months Ended November 30, 2020
Revenue	<u>\$ 201,189</u>
Net income for the period	\$ 10,605
Other comprehensive income for the period	<u>4,002</u>
Total comprehensive income for the period	<u>\$ 14,607</u>
Income and total comprehensive income attributable to:	
Owners of HIWIN Schweiz	\$ 10,079
Non-controlling interests of HIWIN Schweiz	<u>4,528</u>
	<u>\$ 14,607</u>

Matrix

	For the Six Months Ended June 30, 2019
Revenue	\$ <u>85,486</u>
Net loss for the period	\$ (11,884)
Other comprehensive income for the period	<u>4,221</u>
Total comprehensive loss for the period	<u>\$ (7,663)</u>
Loss attributable to:	
Owners of Matrix	\$ (6,134)
Non-controlling interests of Matrix	<u>(5,750)</u>
	<u>\$ (11,884)</u>
Total comprehensive loss attributable to:	
Owners of Matrix	\$ (4,319)
Non-controlling interests of Matrix	<u>(3,344)</u>
	<u>\$ (7,663)</u>
Net cash inflow (outflow) from:	
Operating activities	\$ (34,764)
Investing activities	(16,553)
Financing activities	<u>(2,164)</u>
Net cash outflow	<u>\$ (53,481)</u>

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2020	2019
Associates that are not individually material	\$ <u>219,832</u>	\$ <u>192,144</u>
	For the Year Ended December 31	
	2020	2019
The Group's share of:		
Profit for the year	\$ 33,700	\$ 15,857
Other comprehensive income (loss) for the year	<u>-</u>	<u>-</u>
Total comprehensive income for the year	<u>\$ 33,700</u>	<u>\$ 15,857</u>

Except for HIWIN S.R.O., investments accounted for by the equity method and the share of profit or loss and other comprehensive income of those investments were calculated based on the financial statements that have been audited. Management believes there is no material impact on the equity-method accounting or the calculation of the share of profit or loss and other comprehensive income, from the financial statements of HIWIN S.R.O. that have not been audited.

13. PROPERTY, PLANT AND EQUIPMENT

For the Year Ended December 31, 2020								
	Beginning Balance	Acquisitions Through Business Combination (Note 23)	Additions	Disposals	Reclassified Amount	Translation Adjustments	Ending Balance	
<u>Cost</u>								
Land	\$ 5,598,313	\$ -	\$ 22	\$ (80,898)	\$ -	\$ (1,411)	\$ 5,516,026	
Buildings and improvements	13,715,699	-	38,831	(388,419)	581,709	33,695	13,981,515	
Machinery and equipment	15,985,180	359	355,590	(2,254,368)	1,043,231	13,389	15,143,381	
Transportation equipment	203,152	10,310	27,100	(27,600)	-	5,133	218,095	
Leasehold improvements	118,293	-	1,068	(1,740)	-	438	118,059	
Miscellaneous equipment	2,795,397	4,314	98,881	(91,326)	37,382	3,009	2,847,657	
Construction in progress	671,639	-	608,801	-	(581,513)	11,916	710,843	
	<u>39,087,673</u>	<u>\$ 14,983</u>	<u>\$ 1,130,293</u>	<u>\$ (2,844,351)</u>	<u>\$ 1,080,809</u>	<u>\$ 66,169</u>	<u>38,535,576</u>	
<u>Accumulated depreciation and impairment</u>								
Buildings and improvements	1,826,396	\$ -	\$ 334,982	\$ (142,136)	\$ -	\$ 10,639	2,029,881	
Machinery and equipment	7,168,883	105	1,676,365	(2,245,060)	-	5,359	6,605,652	
Transportation equipment	104,874	5,745	33,665	(21,654)	-	2,977	125,607	
Leasehold improvements	103,480	-	5,424	(1,740)	-	454	107,618	
Miscellaneous equipment	1,604,612	2,066	279,213	(85,307)	-	1,707	1,802,291	
	<u>10,808,245</u>	<u>\$ 7,916</u>	<u>\$ 2,329,649</u>	<u>\$ (2,495,897)</u>	<u>\$ -</u>	<u>\$ 21,136</u>	<u>10,671,049</u>	
	<u>\$ 28,279,428</u>						<u>\$ 27,864,527</u>	
For the Year Ended December 31, 2019								
	Beginning Balance	Adjustments on Initial Application of IFRS 16	Beginning Balance (Restated)	Additions	Disposals	Reclassified Amount	Translation Adjustments	Ending Balance
<u>Cost</u>								
Land	\$ 3,990,126	\$ -	\$ 3,990,126	\$ 1,606,821	\$ -	\$ 23,112	\$ (21,746)	\$ 5,598,313
Buildings and improvements	9,997,986	-	9,997,986	119,424	(48,513)	3,726,087	(79,285)	13,715,699
Machinery and equipment	14,678,814	-	14,678,814	600,913	(1,076,199)	1,809,166	(27,514)	15,985,180
Transportation equipment	194,485	-	194,485	36,735	(12,760)	(9,220)	(6,088)	203,152
Leased assets	6,802	(6,802)	-	-	-	-	-	-
Leasehold improvements	110,441	-	110,441	4,465	-	4,795	(1,408)	118,293
Miscellaneous equipment	2,345,440	-	2,345,440	224,216	(50,646)	287,524	(11,137)	2,795,397
Construction in progress	3,610,609	-	3,610,609	800,301	-	(3,726,087)	(13,184)	671,639
Prepayments for land	23,112	-	23,112	-	-	(23,112)	-	-
	<u>34,957,815</u>	<u>\$ (6,802)</u>	<u>\$ 34,951,013</u>	<u>\$ 3,392,875</u>	<u>\$ (1,188,118)</u>	<u>\$ 2,092,265</u>	<u>\$ (160,362)</u>	<u>39,087,673</u>
<u>Accumulated depreciation and impairment</u>								
Buildings and improvements	1,525,719	\$ -	\$ 1,525,719	\$ 330,427	\$ (17,407)	\$ -	\$ (12,343)	1,826,396
Machinery and equipment	6,598,831	-	6,598,831	1,638,993	(1,061,134)	2,682	(10,489)	7,168,883
Transportation equipment	96,771	-	96,771	32,586	(12,511)	(8,517)	(3,455)	104,874
Leased assets	6,149	(6,149)	-	-	-	-	-	-
Leasehold improvements	93,780	-	93,780	6,830	-	3,753	(883)	103,480
Miscellaneous equipment	1,409,670	-	1,409,670	245,069	(48,723)	5,835	(7,239)	1,604,612
	<u>9,730,920</u>	<u>\$ (6,149)</u>	<u>\$ 9,724,771</u>	<u>\$ 2,253,905</u>	<u>\$ (1,139,775)</u>	<u>\$ 3,753</u>	<u>\$ (34,409)</u>	<u>10,808,245</u>
	<u>\$ 25,226,895</u>							<u>\$ 28,279,428</u>

Part of the plant layout of HIWIN Italy did not meet the production needs and its expected future economic benefits have declined. As a result, HIWIN Italy recognized an impairment loss of \$35,327 thousand for the year ended December 31, 2019. The above impairment loss was recognized under impairment loss in the consolidated statements of comprehensive income.

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful life of the assets:

Buildings and improvements	
Main buildings	20-55 years
Electrical power equipment	35 years
Engineering system	8-55 years
Machinery and equipment	
Machinery equipment	3-20 years
Inspection equipment	3-10 years
Transportation equipment	2-10 years
Leasehold improvements	2-15 years
Miscellaneous equipment	2-15 years

Property, plant and equipment pledged as collateral for bank borrowings are set out in Note 28.

14. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2020	2019
<u>Carrying amounts</u>		
Land	\$ 330,424	\$ 345,596
Buildings	370,195	423,772
Transportation equipment	28,604	21,829
Miscellaneous equipment	<u>690</u>	<u>1,293</u>
	<u>\$ 729,913</u>	<u>\$ 792,490</u>
 For the Year Ended December 31		
	2020	2019
Additions to right-of-use assets	<u>\$ 132,929</u>	<u>\$ 155,846</u>
Acquisitions through business combination (Note 23)	<u>\$ 32,540</u>	<u>\$ -</u>
Depreciation charge for right-of-use assets		
Land	\$ 20,387	\$ 20,453
Buildings	150,995	151,709
Transportation equipment	8,399	8,233
Miscellaneous equipment	<u>593</u>	<u>658</u>
	<u>\$ 180,374</u>	<u>\$ 181,053</u>

b. Lease liabilities

	December 31	
	2020	2019
<u>Carrying amounts</u>		
Current	\$ 136,892	\$ 157,851
Non-current	\$ 442,220	\$ 482,527

Range of discount rate for lease liabilities was as follows:

	December 31	
	2020	2019
Land	1.45%-1.50%	1.45%-1.50%
Buildings	1.35%-4.10%	1.45%-4.10%
Transportation equipment	1.48%-4.10%	1.48%-4.10%
Miscellaneous equipment	1.48%-4.10%	1.48%-4.10%

c. Material lease-in activities and terms

The Group leases certain transportation and miscellaneous equipment for the use of product manufacturing and marketing with lease terms of 1 to 7 years. These arrangements do not contain renewal or purchase options.

The Group also leases land and buildings for the use of plants and offices with lease terms of 1 to 50 years. The lease contract for land located in the Republic of China specifies that lease payments will be adjusted on the basis of changes in the consumer price index or announced land value prices. The Group does not have bargain purchase options to acquire the leasehold land and buildings at the end of the lease terms.

d. Other lease information

	For the Year Ended December 31	
	2020	2019
Expenses relating to short-term leases	\$ 7,744	\$ 18,640
Expenses relating to low-value asset leases	\$ 3,504	\$ 2,767
Total cash outflow for leases	\$ (194,352)	\$ (204,775)

The Group's leases of certain equipment qualify as short-term leases and low-value asset leases. The Group has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

15. PREPAYMENTS FOR MACHINERY AND EQUIPMENT

The aging of prepayments for machinery and equipment is as follows:

The Date of Initial Cost Contribution	December 31	
	2020	2019
Within 1 year	\$ 394,027	\$ 699,983
1-2 years	350,426	1,111,265
2-5 years	1,002,410	474,946
More than 5 years	<u>21,351</u>	<u>6,918</u>
	<u>\$ 1,768,214</u>	<u>\$ 2,293,112</u>

In order to maintain key manufacturing technologies, reduce product costs and improve automation of the equipment, the Corporation designed, developed, and assembled the equipment by itself. The abovementioned prepayments for machinery and equipment include both internally-developed and outsourced equipment.

16. BORROWINGS

a. Short-term borrowings

	December 31	
	2020	2019
<u>Secured borrowings</u> (Note 28)		
Working capital loans	\$ 3,535,954	\$ 3,226,538
Loans for export sales	715,000	1,000,000
Loans for purchasing raw material	21,091	25,269
Letters of credit	-	<u>2,622</u>
	<u>4,272,045</u>	<u>4,254,429</u>
<u>Unsecured borrowings</u>		
Line of credit borrowings	<u>1,270,000</u>	<u>5,507,988</u>
	<u>\$ 5,542,045</u>	<u>\$ 9,762,417</u>
<u>Rate of interest per annum (%)</u>		
Working capital loans	0.25-3.13	0.24-3.65
Loans for export sales	0.51-1.58	0.81
Loans for purchasing raw material	1.56	1.37-1.90
Letters of credit	-	1.15
Line of credit borrowings	0.77-0.88	0.82-3.65

Among the secured borrowings, the discounted notes receivable amounted to \$162,350 thousand for the year ended December 31, 2020 (refer to Note 9).

b. Short-term bills payable

	December 31, 2020
Commercial paper	\$ 20,000
Less: Unamortized discount on bills payable	<u>(64)</u>
	<u>\$ 19,936</u>
<u>Rate of interest per annum (%)</u>	1.54

c. Long-term borrowings

	December 31	
	2020	2019
<u>Secured borrowings</u> (Note 28)		
Secured loans	\$ 7,398,147	\$ 8,981,491
<u>Unsecured borrowings</u>		
Unsecured loans	<u>767,380</u>	<u>371,052</u>
	8,165,527	9,352,543
Less: Current portion	<u>(1,273,168)</u>	<u>(1,519,285)</u>
Long-term borrowings	<u>\$ 6,892,359</u>	<u>\$ 7,833,258</u>
<u>Rate of interest per annum (%)</u>		
Secured loans	0.36-4.90	1.03-4.90
Unsecured loans	0.70-4.90	1.05-4.90

In August 2019, the Corporation received a qualification letter for the Action Plan for Welcoming Overseas Taiwanese Businesses to Return to Invest in Taiwan from the Ministry of Economic Affairs, and therefore received the subsidy for processing fee of long-term borrowings. As of December 31, 2020, \$23,500 thousand was drawn down for the purchase of machinery and equipment and the use of operating capital. The Corporation recognized \$501 thousand as a government grant, which is the difference between the loan amount obtained at a lower-than-market interest rate and the fair value, which was accounted for as deferred revenue and would be subsequently recognized in profit or loss over the useful life of the asset.

17. OTHER PAYABLES

	December 31	
	2020	2019
Payables for salaries and bonuses	\$ 677,401	\$ 597,117
Payables for purchases of building and equipment	257,356	200,671
Payables for compensation of employees	165,084	152,322
Payables for annual leave	143,572	124,915
Payables for remuneration to directors	77,193	74,652
Others	<u>302,783</u>	<u>391,747</u>
	<u>\$ 1,623,389</u>	<u>\$ 1,541,424</u>

18. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Corporation, Eterbright and Matrix Precision adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

HIWIN Germany, HIWIN Schweiz, HIWIN Japan, HIWIN Singapore, HIWIN Korea, HIWIN China, Matrix, Suzhou Matrix and Luren Shanghai have pension plans which pay for an annuity and certain types of insurance under the local regulations.

HIWIN USA has defined contribution pension plans, which are independently administered.

b. Defined benefit plans

The defined benefit plans adopted by the Corporation and Matrix Precision of the Group in accordance with the Labor Standards Law is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Corporation and Matrix Precision contribute amounts equal to 2% and 4%, respectively of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Group assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Group has no right to influence the investment policy and strategy. HIWIN Italy also adopted the defined benefit plans in accordance with the local laws.

The amounts included in the consolidated balance sheets in respect of the Group's defined benefit plans were as follows:

	December 31	
	2020	2019
Present value of defined benefit obligation	\$ 453,499	\$ 400,604
Fair value of plan assets	<u>(158,928)</u>	<u>(124,251)</u>
Net defined benefit liabilities	<u>\$ 294,571</u>	<u>\$ 276,353</u>

Movements in net defined benefit liability were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2019	\$ 447,382	\$ (136,519)	\$ 310,863
Service cost			
Past service cost	(2,734)	-	(2,734)
Current service cost	2,698	-	2,698
Net interest expense (income)	<u>4,653</u>	<u>(1,286)</u>	<u>3,367</u>
Recognized in profit or loss	<u>4,617</u>	<u>(1,286)</u>	<u>3,331</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(5,370)	(5,370)
Actuarial loss - changes in demographic assumptions	407	-	407
Actuarial loss - changes in financial assumptions	12,570	-	12,570
Actuarial profit - experience adjustments	<u>(49,286)</u>	<u>-</u>	<u>(49,286)</u>
Recognized in other comprehensive income	<u>(36,309)</u>	<u>(5,370)</u>	<u>(41,679)</u>
Contributions from the employer	-	(17,670)	(17,670)
Benefits paid	(36,594)	36,594	-
Reclassification adjustments	21,683	-	21,683
Exchange differences on foreign plans	<u>(175)</u>	<u>-</u>	<u>(175)</u>
Balance at December 31, 2019	<u>400,604</u>	<u>(124,251)</u>	<u>276,353</u>
Service cost			
Past service cost	(49)	-	(49)
Current service cost	11,735	-	11,735
Net interest expense (income)	<u>2,957</u>	<u>(932)</u>	<u>2,025</u>
Recognized in profit or loss	<u>14,643</u>	<u>(932)</u>	<u>13,711</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(4,568)	(4,568)
Actuarial loss - changes in demographic assumptions	309	-	309
Actuarial loss - changes in financial assumptions	18,184	-	18,184
Actuarial loss - experience adjustments	<u>52,462</u>	<u>-</u>	<u>52,462</u>
Recognized in other comprehensive income	<u>70,955</u>	<u>(4,568)</u>	<u>66,387</u>
Contributions from the employer	-	(63,474)	(63,474)
Benefits paid	(34,126)	34,126	-
Exchange differences on foreign plans	<u>1,423</u>	<u>171</u>	<u>1,594</u>
Balance at December 31, 2020	<u>\$ 453,499</u>	<u>\$ (158,928)</u>	<u>\$ 294,571</u>

Through the defined benefit plans under the Labor Standards Law, the Group is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plans' debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2020	2019
Discount rates	0.35%、0.35%、0.34%	0.75%、0.75%、0.77%
Expected rates of salary increase	2.00%、3.00%	2.00%、3.00%
Turnover rate	0.90%、0.48%	1.01%、0.42%

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

	December 31	
	2020	2019
<u>The Corporation</u>		
Discount rate		
0.25% increase	\$ (9,993)	\$ (8,361)
0.25% decrease	\$ 10,377	\$ 8,691
Expected rate of salary increase		
0.25% increase	\$ 10,181	\$ 8,561
0.25% decrease	\$ (9,858)	\$ (8,281)
Turnover rate		
10% increase	\$ (270)	\$ (325)
10% decrease	\$ 271	\$ 327

	December 31	
	2020	2019
<u>Matrix Precision</u>		
Discount rate		
0.25% increase	\$ (1,316)	\$ (1,745)
0.25% decrease	\$ 1,370	\$ 1,817
Expected rate of salary increase		
0.25% increase	\$ 1,330	\$ 1,772
0.25% decrease	\$ (1,286)	\$ (1,711)
Turnover rate		
10% increase	\$ (4)	\$ (4)
10% decrease	\$ 4	\$ 4

HIWIN Italy

Discount rate		
0.25% increase	\$ (34,424)	\$ (27,742)
0.25% decrease	\$ 35,826	\$ 28,839

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2020	2019
The expected contributions to the plan for the next year	\$ 17,840	\$ 20,392
The average duration of the defined benefit obligation	10 years, 11 years, 13 years	11 years, 11 years, 13 years

19. EQUITY

a. Ordinary shares

	December 31	
	2020	2019
Number of shares authorized (in thousands)	1,000,000	1,000,000
Shares authorized	\$ 10,000,000	\$ 10,000,000
Number of shares issued and fully paid (in thousands)	330,866	309,579
Shares issued	\$ 3,308,663	\$ 3,095,789

Fully paid ordinary shares, which have a par value of \$10, carry one vote per share and carry a right to dividends.

On September 17, 2020, the Corporation's board of directors resolved to issue 12,000 thousand ordinary shares, with a par value of \$10, for a consideration of \$195 per share. On October 20, 2020, the above transaction was approved by the FSC, and the subscription base date was determined as at December 22, 2020 by the board of directors.

According to the Company Act, the issuance of ordinary shares for cash shall appropriate 10% of the total amount of new shares for subscription by employees. According to IFRS 2 “Share-based Payment”, the Group recognized salary expense and share premium in the amount of \$65,196 thousand in 2020.

b. Capital surplus

	December 31	
	2020	2019
May be used to offset a deficit, distributed as cash dividends, or <u>transferred to share capital (1)</u>		
Issuance of ordinary shares	\$ 5,509,020	\$ 3,230,834
<u>May only be used to offset a deficit</u>		
Changes in percentage of ownership interests in subsidiaries (2)	84,098	-
Invalid employee shares	<u>7,450</u>	<u>5,440</u>
	<u>\$ 5,600,568</u>	<u>\$ 3,236,274</u>

1) Such capital surplus may be used to offset a deficit; in addition, when the Corporation has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Corporation’s capital surplus and to once a year).

2) Such capital surplus arises from the effects of changes in ownership interests in subsidiaries resulting from equity transactions, other than actual disposals or acquisitions.

c. Retained earnings and dividends policy

The shareholders of the Corporation held their regular meeting on June 28, 2019 and in that meeting, resolved the amendments to the Articles of Incorporation of the Corporation. Under the dividends policy as set forth in the amended Articles, where the Corporation made a profit in a fiscal year, the profit shall be first utilized for offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, until the accumulated legal reserve equals the Corporation’s paid-in capital, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit shall be distributed as dividends, where the dividends distributed should not exceed 6% of the remaining profit. The Corporation’s profit may be distributed in the form of cash or share dividends; however, the ratio of share dividends distributed shall not exceed two-thirds of the Corporation’s total amount of dividends and bonuses distributed to shareholders. A distribution plan is also to be made by the board of directors and should be resolved in the shareholder’s meeting. The dividends could be distributed in whole or in part by cash after the resolution has been passed by more than half of the directors present at the meeting of the board of directors, in which at least two-thirds of the total number of directors should be present. In addition, a report of such distribution shall be submitted to the shareholders’ meeting. For the policies on the distribution of compensation of employees and remuneration of directors after the amendment, refer to compensation of employees and remuneration of directors in Note 20-c.

The legal reserve may be used to offset deficits. If the Corporation has no deficit and the legal reserve has exceeded 25% of the Corporation’s paid-in capital, the excess may be transferred to capital or distributed in cash.

The appropriations of cash dividends per share for 2019 had been approved by the board of directors on May 5, 2020 and the appropriations of earnings for 2019 and 2018 which have been approved in the shareholders' meetings on June 19, 2020 and June 28, 2019, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	For the Year Ended December 31		For the Year Ended December 31	
	2019	2018	2019	2018
Legal reserve	\$ 186,532	\$ 539,226		
Reversal of special reserve	-	(250,940)		
Cash dividends	557,242	2,103,934	\$ 1.8	\$ 7.0
Share dividends	92,874	90,169	0.3	0.3

The appropriations of earnings for 2020 had been proposed by the Corporation's board of directors on March 23, 2021. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 179,002	
Cash dividends	661,733	\$ 2
Share dividends	99,260	0.3

The appropriation of earnings for 2020 is subject to the resolution of the shareholders in their meeting to be held on June 28, 2021.

20. NET PROFIT FROM CONTINUING OPERATIONS

a. Finance costs

	For the Year Ended December 31	
	2020	2019
Interest on bank loans	\$ 210,270	\$ 185,933
Interest on lease liabilities	<u>10,651</u>	<u>11,424</u>
	<u>\$ 220,921</u>	<u>\$ 197,357</u>

Information about capitalized interest is as follows:

	For the Year Ended December 31	
	2020	2019
Capitalized interest	\$ 26,894	\$ 44,743
Capitalization rates (%)	1.08-4.90	1.35-4.90

b. Employee benefits expense, depreciation and amortization expenses

	Operating Costs	Operating Expenses	Total
<u>For the Year Ended December 31, 2020</u>			
Short-term employee benefits	\$ 3,309,979	\$ 2,111,330	\$ 5,421,309
Post-employment benefits			
Defined contribution plans	97,956	62,943	160,899
Defined benefit plans (Note 18)	5,915	7,796	13,711
Equity-settled share-based payments	38,303	26,893	65,196
Other employee benefits	137,780	65,079	202,859
Depreciation expenses	1,888,088	381,385	2,269,473
Amortization expenses	28,632	30,238	58,870
<u>For the Year Ended December 31, 2019</u>			
Short-term employee benefits	2,570,376	2,009,270	4,579,646
Post-employment benefits			
Defined contribution plans	105,428	71,725	177,153
Defined benefit plans (Note 18)	2,481	850	3,331
Other employee benefits	181,205	139,240	320,445
Depreciation expenses	1,830,008	361,299	2,191,307
Amortization expenses	27,743	31,202	58,945

c. Compensation of employees and remuneration of directors

According to the Articles of Incorporation of the Corporation, the Corporation accrues compensation of employees and remuneration of directors at rates of no less than 1% and no higher than 4%, respectively, of net profit before income tax, compensation of employees, and the remuneration of directors. The compensation of employees and remuneration of directors for the years ended December 31, 2020 and 2019 which have been approved by the Corporation's board of directors on March 23, 2021 and March 25, 2020, respectively, were as follows:

Cash	For the Year Ended December 31			
	2020		2019	
	Accrual rate	Amount	Accrual rate	Amount
Compensation of employees	5.9%	\$ 154,385	5.9%	\$ 149,304
Remuneration of directors	2.9%	77,193	2.9%	74,652

If there will be a change in the amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

There was no difference between the actual amounts of compensation of employees and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2019 and 2018.

Information on the compensation of employees and remuneration of directors resolved by the Corporation's board of directors in 2021 and 2020 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

21. INCOME TAXES

a. Major components of income tax expense recognized in profit or loss

	For the Year Ended December 31	
	2020	2019
Current tax		
In respect of the current year	\$ 367,683	\$ 391,607
Income tax of unappropriated earnings	29,113	58,654
Land value increment tax	34,729	-
Adjustments for prior years	43,458	25,718
Deferred tax		
In respect of the current year	<u>129,709</u>	<u>92,993</u>
Income tax expense recognized in profit or loss	<u>\$ 604,692</u>	<u>\$ 568,972</u>

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

	For the Year Ended December 31	
	2020	2019
Income tax expense calculated at the statutory rate	\$ 593,364	\$ 510,274
Non-deductible expenses in determining taxable income	661	1,532
Tax-exempt income	(97,422)	(58,948)
Others	(13,966)	17,082
Income tax on unappropriated earnings	66,690	147,172
Investment tax credits used	(139,498)	(206,008)
Loss carryforwards used	<u>(8,932)</u>	<u>-</u>
Current tax	400,897	411,104
Land value increment tax	34,729	-
Unrecognized deductible temporary differences and loss carryforwards	125,608	132,150
Adjustments for prior years' tax	<u>43,458</u>	<u>25,718</u>
Income tax expense recognized in profit or loss	<u>\$ 604,692</u>	<u>\$ 568,972</u>

The applicable tax rate used by the corporate that was applicable to the Income Tax Act in the ROC is 20%; the applicable tax rate used by subsidiaries in China is 25%. Tax rates used by other entities in the Group operating in other jurisdictions are based on the tax laws in those jurisdictions.

In July 2019, the president of the ROC announced the amendments to the Statute for Industrial Innovation, which stipulate that the amounts of unappropriated earnings in 2018 and thereafter that are reinvested in the construction or purchase of certain assets or technologies are allowed as deduction when computing the income tax on unappropriated earnings. When calculating the tax on unappropriated earnings, the Group only deducts the amount of the unappropriated earnings that has been reinvested in capital expenditure.

In accordance with Rule No. 10904550440 issued by the Ministry of Finance (MOF) of the ROC, the Group used the losses incurred in the first quarter of 2020 to estimate losses for the first six months of 2020 and this amount is deducted from the Group's unappropriated earnings for 2018 for filing the additional tax. For the 2020 consolidated financial reporting purpose, the tax on unappropriated earnings for 2018 is measured based on the actual profit for 2020, and the current income tax payable is adjusted accordingly.

In addition, in accordance with Rule No. 10904558730 issued by the MOF, the Group has deducted the amount of dividends distributed in 2020 attributable to the increase in the beginning retained earnings for 2018 as a result of initial adoption of IFRS 9 when calculating the tax on unappropriated earnings for 2018.

- b. Income tax expense (gain) recognized in other comprehensive income

	For the Year Ended December 31	
	2020	2019
<u>Deferred tax</u>		
In respect of the current year:		
Translation of foreign operations	\$ 18,176	\$ (33,482)
Remeasurement of defined benefit plans	<u>(14,874)</u>	<u>7,751</u>
	<u>\$ 3,302</u>	<u>\$ (25,731)</u>

- c. Deferred tax assets and liabilities

	For the Year Ended December 31, 2020			
	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Unrealized intercompany profit	\$ 121,474	\$ (23,514)	\$ -	\$ 97,960
Doubtful debts	8,540	(1,647)	-	6,893
Allowance for inventory devaluation	76,252	19,832	-	96,084
Payable for annual leave	17,919	4,872	-	22,791
Defined benefit obligation	20,146	(8,447)	14,874	26,573
Impairment loss on financial assets	7,022	(2,951)	-	4,071
Provisions	4,844	(90)	-	4,754
Financial liabilities at FVTPL	-	1,440	-	1,440
Exchange difference on foreign operations	102,456	-	(18,176)	84,280
Deferred expenses	5,217	(2,284)	-	2,933
Unrealized loss on foreign currency exchange	14,737	(14,737)	-	-
Loss carryforwards	7,454	(7,454)	-	-
Others	<u>2,267</u>	<u>11,674</u>	<u>-</u>	<u>13,941</u>
	<u>\$ 388,328</u>	<u>\$ (23,306)</u>	<u>\$ (3,302)</u>	<u>\$ 361,720</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Unappropriated earnings of subsidiaries	\$ 399,207	\$ 91,798	\$ -	\$ 491,005
Unrealized gain on foreign currency exchange	-	21,411	-	21,411
Financial assets at FVTPL	511	(511)	-	-
Intangible assets	4,643	(4,643)	-	-
Others	<u>45,993</u>	<u>(1,652)</u>	<u>-</u>	<u>44,341</u>
	<u>\$ 450,354</u>	<u>\$ 106,403</u>	<u>\$ -</u>	<u>\$ 556,757</u>

For the Year Ended December 31, 2019

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Unrealized intercompany profit	\$ 235,579	\$ (114,105)	\$ -	\$ 121,474
Doubtful debts	337	8,203	-	8,540
Allowance for inventory devaluation	62,487	13,765	-	76,252
Payable for annual leave	24,393	(6,474)	-	17,919
Defined benefit obligation	26,832	1,065	(7,751)	20,146
Impairment loss on financial assets	7,022	-	-	7,022
Provisions	7,663	(2,819)	-	4,844
Financial liabilities at FVTPL	5,910	(5,910)	-	-
Exchange difference on foreign operations	68,974	-	33,482	102,456
Deferred expenses	7,525	(2,308)	-	5,217
Unrealized loss on foreign currency exchange	23	14,714	-	14,737
Loss carryforwards	-	7,454	-	7,454
Others	<u>14,880</u>	<u>(12,613)</u>	<u>-</u>	<u>2,267</u>
	<u>\$ 461,625</u>	<u>\$ (99,028)</u>	<u>\$ 25,731</u>	<u>\$ 388,328</u>

Deferred tax liabilities

Temporary differences				
Unappropriated earnings of subsidiaries	\$ 412,487	\$ (13,280)	\$ -	\$ 399,207
Unrealized gain on foreign currency exchange	8,766	(8,766)	-	-
Financial assets at FVTPL	-	511	-	511
Depreciation expenses	3,655	(3,655)	-	-
Intangible assets	5,663	(1,020)	-	4,643
Others	<u>25,818</u>	<u>20,175</u>	<u>-</u>	<u>45,993</u>
	<u>\$ 456,389</u>	<u>\$ (6,035)</u>	<u>\$ -</u>	<u>\$ 450,354</u>

- d. Deductible temporary differences and unused loss carryforwards for which no deferred tax assets have been recognized in the consolidated balance sheets

	December 31	
	2020	2019
Loss carryforwards	\$ 6,587,087	\$ 5,365,316
Investment loss	2,306,601	1,910,137
Deductible temporary difference	<u>719,227</u>	<u>978,066</u>
	<u>\$ 9,612,915</u>	<u>\$ 8,253,519</u>

e. Information about unused loss carryforwards

Loss carryforwards as of December 31, 2020 comprised of:

Investee	Unused Amount	Expiry Year
Eterbright	\$ 4,577,934	2021-2030
Matrix Precision	858,780	2023-2030
HIWIN Japan	611,480	2023-2030
HIWIN Korea	226,093	2023-2030
Matrix	200,361	no limit
HIWIN Singapore	<u>112,439</u>	no limit
	<u>\$ 6,587,087</u>	

f. Information about tax-exemption

As of December 31, 2020, profits attributable to the following expansion projects were exempted from income tax for a 5-year period:

<u>Expansion of Construction Project</u>	<u>Tax-exemption Period</u>
Cash injection in 2009	January 2016 to December 2020

g. Income tax assessments

The tax returns of the Corporation, Eterbright and Matrix Precision through 2018 have been assessed by the tax authorities.

22. EARNINGS PER SHARE

	Net profit Attributable to Owners of the Corporation	Number of Shares (In Thousands)	Earnings Per Share (NT\$)
<u>For the Year Ended December 31, 2020</u>			
Basic earnings per share			
Profit for the year attributable to owners of the Corporation	\$ 1,929,730	319,194	<u>\$6.05</u>
Effect of potentially dilutive ordinary shares			
Compensation of employees	<u>-</u>	<u>580</u>	
Diluted earnings per share			
Profit for the year attributable to owners of the Corporation plus effect of potentially dilutive ordinary shares	<u>\$ 1,929,730</u>	<u>319,774</u>	<u>\$6.03</u>

	Net profit Attributable to Owners of the Corporation	Number of Shares (In Thousands)	Earnings Per Share (NT\$)
<u>For the Year Ended December 31, 2019</u>			
Basic earnings per share			
Profit for the year attributable to owners of the Corporation	\$ 1,865,316	318,866	<u>\$5.85</u>
Effect of potentially dilutive ordinary shares			
Compensation of employees	<u>-</u>	<u>962</u>	
Diluted earnings per share			
Profit for the year attributable to owners of the Corporation plus effect of potentially dilutive ordinary shares	<u>\$ 1,865,316</u>	<u>319,828</u>	<u>\$5.83</u>

The weighted average number of shares outstanding used for the earnings per share computation was adjusted retroactively for the issuance of bonus shares on August 18, 2020. The basic and diluted earnings per share adjusted retrospectively for the year ended December 31, 2019 were as follows:

	Unit: NT\$ Per Share	
	Before Retrospective Adjustment	After Retrospective Adjustment
Basic earnings per share	\$ <u>6.03</u>	\$ <u>5.85</u>
Diluted earnings per share	\$ <u>6.01</u>	\$ <u>5.83</u>

Since the Group offered to settle compensation paid to employees in cash or shares, the Group assumed the entire amount of the compensation will be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

23. BUSINESS COMBINATIONS

a. Subsidiaries acquired

Name of Subsidiary	Principal Activity	Date of Acquisition	Proportion of Voting Equity Interests Acquired (%)	Consideration Transferred (Cash)
HIWIN Schweiz	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	April 1, 2020	50	<u>\$ 66,300</u>

HIWIN Schweiz was acquired by the Group in order to expand the development in the field of drive control, enhance its competitive advantage and increase the scale of operations.

b. Assets acquired and liabilities assumed at the date of acquisition

Current assets	
Cash	\$ 78,948
Trade receivables	30,464
Inventories	171,005
Other current assets	5,175
Non-current assets	
Property, plant and equipment	7,067
Right-of-use assets	32,540
Other non-current assets	157
Current liabilities	
Trade and other payables	(60,879)
Lease liabilities - current	(6,191)
Other current liabilities	(6,795)
Non-current liabilities	
Lease liabilities - non-current	<u>(26,349)</u>
	<u>\$ 225,142</u>

c. Gain from bargain purchase on acquisition

Consideration transferred	\$ 66,300
Less: Fair value of identifiable net assets acquired	<u>(112,571)</u>
Gain from bargain purchase on acquisition	<u>\$ (46,271)</u>

Gain from bargain purchase arose from the consideration paid for the acquisition which was less than the fair value of the identifiable net assets acquired.

d. Net cash inflow on acquisition of subsidiaries

Consideration paid in cash	\$ 66,300
Less: Cash balances acquired	<u>(78,948)</u>
	<u>\$ (12,648)</u>

24. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

On December 1, 2020, the Corporation acquired additional shares of HIWIN Schweiz; thus, the Corporation's continuing interest increased from 50% to 81%.

On February 29, 2020, the Corporation did not subscribe for any newly issued shares of Matrix Precision; thus, the Corporation's continuing interest decreased from 71% to 51%, and recognized the amount of \$84,098 thousand in capital surplus.

On January 14, April 1 and April 30, 2019, the Corporation acquired additional shares of Matrix Precision; thus, the Corporation's continuing interest increased from 58% to 71%.

On July 1, 2019, the Corporation acquired additional shares of Matrix; thus, the Corporation's continuing interest increased from 52% to 100%.

The above transactions were accounted for as equity transactions, since the Corporation did not cease to have control over these subsidiaries.

25. CAPITAL MANAGEMENT

To support the needs for expansion and upgrade of its plant and equipment, the Group has to maintain an appropriate amount of capital. Therefore, the Group manages its capital to ensure it has the necessary financial resources and operating plan to support the required operating funds, capital expenditures, research and development fees, debt repayment and dividend payments in the next 12 months to achieve an overall balanced capital structure.

Key management personnel of the Group review the capital structure periodically. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Group may adjust the amount of dividends paid to shareholders and the amount of new debt issued or existing debt redeemed.

26. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments measured at fair value on a recurring basis

1) Fair value hierarchy

The Corporation's financial assets and liabilities at FVTPL are measured at fair value using Level 2 inputs, and the financial assets at FVTOCI are measured at fair value using Level 1 inputs and Level 3 inputs.

2) Valuation techniques and inputs applied for the purpose of Level 2 fair value measurement

<u>Financial Instruments</u>	<u>Valuation Techniques and Inputs</u>
Derivatives - foreign currency forward contracts	Discounted cash flow. Future cash flows are estimated based on observable forward exchange rates at the end of the reporting period and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

b. Categories of financial instruments

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>Financial assets</u>		
FVTPL		
Mandatorily classified as at FVTPL	\$ 128	\$ 2,584
Financial assets at amortized cost (1)	9,012,385	6,920,057
Financial assets at FVTOCI		
Equity instruments	944,234	1,026,394
<u>Financial liabilities</u>		
FVTPL		
Mandatorily classified as at FVTPL	7,327	29
Financial liabilities at amortized cost (2)	18,653,149	22,938,768

- 1) The balances included financial assets measured at amortized cost, which comprise cash and cash equivalents, notes receivable (including from related parties), trade receivables (including from related parties), financial assets at amortized cost - non-current and refundable deposits.
- 2) The balances included financial liabilities measured at amortized cost, which comprise short-term borrowings, short-term bills payable, notes payable, trade payables (including from related parties), other payables and long-term borrowings (including those due within one year).

c. Financial risk management objectives and policies

The Group's major financial instruments include equity and debt investments, trade receivables, trade payables, lease liabilities, bills payable and borrowings. The Group's corporate treasury function provides services to the business, monitors and manages the financial risks relating to the operations of the Group. These risks include market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk.

The plans for material treasury activities are reviewed by the audit committee and the board of directors in accordance with procedures required by relevant regulations and internal controls.

1) Market risk

The Group entered into some derivative financial instruments, mainly forward foreign exchange contracts, to manage its exposure to foreign currency risk arising on translation of sales and receivables from the export of precision component to USA, Germany, Japan and China.

There had been no change to the Group's exposure to market risks or the manner in which these risks were managed and measured.

a) Foreign currency risk

The Group's operating activities and net investment in foreign operations are denominated in foreign currencies. Consequently, the Group is exposed to foreign currency risk. To protect against reductions in value and the volatility of future cash flows caused by changes in foreign exchange rates, the Group utilizes foreign exchange forward contracts to hedge its currency exposure. These instruments help to reduce, but do not eliminate, the impact of foreign currency exchange rate movements.

Since the Group's net investments in foreign operations are held for strategic purposes, they are not hedged.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities and derivatives exposed to foreign currency risk at the end of the reporting period are set out in Note 30.

Sensitivity analysis

The sensitivity analysis of foreign currency risk used when reporting foreign currency risk internally to key management personnel mainly focuses on foreign currency denominated monetary items at the end of the reporting period. When the NTD had increased by 1% against the relevant foreign currency, the post-tax profit for the years ended December 31, 2020 and 2019 would have decreased by \$52,413 thousand and \$40,946 thousand, respectively.

b) Interest rate risk

The Group is exposed to interest rate risk because entities in the Group borrowed funds at both fixed and floating interest rates.

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

	December 31	
	2020	2019
Fair value interest rate risk		
Deposits in bank	\$ 240,872	\$ 222,926
Lease liabilities	579,112	640,378
Short-term bills payable	19,936	-
Short-term borrowings	162,350	2,020,000
Long-term borrowings	269,723	302,923
Cash flow interest rate risk		
Deposits in bank	2,270,615	1,720,881
Short-term borrowings	5,379,695	7,742,417
Long-term borrowings	7,895,804	9,049,620

Sensitivity analysis

For floating rate liabilities, the analysis was prepared assuming the amount of the liabilities outstanding at the end of the reporting period was outstanding for the whole year. A 1% increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 1% higher and all other variables were held constant, the Group's post-tax profit for the years ended December 31, 2020 and 2019 would have decreased by \$88,039 thousand and \$120,569 thousand, respectively.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. At the end of the reporting period, the counterparties are all creditworthy organizations; thus, no significant credit risk is expected.

The counterparties of the Group's trade receivables cover a large number of customers, spread across diverse industries. Ongoing credit evaluation is performed on the financial condition of the counterparties of trade receivables.

The Group's concentration of credit risk by geographical locations was mainly in Asia, which accounted for 71% and 70% of the total trade receivables as of December 31, 2020 and 2019, respectively.

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As of December 31, 2020 and 2019, the Group had available unutilized bank loan facilities of \$10,999,568 thousand and \$6,445,816 thousand, respectively.

The following table details the Group's remaining contractual obligations for its financial liabilities with agreed repayment periods. The tables below had been drawn up based on the undiscounted contractual maturities of the financial liabilities.

	Less Than 1 Year	1-5 Years	5+ Years
<u>December 31, 2020</u>			
Non-derivative financial liabilities			
Non-interest bearing	\$ 4,925,641	\$ -	\$ -
Lease liabilities	138,890	261,123	130,049
Fixed interest rate liabilities	240,599	189,407	22,003
Variable interest rate liabilities	<u>6,594,550</u>	<u>3,275,515</u>	<u>3,405,434</u>
	<u>\$ 11,899,680</u>	<u>\$ 3,726,045</u>	<u>\$ 3,557,486</u>
Derivative financial liabilities			
Foreign exchange forward contracts	<u>\$ 7,327</u>	<u>\$ -</u>	<u>\$ -</u>
<u>December 31, 2019</u>			
Non-derivative financial liabilities			
Non-interest bearing	\$ 3,823,808	\$ -	\$ -
Lease liabilities	169,695	351,492	188,578
Fixed interest rate liabilities	2,063,432	152,468	107,023
Variable interest rate liabilities	<u>9,218,270</u>	<u>3,658,858</u>	<u>3,914,909</u>
	<u>\$ 15,275,205</u>	<u>\$ 4,162,818</u>	<u>\$ 4,210,510</u>
Derivative financial liabilities			
Foreign exchange forward contracts	<u>\$ 29</u>	<u>\$ -</u>	<u>\$ -</u>

Additional information about the maturity analysis for lease liabilities:

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years
<u>December 31, 2020</u>					
Lease liabilities	<u>\$ 138,890</u>	<u>\$ 261,123</u>	<u>\$ 75,428</u>	<u>\$ 45,547</u>	<u>\$ 9,074</u>
<u>December 31, 2019</u>					
Lease liabilities	<u>\$ 169,695</u>	<u>\$ 351,492</u>	<u>\$ 110,698</u>	<u>\$ 57,475</u>	<u>\$ 20,405</u>

27. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Corporation and its subsidiaries, which are related parties of the Corporation, have been eliminated on consolidation and are not disclosed in this note. Details of significant transactions between the Group and other related parties are disclosed below.

a. Related party name and categories

<u>Related Party</u>	<u>Relationship with the Group</u>
HIWIN S.R.O.	Associate
Mega-Fabs Motion Systems Ltd. (Mega-Fabs)	Associate
Coventry Matrix Technologies Ltd.	Other related party (until July 1, 2019)
HIWIN Mikrosystem	Other related party
HIWIN Investment and Holding Corporation (HIWIN Investment Corporation)	Other related party
HIWIN Technologies Foundation in Education (HIWIN Education Foundation)	Other related party
All Horng Gear Industry Co., Ltd	Other related party
Taiwan Gong Ji Chang Co., Ltd	Other related party

b. Operating transactions

	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
1) Sales of goods		
Associates	\$ 163,387	\$ 189,870
Others	<u>110,489</u>	<u>64,704</u>
	<u>\$ 273,876</u>	<u>\$ 254,574</u>

Due to the differences in product specifications, the selling prices of goods sold to related parties and those sold to third parties are not comparable. The selling price is quoted at cost plus a reasonable margin based on the market and competitor pricing.

	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
2) Purchases of goods		
Others	\$ 510,697	\$ 624,496
Associates	<u>28</u>	<u>-</u>
	<u>\$ 510,725</u>	<u>\$ 624,496</u>

The products purchased from related parties and those from third parties are not the same; therefore, their prices are not comparable.

3) Other operating transactions

	For the Year Ended December 31	
	2020	2019
Non-operating income - dividend income (classified as other revenue)		
HIWIN Mikrosystem	\$ <u>375</u>	\$ <u>7,613</u>
Non-operating income - other income		
Others	\$ <u>274</u>	\$ <u>2,347</u>
Manufacturing and operating expenses		
Others	\$ <u>3,950</u>	\$ <u>3,031</u>
Operating expenses - donations		
HIWIN Education Foundation	\$ <u>8,400</u>	\$ <u>18,000</u>
	December 31	
	2020	2019

4) Notes receivable

Others	\$ <u>693</u>	\$ <u>878</u>
--------	---------------	---------------

5) Trade receivables

Associates	\$ 8,854	\$ 15,724
Others	<u>7,357</u>	<u>1,628</u>
	\$ <u>16,211</u>	\$ <u>17,352</u>

6) Other receivables (classified as other current assets)

Others	\$ <u>231</u>	\$ <u>515</u>
--------	---------------	---------------

7) Trade payables

Others	\$ <u>111,356</u>	\$ <u>131,925</u>
--------	-------------------	-------------------

8) Other payables

Others	\$ <u>1,165</u>	\$ <u>554</u>
--------	-----------------	---------------

c. Acquisition of property, plant and equipment

	Purchase Price	
	For the Year Ended December 31	
	2020	2019
Others	\$ <u>8,749</u>	\$ <u>5,400</u>

d. Acquisition of intangible assets (classified as other non-current assets)

	<u>Purchase Price</u> <u>For the Year</u> <u>Ended</u> <u>December 31,</u> <u>2019</u>
Others	\$ <u>1,372</u>

e. Lease arrangements

Lease arrangements represented the lease prices of the Corporation's factory. The lease prices were determined in accordance with mutual agreements and were based on the market price of the nearby factories and the lease area. The rental expenses were paid monthly.

	<u>For the Year Ended December 31</u> <u>2020</u>	<u>2019</u>
<u>Acquisition of right-of-use assets</u>		
Others	\$ <u>-</u>	\$ <u>8,303</u>

	<u>December 31</u> <u>2020</u>	<u>2019</u>
--	---	--------------------

Lease liabilities

Others	\$ <u>2,051</u>	\$ <u>6,304</u>
--------	-----------------	-----------------

	<u>For the Year Ended December 31</u> <u>2020</u>	<u>2019</u>
--	--	--------------------

Finance costs

Others	\$ <u>58</u>	\$ <u>44</u>
--------	--------------	--------------

f. Acquisition of financial assets

Related Party Category	Line Item	<u>For the Year Ended December 31, 2020</u>		
		Number of Shares (%)	Underlying Assets	Purchase Price
HIWIN Investment Corporation	Investment accounted for using the equity method	31	HIWIN Schweiz	\$ <u>200,000</u>

g. Compensation of key management personnel

	<u>For the Year Ended December 31</u> <u>2020</u>	<u>2019</u>
Short-term employee benefits	\$ 217,291	\$ 228,297
Post-employment benefits	1,269	770
Share-based payments	1,087	-
Termination benefits	<u>1,060</u>	<u>952</u>
	<u>\$ 220,707</u>	<u>\$ 230,019</u>

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

28. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets had been pledged or mortgaged as collateral for short-term, long-term bank loans and discounted notes receivable:

	December 31	
	2020	2019
Property, plant and equipment	\$ 16,297,167	\$ 16,769,287
Notes receivable	162,350	-
Right-of-use assets	75,682	76,142
Pledged deposits (classified as other current assets)	<u>2,000</u>	<u>5,300</u>
	<u>\$ 16,537,199</u>	<u>\$ 16,850,729</u>

29. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

- As of December 31, 2020 and 2019, unused letters of credit for purchases of raw materials and machinery and equipment amounted to \$186,454 thousand and \$150,507 thousand, respectively.
- As of December 31, 2020 and 2019, commitment for acquisition of property, plant and equipment amounted to \$722,762 thousand and \$1,275,485 thousand, respectively.

30. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Group's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies of the entities in the Group and the related exchange rates between foreign currencies and respective functional currencies are as follows:

	December 31, 2020			December 31, 2019		
	Foreign Currencies	Exchange Rate	Carrying Amount	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>						
Monetary items						
USD	\$ 19,309	28.480	\$ 549,928	\$ 17,384	29.980	\$ 521,175
EUR	25,457	35.02	891,513	28,963	33.59	972,871
JPY	2,081,325	0.2763	575,070	1,957,608	0.2760	540,300
RMB	1,102,378	4.377	4,825,108	758,276	4.305	3,264,379
Non-monetary items						
USD	804	28.480	22,910	5,017	29.980	150,410
ILS	13,639	8.740	119,202	11,397	8.666	98,764
<u>Financial liabilities</u>						
Monetary items						
USD	2,871	28.480	81,765	3,168	29.980	94,979
EUR	1,563	35.02	54,743	747	33.59	25,098
JPY	497,249	0.2763	137,390	179,855	0.2760	49,640
RMB	3,688	4.377	16,140	2,501	4.305	10,765

The Group is mainly exposed to the USD, EUR, JPY and RMB. The following information was aggregated by the functional currencies of the entities in the Group, and the exchange rates between the respective functional currencies and the presentation currency were disclosed. The significant (realized and unrealized) foreign exchange gains (losses) are as follows:

Foreign Currencies	For the Year Ended December 31			
	2020	Net Foreign	2019	Net Foreign
	Exchange Rate	Exchange Gain	Exchange Rate	Exchange Loss
NTD	1 (NTD:NTD)	<u>\$ 169,705</u>	1 (NTD:NTD)	<u>\$ (171,597)</u>

31. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 1) Financing provided to others. (Table 1)
- 2) Endorsements/guarantees provided. (Table 2)
- 3) Marketable securities held (excluding investments in subsidiaries, associates and joint controlled entities). (Table 3)
- 4) Marketable securities acquired and disposed at costs or prices at least NT\$300 million or 20% of the paid-in capital. (None)
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital. (None)
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital. (Table 4)
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 5)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 6)
- 9) Trading in derivative instruments. (Notes 7 and 26)
- 10) Other: intercompany relationships and significant intercompany transactions. (Table 7)
- 11) Information on investees. (Table 8)

b. Information on investments in mainland China

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 9)

- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:
- a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period. (None)
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period. (Tables 5 and 7)
 - c) The amount of property transactions and the amount of the resultant gains or losses. (None)
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the year and the purposes. (None)
 - e) The highest balance, the end of year balance, the interest rate range, and total current period interest with respect to financing of funds. (None)
 - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services. (None)
- c. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 10)

33. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. The Group's reportable segments are linear guideways, ballscrews and others.

a. Segment revenue and results

The following was an analysis of the Group's revenue and results from continuing operations by reportable segment.

	For the Year Ended December 31			
	Segment Revenue		Segment Profit	
	2020	2019	2020	2019
Linear guideways	\$ 13,959,404	\$ 13,667,485	\$ 1,829,781	\$ 2,667,167
Ballscrews	3,942,252	3,545,332	211,865	242,031
Others	<u>3,365,003</u>	<u>2,996,981</u>	<u>(309,172)</u>	<u>(508,308)</u>
Total from continuing operations	<u>\$ 21,266,659</u>	<u>\$ 20,209,798</u>	1,732,474	2,400,890
Subsidy revenue			123,581	53,743
Finance costs			(220,921)	(197,357)
Share of profit of associates accounted for using the equity method			33,700	15,857
Interest income			13,082	11,147
Gain from bargain purchase			46,271	-
Other income			126,497	161,547
Gain (loss) on disposal of property, plant and equipment			340,046	(12,077)
Net foreign exchange gain (loss)			186,774	(179,342)

(Continued)

For the Year Ended December 31			
Segment Revenue		Segment Profit	
2020	2019	2020	2019
Other expenses		\$ (31,043)	\$ (24,665)
Valuation loss on financial assets (liabilities) at FVTPL		(46,990)	15,433
Impairment loss		<u>-</u>	<u>(35,327)</u>
Profit before income tax		<u>\$ 2,303,471</u>	<u>\$ 2,209,849</u> (Concluded)

Segment revenue reported above represents revenue generated from external customers. The intersegment sales are eliminated for the years ended December 31, 2020 and 2019.

Segment profit represented the profit before tax earned by each segment without subsidy revenue, finance costs, share of profit of associates accounted for using the equity method, interest income, gain from bargain purchase, other income, gain (loss) on disposal of property, plant and equipment, net foreign exchange gain (loss), other expenses, valuation loss on financial assets (liabilities) at FVTPL, impairment loss and income tax expense. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

b. Segment total assets and liabilities

The Group had not reported segment assets and liabilities information to the chief operating decision maker. Thus, no disclosure is made.

c. Geographical information

The Group operates in Taiwan, Germany, China, Japan, and USA.

The Group's revenue from continuing operations from external customers and information about its non-current assets by location of assets are detailed below.

	Revenue from External Customers		Non-current Assets	
	Year Ended December 31		December 31	
	2020	2019	2020	2019
Taiwan	\$ 11,875,478	\$ 10,800,977	\$ 25,946,455	\$ 27,303,788
China	3,099,527	2,162,162	1,847,400	1,540,602
Germany	2,739,620	3,195,886	1,200,595	1,073,117
USA	1,020,183	1,045,061	439,601	474,973
Japan	783,389	1,292,002	821,610	845,519
Others	<u>1,748,462</u>	<u>1,713,710</u>	<u>388,083</u>	<u>380,451</u>
	<u>\$ 21,266,659</u>	<u>\$ 20,209,798</u>	<u>\$ 30,643,744</u>	<u>\$ 31,618,450</u>

d. Information about major customers

	For the Year Ended December 31			
	2020		2019	
	Amount	%	Amount	%
Customer A	\$ 3,965,792	19	\$ 2,292,954	11
Customer B	2,568,011	12	2,365,611	12

TABLE 1**HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES****FINANCING PROVIDED TO OTHERS
FOR THE YEARS ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)**

No.	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period (Note 4)	Ending Balance (Note 4)	Actual Amount Borrowed (Note 5)	Interest Rate	Nature of Financing (Note 2)	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 1)	Aggregate Financing Limit (Note 3)
													Item	Value		
0	The Corporation	HIWIN Japan	Other receivables from related parties	Yes	\$ 320,165	\$ 224,911	\$ 224,911	1.49%	1	Sales \$560,400	-	\$ -	-	\$ -	\$ 4,134,319	\$ 8,268,638
0	The Corporation	HIWIN Italy	Other receivables from related parties	Yes	155,289	31,269	31,269	1.49%	1	Sales 457,788	-	-	-	-	4,134,319	8,268,638
0	The Corporation	HIWIN Korea	Other receivables from related parties	Yes	166,619	-	-	1.49%	2	-	Operating capital	-	-	-	4,134,319	8,268,638
0	The Corporation	Matrix	Other receivables from related parties	Yes	39,640	-	-	1.49%	2	-	Operating capital	-	-	-	4,134,319	8,268,638

Note 1: The total amount for lending to a single company shall not exceed 15% of the net assets of the Corporation based on its latest financial statements. For financing provided by the Corporation due to business dealings, other than the aforementioned restrictions, the amount of financing is also limited to the higher of the total purchase or sales amount between the two parties within 1 year from the date of financing or in the most recent year based on the principle that business transactions have already occurred between the two parties.

Note 2: The nature of financing is numbered as follows:
1. A company that has business dealings with the lender.
2. A company with short-term financing needs.

Note 3: The total amount of the Corporation's accumulated financing provided should not exceed 30% of the Corporation's net assets as shown in its latest financial statements.

Note 4: The ending balance has been approved by the board of directors.

Note 5: Significant intercompany accounts and transactions have been eliminated.

TABLE 2

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

**ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEARS ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars and Foreign Currencies)**

No.	Endorser/Guarantor	Endorsee/Guaranteed Party		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note 1)	Maximum Amount Endorsed/ Guaranteed During the Year (Note 3)	Outstanding Endorsement/ Guarantee at the End of the Year (Notes 3 and 4)	Actual Amount Borrowed (Note 4)	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 2)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship										
0	The Corporation	Matrix	Subsidiary	\$ 2,756,213	\$ 79,280 (GBP 2,000)	\$ 77,800 (GBP 2,000)	\$ 46,680 (GBP 1,200)	\$ -	0.3%	\$ 9,646,745	Yes	-	-
0	The Corporation	HIWIN Italy	Subsidiary	2,756,213	350,800 (EUR 10,000)	350,200 (EUR 10,000)	113,015 (EUR 3,227)	-	1.3%	9,646,745	Yes	-	-
0	The Corporation	Eterbright	Subsidiary	2,756,213	2,550,000	2,250,000	1,847,000	-	8.2%	9,646,745	Yes	-	-
0	The Corporation	HIWIN Singapore	Subsidiary	2,756,213	177,780 (USD 6,000)	170,880 (USD 6,000)	32,752 (USD 1,150)	-	0.6%	9,646,745	Yes	-	-
0	The Corporation	HIWIN Korea	Subsidiary	2,756,213	346,680 (USD 12,000)	341,760 (USD 12,000)	160,912 (USD 5,650)	-	1.2%	9,646,745	Yes	-	-
0	The Corporation	HIWIN Japan	Subsidiary	2,756,213	1,284,318 (JPY 4,660,080)	734,129 (JPY 2,657,000)	595,612 (JPY 2,155,671)	-	2.7%	9,646,745	Yes	-	-
0	The Corporation	Matrix Precision	Subsidiary	2,756,213	900,000	900,000	599,000	-	3.3%	9,646,745	Yes	-	-

Note 1: The limit on the endorsements/guarantees provided for a single enterprise is 10% of the Corporation’s net assets as shown in its most recent financial statements. If approved by the board of directors, the amount of endorsements/guarantees provided by the Corporation for its subsidiaries is not subject to the foregoing limitations; however, it must not exceed 50% of the Corporation's net assets in its most recent financial statements.

Note 2: The aggregate endorsement/guarantee limit is 35% of the Corporation’s net assets as shown in its latest financial statements.

Note 3: The ending balance has been approved by the board of directors.

Note 4: The amounts denominated in foreign currencies were converted into New Taiwan dollars based on exchange rate prevailing at the end of last month.

TABLE 3

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2020				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
The Corporation	<u>Government bond</u> Central Government Bond 2012-1	-	Financial assets at amortized cost - non-current	-	\$ 2,906	-	\$ 2,906	
	<u>Share capital</u> HIWIN Mikrosystem	-	Financial assets at FVTOCI - non-current	9,431,363	860,140	8	860,140	
	Ever Fortune. AI Co., Ltd.	-	Financial assets at FVTOCI - non-current	2,573,000	45,017	3	45,017	
	Taichung International Country Club	-	Financial assets at FVTOCI - non-current	1	2,650	-	2,650	
	Sunengine	-	Financial assets at FVTOCI - non-current	588,149	-	10	-	
	King Kong Iron Work Ltd.	-	Financial assets at FVTOCI - non-current	76,300	-	-	-	
	Kaland	-	Financial assets at FVTOCI - non-current	323,289	36,427	19	36,427	

Note: For information on the investments in subsidiaries and associates, see Tables 8 and 9.

TABLE 4

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

**DISPOSAL OF INDIVIDUAL REAL ESTATE AT PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEARS ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)**

Seller	Property	Event Date	Original Acquisition Date	Carrying Amount	Transaction Amount	Collection	Gain (Loss) on Disposal	Counterparty	Relationship	Purpose of Disposal	Price Reference	Other Terms
The Corporation	Property, plant and accessory equipment on Tanxing Section, Tanzi District, Taichung City, Taiwan	2020.7.24	1982.12.31-2018.12.21	\$ 333,136	\$ 680,000 (Tax included)	\$ 680,000	\$ 302,707	SHANG HAO BIOMEDICAL TECHNOLOGY CO., LTD.	None	Re-planning and consolidation of production plants and enhancing asset utilization	Valuation amount of \$652,847 thousand appraised by Honest Specialty Appraiser Group	-

TABLE 5**HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES**

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEARS ENDED DECEMBER 31, 2020**

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount (Note 1)	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance (Note 1)	% to Total	
The Corporation	HIWIN China	Subsidiary	Sale	\$ (2,496,837)	(15%)	O/A 120 days	\$ -	-	\$ 981,980	16%	
	HIWIN Germany	Subsidiary	Sale	(1,080,275)	(6%)	O/A 90 days	-	-	265,352	4%	
	HIWIN Italy	Subsidiary	Sale	(401,721)	(2%)	O/A 180 days	-	-	314,169	5%	
	HIWIN Japan	Subsidiary	Sale	(320,186)	(2%)	O/A 150 days	-	-	221,840	4%	
	HIWIN USA	Subsidiary	Sale	(267,617)	(2%)	O/A 120 days	-	-	96,283	2%	
	HIWIN Korea	Subsidiary	Sale	(194,858)	(1%)	O/A 180 days	-	-	73,435	1%	
	Eterbright	Subsidiary	Sale	(123,808)	(1%)	T/T 120 days	-	-	129,817	2%	
	HIWIN Singapore	Subsidiary	Sale	(119,117)	(1%)	O/A 120 days	-	-	47,121	1%	
HIWIN China	The Corporation	Parent company	Purchase	2,496,837	96%	O/A 120 days	-	-	(981,980)	(97%)	
HIWIN Germany	The Corporation	Parent company	Purchase	1,080,275	60%	O/A 90 days	-	-	(265,352)	(82%)	
	HIWIN Mikrosystem	Other related parties	Purchase	128,255	7%	O/A 90 days	-	-	(31,797)	(10%)	
	HIWIN S.R.O.	Other related parties	Sale	(155,978)	(6%)	O/A 45 days	-	-	8,854	7%	
HIWIN Italy	The Corporation	Parent company	Purchase	401,721	82%	O/A 180 days	-	-	(314,169)	(86%)	
HIWIN Japan	The Corporation	Parent company	Purchase	320,186	84%	O/A 150 days	-	-	(221,840)	(92%)	
HIWIN USA	The Corporation	Parent company	Purchase	267,617	48%	O/A 120 days	-	-	(96,283)	(69%)	
	HIWIN Mikrosystem	Other related parties	Purchase	191,649	35%	O/A 90 days	-	-	(36,487)	(26%)	
HIWIN Korea	The Corporation	Parent company	Purchase	194,858	85%	O/A 180 days	-	-	(73,435)	(95%)	
Eterbright	The Corporation	Parent company	Purchase	4,828	9%	T/T 120 days	-	-	(194)	(2%)	
			Purchase	118,980	-	-	-	-	(129,623)	-	
HIWIN Singapore	The Corporation	Parent company	Purchase	119,117	84%	O/A 120 days	-	-	(47,121)	(76%)	(Note 2)

Note 1: Except for HIWIN Mikrosystem for and HIWIN S.R.O., significant intercompany accounts and transactions have been eliminated.

Note 2: Eterbright recognized property, plant and equipment and payables for purchase of equipment in the balance sheets.

TABLE 6

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)**

Company Name	Related Party	Relationship	Ending Balance (Note)	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
The Corporation	HIWIN Japan	Subsidiary	Trade receivables from related parties	\$ 221,840	1.36	\$ -	-	\$ -
	HIWIN Japan	Subsidiary	Other receivables from related parties	225,880	-	-	-	32,152
	HIWIN Germany	Subsidiary	Trade receivables from related parties	265,352	4.37	-	-	264,303
	HIWIN Italy	Subsidiary	Trade receivables from related parties	314,169	1.29	-	-	69,514
	HIWIN Italy	Subsidiary	Other receivables from related parties	31,605	-	-	-	31,605
	HIWIN China	Subsidiary	Trade receivables from related parties	981,980	3.15	-	-	498,278
	Eterbright	Subsidiary	Trade receivables from related parties	129,817	1.69	-	-	191

Note: Significant intercompany accounts and transactions have been eliminated.

TABLE 7**HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES****INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS****FOR THE YEARS ENDED DECEMBER 31, 2020****(In Thousands of New Taiwan Dollars)**

No.	Investee Company	Counterparty	Relationship (Note 1)	Transaction Details			
				Financial Statement Account	Amount (Note 2)	Payment Terms	% to Total Sales or Assets
0	The Corporation	HIWIN Germany	1	Sales	\$ 1,080,275	O/A 90 days	5
			1	Trade receivables	265,352	O/A 90 days	1
		HIWIN Japan	1	Sales	320,186	O/A 150 days	2
			1	Trade receivables	221,840	O/A 150 days	-
		HIWIN China	1	Other receivables	225,880	-	-
			1	Sales	2,496,837	O/A 120 days	12
		HIWIN Italy	1	Trade receivables	981,980	O/A 120 days	2
			1	Sales	401,721	O/A 180 days	2
		HIWIN USA	1	Trade receivables	314,169	O/A 180 days	1
			1	Other receivables	31,605	-	-
		HIWIN Korea	1	Sales	267,617	O/A 120 days	1
			1	Trade receivables	96,283	O/A 120 days	-
		HIWIN Singapore	1	Sales	194,858	O/A 180 days	1
			1	Trade receivables	73,435	O/A 180 days	-
		Eterbright	1	Sales	119,117	O/A 120 days	1
			1	Trade receivables	47,121	O/A 120 days	-
			1	Sales	123,808	T/T 120 days	1
			1	Trade receivables	129,817	T/T 120 days	-

Note 1: Relationship of investee company to counterparty: (1) parent company to subsidiary; (2) subsidiary to parent company.

Note 2: Significant intercompany accounts and transactions have been eliminated.

Note 3: Unrealized gains from HIWIN China totaled \$83,439 thousand.

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTEEES
FOR THE YEARS ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars and Foreign Currencies)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2020			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2020	December 31, 2019	Number of Shares	%	Carrying Amount			
The Corporation	HIWIN Germany	Germany	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	\$ 224,257	\$ 224,257	-	100	\$ 1,934,803	\$ 184,400	\$ 184,400	Subsidiary
	HIWIN USA	United States of America	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	353,844	353,844	2,148,000	100	648,513	103,997	103,997	Subsidiary
	HIWIN Japan	Japan	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	817,642	817,642	54,200	100	39,300	(176,778)	(176,778)	Subsidiary
	Mega-Fabs	Israel	Research, manufacture and sale of drivers and controllers	42,444	42,444	240,000	40	152,032	48,985	19,594	Investment accounted for using the equity method
	Eterbright	Taiwan	Research, development, design, manufacture and sale of solar cell, electronic components, electric power supply, electric transmission and power distribution machinery products	2,983,556	2,983,556	171,449,427	74	(643,793)	(534,534)	(396,464)	Subsidiary
	HIWIN Singapore	Singapore	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	117,550	117,550	5,000,000	100	(885)	48,063	48,063	Subsidiary
	HIWIN Korea	Korea	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	202,945	202,945	1,440,000	100	(85,532)	(21,203)	(21,203)	Subsidiary
	Matrix Precision	Taiwan	Research, development, production, manufacture and sale of gear cutting tools and machinery	603,244	603,244	2,171,075	51	95,313	(212,378)	(115,153)	Subsidiary
	HIWIN Healthcare Corp.	Samoa	Sale of medical robots	3,108	3,108	100,000	100	2,706	(32)	(32)	Subsidiary
	HIWIN Italy	Italy	Manufacture and sale of aerospace parts, ballscrews, linear guideways, and industrial robots	296,580	296,580	-	100	88,729	28,376	28,376	Subsidiary
	Matrix	United Kingdom	Design integrated application, research, development, manufacture and sale of thread forming machinery	461,344	461,344	4,649,500	100	261,614	(53,544)	(49,337)	Subsidiary
	HIWIN Schweiz	Switzerland	Manufacture and sale of aerospace parts, ballscrews, linear guideways, and industrial robots	266,300	-	243,000	81	206,720	19,398	16,110	Subsidiary
HIWIN Germany	HIWIN S.R.O.	Czech Republic	Sale of aerospace parts, ballscrews, linear guideways, and industrial robots	104 (CZK 70)	104 (CZK 70)	-	32	67,800 (EUR 1,936)	(Note 1)	(Note 1)	Investment accounted for using the equity method
	HIWIN Schweiz	Switzerland	Manufacture and sale of aerospace parts, ballscrews, linear guideways, and industrial robots	3,320 (EUR 72)	3,320 (EUR 72)	57,000	19	45,066	19,398	-	Subsidiary

Note 1: Exempted from disclosure in accordance with regulations.

Note 2: Except for Mega-Fabs and HIWIN S.R.O., the remaining investee companies are all consolidated entities and the significant intercompany accounts and transactions have been eliminated.

Note 3: For information on investments in mainland China, see Table 9.

TABLE 9

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEARS ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars and Foreign Currencies)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investments from Taiwan as of January 1, 2020	Remittance of Funds		Accumulated Outward Remittance for Investments from Taiwan as of December 31, 2020	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2020	Accumulated Repatriation of Investment Income as of December 31, 2020
					Outward	Inward						
YIFU Finance	Finance leasing	\$ 239,602 (USD 8,413)	(Note 1)	\$ 139,733 (USD 5,017)	\$ -	\$ 120,477 (USD 4,213)	\$ 19,256 (USD 804)	\$ (34,829)	19	(Note 3)	\$ 36,427	\$ 110,732 (USD 3,614)
HIWIN China	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	1,498,040 (RMB 300,000)	(Note 2)	1,498,040 (RMB 300,000)	-	-	1,498,040 (RMB 300,000)	70,402	100	\$ 70,402 (Notes 4 and 6)	1,798,349 (Note 6)	-
Luren Shanghai	Sale of gear cutting tools and machinery	14,047 (USD 439)	(Note 2)	14,047 (USD 439)	-	-	14,047 (USD 439)	(6,790)	51	(3,686) (Notes 4 and 6)	2,183 (Note 6)	-
Suzhou Matrix	Sale of gear cutting tools and machinery	9,076 (RMB 2,000)	(Note 2)	9,076 (RMB 2,000)	-	-	9,076 (RMB 2,000)	153	51	83 (Notes 4 and 6)	2,797 (Note 6)	-

Investor Company	Accumulated Outward Remittance for Investments in Mainland China as of December 31, 2020	Investment Amounts Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA
The Corporation	\$ 1,517,296 (USD 804 and RMB 300,000)	\$ 1,583,660 (USD 9,500 and RMB 300,000)	(Note 5)
Matrix Precision	\$ 23,123 (USD 439 and RMB 2,000)	\$ 23,123 (USD 439 and RMB 2,000)	\$ 58,733 (Note 5)

Note 1: The investment in the company in mainland China was made through reinvestment in an existing company established in a third country.

Note 2: The investment in mainland China was made directly.

Note 3: The investment in Kaland was accounted for as a financial asset measured at FVTOCI; thus, no investment gain or loss was recognized.

Note 4: The investment gain (loss) is recognized according to the financial statements audited by the Corporation's independent auditors.

Note 5: Calculated in accordance with the "Regulations on Screening and Approval of Investment and Technical Cooperation in Mainland China" issued by the Investment Commission of the Ministry of Economic Affairs, the Corporation has been certified by the Industrial Development Bureau of the Ministry of Economic Affairs as an enterprise that has conformed to the scope of operations of the headquarters; therefore, there is no investment limit. The upper limit on the amount of investments in Matrix Precision is 60% of the net assets of Matrix Precision.

Note 6: Significant intercompany accounts and transactions have been eliminated.

TABLE 10**HIWIN TECHNOLOGIES CORPORATION****INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2020**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership
HIWIN Investment Corporation	22,363,669	6.75%

Note 1: The information on major shareholders disclosed in the table above was calculated by the Taiwan Depository & Clearing Corporation based on the number of ordinary and preference shares held by shareholders with ownership of 5% or greater, that had completed dematerialized registration and delivery (including treasury shares) as of the last business day of the current quarter. The share capital recorded in the consolidated financial statements may differ from the number of shares that have completed dematerialized registration and delivery due to differences in the basis of preparation.

Note 2: If the above information is related to shareholders who have delivered their shares held to a trust, the information is separately disclosed by each trustor's account opened by the trustee. As for the declaration of insider shareholdings exceeding 10% in accordance with the securities and exchange act, the shareholdings include the shares held by the shareholder as well as those that have been delivered to the trust and for which the shareholder has the right to determine the use of trust property. For information on the declaration of insider shareholdings, refer to the Market Observation Post System website of the TWSE.

Appendix ii : Independent Financial Report of Recent Year audited and signed by CPA

The Board of Directors and Shareholders
Hiwin Technologies Corporation

Opinion

We have audited the accompanying financial statements of Hiwin Technologies Corporation (the “Company”), which comprise the balance sheets as of December 31, 2020 and 2019, and 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 “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, 2020 and 2019, 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 auditing standards generally accepted in 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, 2020. 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 matters of the Company’s financial statements for the year ended December 31, 2020 are as follows:

Revenue Recognition

The sales of the Company mainly rely on distribution channels. Revenue from the sale of goods is recognized when the Company satisfies the performance obligations. There is a risk that revenue might be recognized even when specific conditions have not been satisfied. Because of the risk of misstatement and materiality of sales revenue generated by distribution channels, we identified sales revenue as a key audit matter. The accounting policy on sales revenue recognition is disclosed in Note 4 to the financial statements.

Our key audit procedures performed in respect of revenue recognition included the following:

1. We understood the internal controls and evaluated the design and implementation of key controls, and tested the operating effectiveness of relevant controls over order acceptance and shipping procedures; we selected sample sales transactions of distribution channels and verified that order receipts and the timing of the revenue recognition were in accordance with the terms of transaction.
2. We validated the terms of transactions against sales contracts and orders from major distributors to

ensure the consistency between terms of transaction and the timing of the revenue recognition; we tested the records of sales returns against source documents and checked whether there was any unusual item during the year and after the balance sheet date.

Valuation and Impairment Assessment of Inventory

As of December 31, 2020, the carrying amount of inventory was \$3,675,909 thousand. Such carrying amount of inventory is measured at the lower of cost or net realizable value, which subject to the management's judgment and estimation uncertainty. Therefore, valuation and impairment assessment of inventory was identified as a key audit matter. The accounting policy on the valuation and impairment assessment of inventory and the details of inventory are disclosed in Notes 4, 5 and 10 to the financial statements.

Our key audit procedures performed in respect of the valuation and impairment assessment included the following:

1. We understood the related internal controls and procedures on the valuation of inventory and assessed that impairment assessment was in accordance with the approved procedures.
2. We assessed the reasonableness of allowance for impairment of inventory by reference to aging of inventories and the level of inventory consumed and sold during the year.
3. We tested the net realizable value of sample inventory items against the selling price, and checked the completeness and accuracy of the net realizable value.
4. We compared the net realizable value of the sample inventory items with the carrying amount to confirm that the carrying amount of inventory did not exceed its net realizable value.
5. We evaluated the adequacy of provision for obsolete and damaged inventories during our observation of inventory counts.

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 auditing standards generally accepted in 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 auditing standards generally accepted in 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, 2020 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 Done-Yuin Tseng and Li-Tung Wu.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 23, 2021

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.

HIWIN TECHNOLOGIES CORPORATION

BALANCE SHEETS

DECEMBER 31, 2020 AND 2019

(In Thousands of New Taiwan Dollars)

ASSETS	2020		2019	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 1,333,122	3	\$ 1,088,132	3
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	128	-	2,584	-
Notes receivable from unrelated parties, net (Notes 4 and 9)	51,500	-	52,217	-
Trade receivables from unrelated parties, net (Notes 4 and 9)	3,916,607	10	2,953,386	7
Trade receivables from related parties, net (Notes 4 and 26)	2,152,891	5	1,626,173	4
Inventories (Notes 4, 5 and 10)	3,675,909	9	4,986,384	12
Other current assets (Note 26)	<u>472,616</u>	<u>1</u>	<u>452,691</u>	<u>1</u>
Total current assets	<u>11,602,773</u>	<u>28</u>	<u>11,161,567</u>	<u>27</u>
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	944,234	2	1,023,074	2
Financial assets at amortized cost - non-current (Note 4)	2,906	-	2,922	-
Investments accounted for using the equity method (Notes 4, 11, 22, 23 and 26)	5,228,078	12	4,623,599	11
Property, plant and equipment (Notes 4, 12, 26 and 27)	21,629,762	52	22,336,826	53
Right-of-use assets (Notes 4, 13 and 26)	236,881	1	238,352	1
Deferred tax assets (Notes 4 and 20)	300,492	1	328,317	1
Prepayments for machinery and equipment (Notes 14 and 26)	1,713,968	4	2,226,117	5
Refundable deposits (Note 4)	10,385	-	17,007	-
Other non-current assets (Notes 4 and 26)	<u>144,458</u>	<u>-</u>	<u>36,424</u>	<u>-</u>
Total non-current assets	<u>30,211,164</u>	<u>72</u>	<u>30,832,638</u>	<u>73</u>
TOTAL	<u>\$ 41,813,937</u>	<u>100</u>	<u>\$ 41,994,205</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 15 and 27)	\$ 1,980,000	5	\$ 6,490,000	15
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	7,327	-	29	-
Contract liabilities - current (Note 4)	20,397	-	32,173	-
Notes payable	8,762	-	8,581	-
Trade payables to unrelated parties	3,056,834	7	2,031,328	5
Trade payables to related parties (Note 26)	12,397	-	27,412	-
Other payables (Notes 16 and 26)	1,151,080	3	1,037,711	3
Current tax liabilities (Notes 4 and 20)	259,185	1	35,855	-
Lease liabilities - current (Notes 4, 13 and 26)	48,593	-	50,676	-
Current portion of long-term borrowings (Notes 15 and 27)	982,093	2	1,238,479	3
Other current liabilities (Note 4)	<u>45,010</u>	<u>-</u>	<u>46,497</u>	<u>-</u>
Total current liabilities	<u>7,571,678</u>	<u>18</u>	<u>10,998,741</u>	<u>26</u>
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 15 and 27)	4,974,625	12	6,060,651	14
Deferred tax liabilities (Notes 4 and 20)	521,597	1	399,718	1
Lease liabilities - non-current (Notes 4, 13 and 26)	189,008	-	188,911	-
Net defined benefit liabilities - non-current (Notes 4 and 17)	263,247	1	240,154	1
Guarantee deposits	984	-	100	-
Credit balance for investments accounted for using the equity method (Notes 4 and 11)	730,210	2	362,677	1
Other non-current liabilities (Note 15)	<u>460</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total non-current liabilities	<u>6,680,131</u>	<u>16</u>	<u>7,252,211</u>	<u>17</u>
Total liabilities	<u>14,251,809</u>	<u>34</u>	<u>18,250,952</u>	<u>43</u>
EQUITY				
Ordinary shares	3,308,663	8	3,095,789	7
Capital surplus	5,600,568	13	3,236,274	8
Retained earnings				
Legal reserve	2,892,584	7	2,706,052	7
Unappropriated earnings	15,363,677	37	14,410,303	34
Other equity	<u>396,636</u>	<u>1</u>	<u>294,835</u>	<u>1</u>
Total equity	<u>27,562,128</u>	<u>66</u>	<u>23,743,253</u>	<u>57</u>
TOTAL	<u>\$ 41,813,937</u>	<u>100</u>	<u>\$ 41,994,205</u>	<u>100</u>

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

HIWIN TECHNOLOGIES CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	Amount	%	Amount	%
SALES (Notes 4 and 26)	\$ 16,783,132	100	\$ 14,831,319	100
COST OF GOODS SOLD (Notes 10, 19 and 26)	<u>12,933,183</u>	<u>77</u>	<u>10,631,630</u>	<u>72</u>
GROSS PROFIT	3,849,949	23	4,199,689	28
REALIZED GAIN (Note 4)	<u>117,570</u>	<u>1</u>	<u>570,527</u>	<u>4</u>
REALIZED GROSS PROFIT	<u>3,967,519</u>	<u>24</u>	<u>4,770,216</u>	<u>32</u>
OPERATING EXPENSES (Notes 19 and 26)				
Selling and marketing expenses	267,447	2	324,517	2
General and administrative expenses	723,872	4	636,079	5
Research and development expenses	<u>800,216</u>	<u>5</u>	<u>891,040</u>	<u>6</u>
Total operating expenses	<u>1,791,535</u>	<u>11</u>	<u>1,851,636</u>	<u>13</u>
PROFIT FROM OPERATIONS	<u>2,175,984</u>	<u>13</u>	<u>2,918,580</u>	<u>19</u>
NON-OPERATING INCOME AND EXPENSES				
Subsidy revenue (Note 4)	16,582	-	20,223	-
Finance costs (Notes 4, 19 and 26)	(118,576)	(1)	(103,690)	(1)
Share of profit or loss of subsidiaries and associates accounted for using the equity method (Notes 4 and 11)	(288,024)	(2)	(479,416)	(3)
Interest income (Notes 4 and 26)	7,925	-	8,114	-
Gain from bargain purchase (Note 4)	46,271	-	-	-
Other income (Note 26)	101,013	1	122,408	1
Gain (loss) on disposal of property, plant and equipment (Note 4)	334,842	2	(5,191)	-
Net foreign exchange gain (loss) (Notes 4 and 29)	167,947	1	(170,970)	(1)
Other expenses	(643)	-	(606)	-
Valuation gain (loss) on financial assets (liabilities) at fair value through profit or loss (Note 4)	<u>(46,990)</u>	<u>-</u>	<u>15,433</u>	<u>-</u>
Total non-operating income and expenses	<u>220,347</u>	<u>1</u>	<u>(593,695)</u>	<u>(4)</u>
PROFIT BEFORE INCOME TAX	2,396,331	14	2,324,885	15
INCOME TAX EXPENSE (Notes 4 and 20)	<u>466,601</u>	<u>3</u>	<u>459,569</u>	<u>3</u>
NET PROFIT FOR THE YEAR	<u>1,929,730</u>	<u>11</u>	<u>1,865,316</u>	<u>12</u>

(Continued)

HIWIN TECHNOLOGIES CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
(Note 4)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 17)	\$ (74,368)	-	\$ 38,754	-
Unrealized gain (loss) on investment in equity instruments at fair value through other comprehensive income	29,031	-	64,130	1
Share of other comprehensive income (loss) of subsidiaries and associates accounted for using the equity method	45,464	-	1,634	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 20)	<u>14,874</u>	<u>-</u>	<u>(7,751)</u>	<u>-</u>
	<u>15,001</u>	<u>-</u>	<u>96,767</u>	<u>1</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	90,880	1	(167,408)	(1)
Share of the other comprehensive income (loss) of subsidiaries and associates accounted for using the equity method	66	-	(514)	-
Income tax relating to items that may be reclassified subsequently to profit or loss (Note 20)	<u>(18,176)</u>	<u>-</u>	<u>33,482</u>	<u>-</u>
	<u>72,770</u>	<u>1</u>	<u>(134,440)</u>	<u>(1)</u>
Other comprehensive income (loss) for the year, net of income tax	<u>87,771</u>	<u>1</u>	<u>(37,673)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 2,017,501</u>	<u>12</u>	<u>\$ 1,827,643</u>	<u>12</u>
EARNINGS PER SHARE (Note 21)				
Basic	<u>\$ 6.05</u>		<u>\$ 5.85</u>	
Diluted	<u>\$ 6.03</u>		<u>\$ 5.83</u>	

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

(Concluded)

HIWIN TECHNOLOGIES CORPORATION

STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Dividends Per Share)

	Other Equity (Note 4)							
	Ordinary Shares (Note 18)	Capital Surplus (Note 18)	Retained Earnings (Note 18)			Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings			
BALANCE AT JANUARY 1, 2019	\$ 3,005,620	\$ 3,236,274	\$ 2,166,826	\$ 250,940	\$ 15,145,659	\$ (275,194)	\$ 650,334	\$ 24,180,459
Appropriation of 2018 earnings								
Legal reserve	-	-	539,226	-	(539,226)	-	-	-
Special reserve	-	-	-	(250,940)	250,940	-	-	-
Cash dividends - NT\$7.0 per share	-	-	-	-	(2,103,934)	-	-	(2,103,934)
Share dividends - NT\$0.3 per share	90,169	-	-	-	(90,169)	-	-	-
	90,169	-	539,226	(250,940)	(2,482,389)	-	-	(2,103,934)
Difference between consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	-	-	-	-	(160,915)	-	-	(160,915)
Disposals of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	9,995	-	(9,995)	-
Net profit for the year ended December 31, 2019	-	-	-	-	1,865,316	-	-	1,865,316
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	32,637	(134,440)	64,130	(37,673)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	1,897,953	(134,440)	64,130	1,827,643
BALANCE AT DECEMBER 31, 2019	3,095,789	3,236,274	2,706,052	-	14,410,303	(409,634)	704,469	23,743,253
Appropriation of 2019 earnings								
Legal reserve	-	-	186,532	-	(186,532)	-	-	-
Cash dividends - NT\$1.8 per share	-	-	-	-	(557,242)	-	-	(557,242)
Share dividends - NT\$0.3 per share	92,874	-	-	-	(92,874)	-	-	-
	92,874	-	186,532	-	(836,648)	-	-	(557,242)
Issuance of ordinary shares for cash	120,000	2,215,000	-	-	-	-	-	2,335,000
Difference between consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	-	-	-	-	(125,678)	-	-	(125,678)
Changes in percentage of ownership interests in subsidiaries	-	84,098	-	-	-	-	-	84,098
Share-based payments	-	65,196	-	-	-	-	-	65,196
Disposals of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	42,136	-	(42,136)	-
Net profit for the year ended December 31, 2020	-	-	-	-	1,929,730	-	-	1,929,730
Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	-	(56,166)	72,770	71,167	87,771
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	1,873,564	72,770	71,167	2,017,501
BALANCE AT DECEMBER 31, 2020	\$ 3,308,663	\$ 5,600,568	\$ 2,892,584	\$ -	\$ 15,363,677	\$ (336,864)	\$ 733,500	\$ 27,562,128

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

HIWIN TECHNOLOGIES CORPORATION

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

(In Thousands of New Taiwan Dollars)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 2,396,331	\$ 2,324,885
Adjustments for :		
Depreciation expenses	1,727,817	1,662,163
Amortization expenses	16,667	28,586
Expected credit loss recognized (reversed) on trade receivables	(4,952)	7,946
Net loss (gain) on fair value changes of financial assets and liabilities at fair value through profit or loss	7,199	(2,555)
Finance costs	118,576	103,690
Interest income	(7,925)	(8,114)
Dividend income	(35,495)	(60,931)
Compensation costs of employees' share-based payments	65,196	-
Share of profit or loss of subsidiaries and associates	288,024	479,416
Loss (gain) on disposal of property, plant and equipment	(334,842)	5,191
Impairment loss recognized on non-financial assets	89,000	68,000
Realized gains	(117,570)	(570,527)
Unrealized foreign currency exchange loss (gain), net	(94,428)	74,636
Gain from bargain purchase	(46,271)	-
Others	(1,858)	(256)
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	2,555	(5,493)
Notes receivable	724	138,818
Trade receivables	(1,390,155)	2,171,372
Inventories	1,462,971	1,132,494
Other current assets	(19,911)	(78,311)
Contract liabilities	(11,776)	(72,660)
Notes payable	181	(3,850)
Trade payables	1,010,080	(3,138,847)
Other payables	123,737	(1,203,349)
Other current liabilities	(1,487)	(490)
Net defined benefit liabilities	(51,275)	(8,321)
Cash generated from operations	5,191,113	3,043,493
Interest received	7,911	8,106
Dividend received	35,495	60,931
Interest paid	(126,738)	(104,454)
Income taxes paid	(96,869)	(963,161)
Net cash generated from operating activities	<u>5,010,912</u>	<u>2,044,915</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	(12,606)	(36,000)
Proceeds from sale of financial assets at fair value through other comprehensive income	-	7,896

(Continued)

HIWIN TECHNOLOGIES CORPORATION

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

(In Thousands of New Taiwan Dollars)

	2020	2019
Return of capital surplus from financial assets at fair value through other comprehensive income	\$ 120,477	\$ -
Purchase of financial assets at amortized cost	-	(2,922)
Proceeds from disposal of financial assets at amortized cost	-	2,700
Net cash outflow on acquisition of subsidiaries (Note 22)	(66,300)	-
Payments for property, plant and equipment	(610,135)	(1,400,857)
Proceeds from disposal of property, plant and equipment	674,477	7,289
Decrease (increase) in refundable deposits	6,622	(11)
Increase in other non-current assets	(125,645)	(16,704)
Increase in prepayments for machinery and equipment	<u>(418,368)</u>	<u>(1,315,851)</u>
Net cash used in investing activities	<u>(431,478)</u>	<u>(2,754,460)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from short-term borrowings	(4,510,000)	1,940,000
Proceeds from long-term borrowings	223,500	2,570,460
Repayments of long-term borrowings	(1,565,479)	(1,668,460)
Increase (decrease) in guarantee deposit received	884	(12,775)
Repayment of the principal portion of lease liabilities	(61,107)	(58,715)
Dividends paid	(557,242)	(2,103,934)
Proceeds from issuance of ordinary shares	2,335,000	-
Acquisition of additional shares of subsidiary	<u>(200,000)</u>	<u>(302,124)</u>
Net cash generated from (used in) financing activities	<u>(4,334,444)</u>	<u>364,452</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	244,990	(345,093)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>1,088,132</u>	<u>1,433,225</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 1,333,122</u>	<u>\$ 1,088,132</u>

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

(Concluded)

HIWIN TECHNOLOGIES CORPORATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

1. GENERAL INFORMATION

Hiwin Technologies Corporation (the “Company”) was incorporated on October 11, 1989. It manufactures and sells ballscrews, linear guideways, industrial robots, aerospace automation equipment parts, computer numerical control (CNC) milling machines and medical equipment.

The Company was approved by the Securities and Futures Bureau (SFB), Financial Supervisory Commission (FSC) to become a public company on April 16, 1997. The shares of the Company have been listed on the Taiwan Stock Exchange (TWSE) since June 26, 2009.

The financial statements are presented in the Company’s functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Company’s board of directors on March 23, 2021.

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

- a. Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the FSC

The initial application of the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the accounting policies of the Company.

- b. The IFRSs endorsed by the FSC for application starting from 2021

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”	Effective immediately upon promulgation by the IASB
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”	January 1, 2021
Amendment to IFRS 16 “Covid-19-Related Rent Concessions”	June 1, 2020

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

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

New IFRSs	Effective Date Announced by IASB (Note 1)
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 2)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 3)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 6)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 7)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 4)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 5)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 3: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 4: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 5: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

Note 6: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 7: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

b. Basis of preparation

The financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- 3) Level 3 inputs are unobservable inputs for an asset or liability.

When preparing these financial statements, the Company used the equity method to account for its investments in subsidiaries and associates. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the financial statements to be the same with the amounts attributable to the owners of the Company in its consolidated financial statements, adjustments arising from the differences in accounting treatments between the parent company only basis and the consolidated basis were made to investments accounted for using the equity method, the share of profit or loss of subsidiaries and associates, the share of other comprehensive income of subsidiaries, associates and the related equity items, as appropriate, in these financial statements.

c. Classification of current and non-current assets and liabilities

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within 12 months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period; and
- 3) Liabilities for which the Company does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

Assets and liabilities that are not classified as current are classified as non-current.

d. Foreign currencies

In preparing the financial statements, transactions in currencies other than the company's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of transaction.

For the purpose of presenting the financial statements, the functional currencies of the Company (including subsidiaries and associates in other countries that use currencies which are different from the currency of the Company) are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

e. Inventories

Inventories consist of raw materials, supplies, work-in-process, finished goods and merchandise and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at weighted-average cost on the balance sheet date.

f. Investments in subsidiaries

The Company uses the equity method to account for its investments in subsidiaries.

A subsidiary is an entity that is controlled by the Company.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary. The Company also recognizes the changes in the Company's share of equity of subsidiaries attributable to the Company.

Changes in the Company's ownership interest in a subsidiary that do not result in the Company losing control of the subsidiary are equity transactions. The Company recognizes directly in equity any difference between the carrying amount of the investment and the fair value of the consideration paid or received.

When the Company's share of losses of a subsidiary exceeds its interest in that subsidiary (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Company's net investment in the subsidiary), the Company continues recognizing its share of further losses.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognized immediately in profit or loss.

The Company assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the investee's financial statements as a whole. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Company recognizes a reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

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

Profits or losses resulting from downstream transactions are eliminated in full only in the parent company's financial statements. Profits and losses resulting from upstream transactions and transactions between subsidiaries are recognized only in the parent company's financial statements only to the extent of interests in the subsidiaries that are not related to the Company.

g. Investment in associates

An associate is an entity over which the Company has significant influence and which is neither a subsidiary nor an interest in a joint venture.

The Company uses the equity method to account for its investments in associates.

Under the equity method, investments in an associate is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the associate. The Company also recognizes the changes in the Company's share of equity of associates.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of an associate at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When the Company subscribes for additional new shares of an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Company's proportionate interest in the associate. The Company records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in capital surplus from investments in associates accounted for using the equity method. If the Company's ownership interest is reduced due to its additional subscription of the new shares of associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required had the investee directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for using the equity method is insufficient, the shortage is debited to retained earnings.

When the Company's share of losses of an associate equals or exceeds its interest in that associate (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Company's net investment in the associate), the Company discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Company has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

The entire carrying amount of an investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Company discontinues the use of the equity method from the date on which its investment ceases to be an associate. Any retained investment is measured at fair value at that date, and the fair value is regarded as the investment's fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Company accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required had that associate directly disposed of the related assets or liabilities.

When the Company transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Company's financial statements only to the extent of interests in the associate that are not related to the Company.

h. Property, plant, and equipment

Property, plant and equipment are measured at cost, less recognized accumulated depreciation.

Property, plant and equipment in the course of construction are measured at cost less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for their intended use.

Except for freehold land which is not depreciated, the depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

i. Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

2) Derecognition of intangible assets

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

j. Impairment of property, plant, and equipment, right-of-use asset and intangible assets

At the end of each reporting period, the Company reviews the carrying amounts of its property, plant and equipment, right-of-use asset and intangible assets, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset, cash-generating unit or assets related to contract costs is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized on the asset, cash-generating unit or assets related to contract costs in prior years. A reversal of an impairment loss is recognized in profit or loss.

k. Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a settlement date basis.

a) Measurement categories

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost, and equity instruments at FVTOCI.

i. Financial asset at FVTPL

Financial asset is classified as at FVTPL when such financial asset is mandatorily classified as at FVTPL. Financial assets mandatorily classified as at FVTPL do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 25.

ii. Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, notes receivable, trade receivables, and refundable deposits at amortized cost, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such financial asset, except for:

- i) Purchased or originated credit-impaired financial asset, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial asset; and
- ii) Financial assets that are not credit impaired on purchase or origination but have subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

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

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

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

iii. Investments in equity instruments at FVTOCI

On initial recognition, the Company may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

b) Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables).

The Company always recognizes lifetime expected credit Loss (ECL) for trade receivables. For all other financial instruments, the Company recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECL represents the expected credit loss that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

For internal credit risk management purposes, the Company determines that the following situations indicate that a financial asset is in default (without taking into account any collateral held by the Company):

- i. Internal or external information shows that the debtor is unlikely to pay its creditors.
- ii. When a financial asset is more than 90 days past due unless the Company has reasonable and corroborative information to support a more lagged default criterion.

The Company recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

c) Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss that had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

2) Equity instruments

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Company's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Company's own equity instruments.

3) Financial liabilities

a) Subsequent measurement

Except the following situations, all the financial liabilities are measured at amortized cost using the effective interest method:

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when such financial liabilities are held for trading.

Financial liabilities held for trading are stated at fair value, with any gain or loss arising on remeasurement recognized in profit or loss. The fair value is determined in the manner described in Note 25.

b) Derecognition of financial liabilities

The difference between the carrying amount of a financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

4) Derivative financial instruments

The Company enters into foreign exchange forward contracts to manage its exposure to foreign exchange rate risks.

Derivatives are initially recognized at fair value at the date on which the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of derivative financial instrument is negative, the derivative is recognized as a financial liability.

1. Provision

Provisions are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Provisions for the expected cost of warranty obligations to assure that products comply with agree-upon specifications are recognized on the date of sale of the relevant products at the best estimate by the management of the Company of the expenditure required to settle the Company's obligation.

m. Revenue recognition

The Company identifies contracts with customers, allocates the transaction price to the performance obligations, and recognizes revenue when performance obligations are satisfied.

For contract where the period between the date on which the Company transfers a promised good or service to a customer and the date on which the customer pays for that good or service is one year or less, the Company does not adjust the promised amount of consideration for the effects of a significant financing component.

Sales of goods are recognized as revenue when the goods are delivered to the customer's specific location/the goods are shipped/the goods are picked up because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. Trade receivable is recognized concurrently. The transaction price received is recognized as a contract liability until the goods have been delivered to the customer.

The Company does not recognize revenue on materials delivered to subcontractors because this delivery does not involve a transfer of control.

n. Leasing

At the inception of a contract, the Company assesses whether the contract is, or contains, a lease.

1) The Company as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

2) The Company as lessee

The Company recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for by applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. For a lease modification that is not accounted for as a separate lease, the Company accounts for the remeasurement of the lease liability by (a) decreasing the carrying amount of the right-of-use asset of lease modifications that decreased the scope of the lease, and recognizing in profit or loss any gain or loss on the partial or full termination of the lease; (b) making a corresponding adjustment to the right-of-use asset of all other lease modifications. Lease liabilities are presented on a separate line in the balance sheets.

o. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Other than that which is stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

p. Government grants

Government grants are not recognized until there is reasonable assurance that the Company will comply with the conditions attached to them and that the grants will be received.

Government grants related to income are recognized in profit or loss on a systematic basis over the periods in which the Company recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Company should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognized in profit or loss in the period in which they become receivable.

The benefit of a government loan received at a below-market rate of interest is treated as a government grant measured as the difference between the proceeds received and the fair value of the loan based on prevailing market interest rates.

q. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expenses when employees have rendered service entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost and net interest on the net defined benefit liabilities are recognized as employee benefits expense in the period in which they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period

in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities represent the actual deficit in the Company's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

r. Share-based payment arrangements

The fair value at the grant date of the employee share options is expensed on a straight-line basis over the vesting period, based on the Company's best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in capital surplus - employee share options; the expense is recognized in full at the grant date if the grants are vested immediately. The grant date of issued ordinary shares for cash which are reserved for employees is the date on which the number of shares that the employees purchase is confirmed.

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

s. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

Income tax payable (recoverable) is based on taxable profit (loss) for the year determined according to the applicable tax laws of each tax jurisdiction.

According to the Income Tax Law in the ROC, an additional tax on unappropriated earnings is provided for in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is calculated on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred taxes for the year

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, management is required to make judgments, estimations and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The Company considers the economic implications of the COVID-19 when making its critical accounting estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

Key Sources of Estimation Uncertainty - Write-down of Inventories

The net realizable value of inventories is the estimated selling price in the ordinary course of business less the estimated costs of completion and disposal. The estimation of net realizable value is based on current market conditions and historical experience with product sales of a similar nature. Changes in market conditions may have a material impact on the estimation of the net realizable value.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2020	2019
Cash on hand	\$ 1,631	\$ 1,616
Checking accounts and demand deposits	1,092,945	863,926
Cash equivalents		
Time deposits (investments with original maturities of less than 3 months)	<u>238,546</u>	<u>222,590</u>
	<u>\$ 1,333,122</u>	<u>\$ 1,088,132</u>
<u>Rate of interest per annum (%)</u>		
Cash in bank	0.00-0.30	0.00-0.38
Time deposits (investments with original maturities of less than 3 months)	1.10-2.40	1.20-2.60

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Company's financial assets and liabilities mandatorily designated as at fair value through profit or loss (FVTPL) are all generated from its derivative financial products of foreign exchange forward contracts. At the end of the reporting period, outstanding foreign exchange forward contracts not under hedge accounting are as follows:

	Currency	Maturity Date	Notional Amount (In Thousands)
<u>December 31, 2020</u>			
Sell	EUR/NTD	2021.1.15-2021.4.21	EUR3,100/NT\$105,754
Sell	RMB/NTD	2021.1.5-2021.3.8	RMB85,000/NT\$361,257
Sell	USD/NTD	2021.1.26-2021.3.29	US\$1,700/NT\$47,862
<u>December 31, 2019</u>			
Sell	EUR/NTD	2020.1.30-2020.3.16	EUR2,700/NT\$91,280
Sell	RMB/NTD	2020.1.13-2020.3.17	RMB114,000/NT\$490,284

The Company entered into foreign exchange forward contracts to manage exposures due to exchange rate fluctuations of foreign currency denominated assets and liabilities.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NON-CURRENT

Investments in Equity Instruments at Fair Value Through Other Comprehensive Income (FVTOCI)	December 31	
	2020	2019
<u>Domestic listed ordinary shares</u>		
Hiwin Mikrosystem Corp. (Hiwin Mikrosystem)	\$ 860,140	\$ 787,509
<u>Domestic unlisted ordinary shares</u>		
Ever Fortune. AI CO., Ltd. (Ever Fortune.)	45,017	28,010
Taichung International Country Club	2,650	2,500
Sunengine Corporation Ltd. (Sunengine)	-	-
King Kong Iron Work Ltd.	-	-
<u>Overseas unlisted ordinary shares</u>		
Kaland Holdings Corp. (Kaland)	36,427	205,055
	<u>\$ 944,234</u>	<u>\$ 1,023,074</u>

The Investment Commission of Ministry of Economic Affairs (MOEA) approved the Company's investment in Suzhou YIFU Finance Leasing Co., Ltd. (YIFU Finance). The investment in the amount of US\$8,168 thousand was made through Kaland and Cheer Tone Group Limited in British Virgin Islands (BVI). YIFU Finance mainly engages in finance leasing services.

In October 2020, the Company's board of directors resolved a return of share premium of US\$4,213 thousand to Kaland.

These investments in equity instruments are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Company's strategy of holding these investments for long-term purposes.

In April 2019, the Company acquired ordinary shares of Ever Fortune in the amount of \$36,000 thousand. In December 2020, the Company acquired additional shares amounting to \$12,606 thousand in Ever Fortune. Both investments are held for medium to long-term strategic purposes; the management designated these investments as at FVTOCI.

In September 2019, the Company sold part of its ordinary shares in Hiwin Mikrosystem. The shares sold had a fair value of \$7,896 thousand and its related unrealized valuation gain of \$9,995 thousand was transferred from other equity to retained earnings.

9. NOTES RECEIVABLE AND TRADE RECEIVABLES

	December 31	
	2020	2019
<u>Notes receivable from unrelated parties</u>		
At amortized cost		
Gross carrying amount	\$ 52,020	\$ 52,744
Less: Allowance for impairment loss	<u>(520)</u>	<u>(527)</u>
	<u>\$ 51,500</u>	<u>\$ 52,217</u>
<u>Trade receivables from unrelated parties</u>		
At amortized cost		
Gross carrying amount	\$ 3,917,064	\$ 2,958,788
Less: Allowance for impairment loss	<u>(457)</u>	<u>(5,402)</u>
	<u>\$ 3,916,607</u>	<u>\$ 2,953,386</u>

a. Notes receivable

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

	December 31	
	2020	2019
Not past due	\$ 52,020	\$ 52,744
Past due	<u>-</u>	<u>-</u>
	<u>\$ 52,020</u>	<u>\$ 52,744</u>

The above aging schedule was based on the past due days.

b. Trade receivables

The Company determines the credit period of sales of goods based on the counterparty's credit rating, location and transaction terms.

In order to minimize credit risk, the management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Company reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Company's credit risk was significantly reduced.

The Company measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated by reference to the past default experience of the customer, the customer's current financial position, economic condition of the industry in which the customer operates, as well as the GDP forecasts and industry outlooks. As the Company's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Company's different customer base.

The Company writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For trade receivables that have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of trade receivables.

	Not Past Due	1 to 120 Days	121 to 360 Days	Over 360 Days	Total
<u>December 31, 2020</u>					
Expected credit loss rate	0.001%	0.1%-1%	2%-4%	10%-100%	
Gross carrying amount	\$ 3,586,723	\$ 327,212	\$ 3,129	\$ -	\$ 3,917,064
Loss allowance (Lifetime ECL)	<u>(36)</u>	<u>(356)</u>	<u>(65)</u>	<u>-</u>	<u>(457)</u>
Amortized cost	<u>\$ 3,586,687</u>	<u>\$ 326,856</u>	<u>\$ 3,064</u>	<u>\$ -</u>	<u>\$ 3,916,607</u>
<u>December 31, 2019</u>					
Expected credit loss rate	0.001%	0.1%-1%	2%-4%	10%-100%	
Gross carrying amount	\$ 1,898,285	\$ 1,060,449	\$ 54	\$ -	\$ 2,958,788
Loss allowance (Lifetime ECL)	<u>(19)</u>	<u>(5,382)</u>	<u>(1)</u>	<u>-</u>	<u>(5,402)</u>
Amortized cost	<u>\$ 1,898,266</u>	<u>\$ 1,055,067</u>	<u>\$ 53</u>	<u>\$ -</u>	<u>\$ 2,953,386</u>

The movements of loss allowance were as follows:

	For the Year Ended December 31, 2020	
	Notes Receivable	Trade Receivables
Balance at January 1, 2020	\$ 527	\$ 5,402
Net remeasurement of loss allowance	<u>(7)</u>	<u>(4,945)</u>
Balance at December 31, 2020	<u>\$ 520</u>	<u>\$ 457</u>

	For the Year Ended December 31, 2019	
	Notes Receivable	Trade Receivables
Balance at January 1, 2019	\$ 1,915	\$ 3,991
Net remeasurement of loss allowance	(1,388)	9,334
Amounts written off	<u>-</u>	<u>(7,923)</u>
Balance at December 31, 2019	<u>\$ 527</u>	<u>\$ 5,402</u>

10. INVENTORIES

	December 31	
	2020	2019
Merchandise	\$ 2,017	\$ 3,351
Finished goods	353,127	630,458
Work in process	1,236,217	1,075,979
Raw materials and supplies	1,880,914	3,033,873
Inventory in transit	<u>203,634</u>	<u>242,723</u>
	<u>\$ 3,675,909</u>	<u>\$ 4,986,384</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2020 and 2019 was \$12,933,183 thousand and \$10,631,630 thousand, respectively.

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2020 and 2019 included inventory write-downs of \$89,000 thousand and \$68,000 thousand, respectively, and unallocated fixed overhead of \$142,866 thousand and \$121,800 thousand, respectively. Previous write-downs were reversed as a result of increased selling prices in markets and consumption of inventory.

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2020	2019
Investments in subsidiaries	\$ 5,076,047	\$ 4,492,005
Investments in associates	<u>152,031</u>	<u>131,594</u>
	<u>\$ 5,228,078</u>	<u>\$ 4,623,599</u>

a. Investments in subsidiaries

	December 31	
	2020	2019
Hiwin GmbH (“Hiwin Germany”)	\$ 1,934,803	\$ 1,589,621
Hiwin Corporation, U.S.A. (“Hiwin USA”)	648,513	546,203
Hiwin Corporation, Japan (“Hiwin Japan”)	39,300	183,404
Eterbright Solar Corporation (“Eterbright”)	(643,793)	(235,410)
Hiwin Singapore Pte. Ltd. (“Hiwin Singapore”)	(885)	(53,375)
Hiwin Corporation (“Hiwin Korea”)	(85,532)	(73,892)
Hiwin Technologies (China) Corporation (“Hiwin China”)	1,798,349	1,709,476
Matrix Precision Co., Ltd. (formerly, Luren Precision Co., Ltd.) (“Matrix Precision”)	95,313	120,994
Hiwin Healthcare Corp.	2,706	2,881
Hiwin S.R.L. (“Hiwin Italy”)	88,729	23,882
Matrix Machine Tool (Coventry) Limited (“Matrix”)	261,614	315,544
Hiwin (Schweiz) GmbH (“Hiwin Schweiz”)	<u>206,720</u>	<u>-</u>
	4,345,837	4,129,328
Add: Credit balance of investments accounted for using the equity method transferred to non-current liabilities	<u>730,210</u>	<u>362,677</u>
	<u>\$ 5,076,047</u>	<u>\$ 4,492,005</u>
	Proportion of Ownership and Voting Rights	
	2020	2019
<u>Name of subsidiary</u>		
Hiwin Germany	100%	100%
Hiwin USA	100%	100%
Hiwin Japan	100%	100%
Eterbright	74%	74%
Hiwin Singapore	100%	100%
Hiwin Korea	100%	100%
Hiwin China	100%	100%
Matrix Precision	51%	71%
Hiwin Healthcare Corp.	100%	100%
Hiwin Italy	100%	100%
Matrix	100%	100%
Hiwin Schweiz	81%	-

Refer to Note 23 to the consolidated financial statements for the year ended December 31, 2020, for the disclosure of the Company’s acquisition of Hiwin Schweiz.

The Company acquired 48% of the shares of Matrix for \$220,864 thousand in July 2019, and increased its ownership percentage from 52% to 100%.

The investments in subsidiaries accounted for using the equity method and the share of profit of loss and other comprehensive income of those investments for the years ended December 31, 2020 and 2019 were based on the subsidiaries’ financial statements which have been audited for the same years.

b. Investments in associates

	December 31	
	2020	2019
Associates that are not individually material	\$ <u>152,031</u>	\$ <u>131,594</u>
	For the Year Ended December 31	
	2020	2019
The Company's share of:		
Profit for the year	\$ 19,594	\$ 4,567
Other comprehensive income (loss) for the year	<u>-</u>	<u>-</u>
Total comprehensive income for the year	\$ <u>19,594</u>	\$ <u>4,567</u>

Investments accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2020 and 2019 were calculated based on the financial statements which have been audited.

12. PROPERTY, PLANT AND EQUIPMENT

	For the Year Ended December 31, 2020				
	Beginning Balance	Additions	Disposals	Reclassified Amount	Ending Balance
<u>Cost</u>					
Land	\$ 3,971,527	\$ -	\$ (80,898)	\$ -	\$ 3,890,629
Buildings and improvements	11,095,696	33,013	(388,419)	581,512	11,321,802
Machinery and equipment	12,703,010	216,219	(2,004,236)	897,858	11,812,851
Transportation equipment	64,439	-	(3,757)	-	60,682
Miscellaneous equipment	1,803,611	70,357	(55,606)	32,659	1,851,021
Construction in progress	<u>327,616</u>	<u>288,340</u>	<u>-</u>	<u>(581,512)</u>	<u>34,444</u>
	<u>29,965,899</u>	<u>\$ 607,929</u>	<u>\$ (2,532,916)</u>	<u>\$ 930,517</u>	<u>28,971,429</u>
<u>Accumulated depreciation</u>					
Buildings and improvements	1,436,753	\$ 235,887	\$ (142,136)	\$ -	1,530,504
Machinery and equipment	5,294,576	1,439,721	(1,997,698)	-	4,736,599
Transportation equipment	25,063	9,803	(3,757)	-	31,109
Miscellaneous equipment	<u>872,681</u>	<u>220,464</u>	<u>(49,690)</u>	<u>-</u>	<u>1,043,455</u>
	<u>7,629,073</u>	<u>\$ 1,905,875</u>	<u>\$ (2,193,281)</u>	<u>\$ -</u>	<u>7,341,667</u>
	<u>\$ 22,336,826</u>				<u>\$ 21,629,762</u>

	For the Year Ended December 31, 2019				
	Beginning Balance	Additions	Disposals	Reclassified Amount	Ending Balance
<u>Cost</u>					
Land	\$ 3,774,107	\$ 197,420	\$ -	\$ -	\$ 3,971,527
Buildings and improvements	7,355,912	19,519	(5,822)	3,726,087	11,095,696
Machinery and equipment	11,501,435	526,449	(1,063,872)	1,738,998	12,703,010
Transportation equipment	65,925	3,075	(4,561)	-	64,439
Miscellaneous equipment	1,482,482	148,863	(43,109)	215,375	1,803,611
Construction in progress	3,548,254	505,449	-	(3,726,087)	327,616
	<u>27,728,115</u>	<u>\$ 1,400,775</u>	<u>\$ (1,117,364)</u>	<u>\$ 1,954,373</u>	<u>29,965,899</u>
<u>Accumulated depreciation</u>					
Buildings and improvements	1,246,111	\$ 196,464	\$ (5,822)	\$ -	1,436,753
Machinery and equipment	4,937,247	1,410,460	(1,053,131)	-	5,294,576
Transportation equipment	19,317	10,307	(4,561)	-	25,063
Miscellaneous equipment	<u>721,104</u>	<u>192,947</u>	<u>(41,370)</u>	<u>-</u>	<u>872,681</u>
	<u>6,923,779</u>	<u>\$ 1,810,178</u>	<u>\$ (1,104,884)</u>	<u>\$ -</u>	<u>7,629,073</u>
	<u>\$ 20,804,336</u>				<u>\$ 22,336,826</u>

The above items of property, plant and equipment are depreciated on a straight-line basis over the estimated useful life of the asset:

Buildings and improvements	
Main buildings	25-55 years
Electrical power equipment	35 years
Engineering system	8-55 years
Machinery and equipment	
Machinery equipment	3-15 years
Inspection equipment	3-10 years
Transportation equipment	5-10 years
Miscellaneous equipment	2-15 years

Property, plant and equipment pledged as collateral for bank borrowings are set out in Note 27.

13. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2020	2019
<u>Carrying amounts</u>		
Land	\$ 128,761	\$ 134,149
Buildings	<u>108,120</u>	<u>104,203</u>
	<u>\$ 236,881</u>	<u>\$ 238,352</u>

	For the Year Ended December 31	
	2020	2019
Additions to right-of-use assets	\$ 86,246	\$ 101,150
Depreciation charge for right-of-use assets		
Land	\$ 8,048	\$ 7,891
Buildings	54,446	52,418
	<u>\$ 62,494</u>	<u>\$ 60,309</u>

b. Lease liabilities

	December 31	
	2020	2019
<u>Carrying amounts</u>		
Current	\$ 48,593	\$ 50,676
Non-current	\$ 189,008	\$ 188,911

Range of discount rate for lease liabilities was as follows:

	December 31	
	2020	2019
Land	1.45%	1.45%
Buildings	1.45%	1.45%

c. Material lease-in activities and terms

The Company leases certain land and buildings for the use of plants and offices with lease terms of 1 to 17 years. The lease contract for land specifies that lease payments will be adjusted on the basis of changes in the consumer price index or announced land value prices. The Company does not have bargain purchase options to acquire the leasehold land and buildings at the end of the lease terms.

d. Other lease information

	For the Year Ended December 31	
	2020	2019
Expenses relating to short-term leases	\$ 345	\$ 435
Expenses relating to low-value asset leases	\$ 2,277	\$ 1,726
Total cash outflow for leases	<u>\$ (67,190)</u>	<u>\$ (64,457)</u>

The Company's leases certain equipment qualify as short-term leases and low of value asset leases. The Company has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

14. PREPAYMENTS FOR MACHINERY AND EQUIPMENT

The aging of prepayments for machinery and equipment is as follows:

The Date of Initial Cost Contribution	December 31	
	2020	2019
Within 1 year	\$ 320,821	\$ 627,135
1-2 years	350,072	1,117,769
2-5 years	1,021,724	474,295
More than 5 years	<u>21,351</u>	<u>6,918</u>
	<u>\$ 1,713,968</u>	<u>\$ 2,226,117</u>

In order to maintain key manufacturing technologies, reduce product costs and improve automation of the equipment, the Company designed, developed, and assembled the equipment by itself. The abovementioned prepayments for machinery and equipment include both internally-developed and outsourced equipment.

15. BORROWINGS

a. Short-term borrowings

	December 31	
	2020	2019
<u>Secured borrowings</u> (Note 27)		
Loans for export sales	\$ 710,000	\$ 1,000,000
<u>Unsecured borrowings</u>		
Line of credit borrowings	<u>1,270,000</u>	<u>5,490,000</u>
	<u>\$ 1,980,000</u>	<u>\$ 6,490,000</u>
<u>Rate of interest per annum (%)</u>		
Loans for export sales	0.51	0.81
Line of credit borrowings	0.77-0.88	0.82-0.97

b. Long-term borrowings

	December 31	
	2020	2019
<u>Secured borrowings</u> (Note 27)		
Secured loans	\$ 5,753,873	\$ 7,199,130
<u>Unsecured borrowings</u>		
Unsecured loans	<u>202,845</u>	<u>100,000</u>
	5,956,718	7,299,130
Less: Current portion	<u>(982,093)</u>	<u>(1,238,479)</u>
Long-term borrowings	<u>\$ 4,974,625</u>	<u>\$ 6,060,651</u>
<u>Rate of interest per annum (%)</u>		
Secured loans	0.36-1.49	1.03-1.76
Unsecured loans	0.70-0.89	1.05

In August 2019, the Company received a qualification letter for the Action Plan for Welcoming Overseas Taiwanese Businesses to Return to Invest in Taiwan from the Ministry of Economic Affairs, and therefore received the subsidy for processing fee of long-term borrowing. As of December 31, 2020, \$23,500 thousand was drawn down for the purchase of machinery and equipment and the use of operating capital. The Company recognized \$501 thousand as a government grant, which is the difference between the loan amount obtained at a lower-than-market interest rate and the fair value, which was accounted for as deferred revenue and would be subsequently recognized in profit or loss over the useful life of the asset.

16. OTHER PAYABLES

	December 31	
	2020	2019
Payables for salaries and bonuses	\$ 566,076	\$ 496,516
Payables for compensation of employees	154,385	149,304
Payables for annual leave	106,976	82,701
Payables for remuneration to directors	77,193	74,652
Payables for purchases of building and equipment	21,539	23,745
Others	<u>224,911</u>	<u>210,793</u>
	<u>\$ 1,151,080</u>	<u>\$ 1,037,711</u>

17. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Company adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

b. Defined benefit plans

The defined benefit plans adopted by the Company in accordance with the Labor Standards Law is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Company has no right to influence the investment policy and strategy.

The amounts included in the balance sheets in respect of the Company's defined benefit plans were as follows:

	December 31	
	2020	2019
Present value of defined benefit obligation	\$ 373,605	\$ 316,274
Fair value of plan assets	<u>(110,358)</u>	<u>(76,120)</u>
Net defined benefit liabilities	<u>\$ 263,247</u>	<u>\$ 240,154</u>

Movements in net defined benefit liability were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2019	<u>\$ 370,039</u>	<u>\$ (82,810)</u>	<u>\$ 287,229</u>
Service cost			
Current service cost	2,839	-	2,839
Past service cost	(2,173)	-	(2,173)
Net interest expense (income)	<u>3,616</u>	<u>(773)</u>	<u>2,843</u>
Recognized in profit or loss	<u>4,282</u>	<u>(773)</u>	<u>3,509</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(3,472)	(3,472)
Actuarial loss - changes in demographic assumptions	355	-	355
Actuarial loss - changes in financial assumptions	8,405	-	8,405
Actuarial profit - experience adjustments	<u>(44,042)</u>	<u>-</u>	<u>(44,042)</u>
Recognized in other comprehensive income	<u>(35,282)</u>	<u>(3,472)</u>	<u>(38,754)</u>
Contributions from the employer	-	(11,830)	(11,830)
Benefits paid	<u>(22,765)</u>	<u>22,765</u>	<u>-</u>
Balance at December 31, 2019	<u>316,274</u>	<u>(76,120)</u>	<u>240,154</u>

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Service cost			
Current service cost	\$ 1,772	\$ -	\$ 1,772
Past service cost	(49)	-	(49)
Net interest expense (income)	<u>2,305</u>	<u>(522)</u>	<u>1,783</u>
Recognized in profit or loss	<u>4,028</u>	<u>(522)</u>	<u>3,506</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(2,843)	(2,843)
Actuarial loss - changes in demographic assumptions	324	-	324
Actuarial loss - changes in financial assumptions	15,793	-	15,793
Actuarial loss - experience adjustments	<u>61,094</u>	<u>-</u>	<u>61,094</u>
Recognized in other comprehensive income	<u>77,211</u>	<u>(2,843)</u>	<u>74,368</u>
Contributions from the employer	-	(54,781)	(54,781)
Benefits paid	<u>(23,908)</u>	<u>23,908</u>	<u>-</u>
Balance at December 31, 2020	<u>\$ 373,605</u>	<u>\$ (110,358)</u>	<u>\$ 263,247</u> (Concluded)

Through the defined benefit plans under the Labor Standards Law, the Company is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plans' debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2020	2019
Discount rates	0.35%	0.75%
Expected rates of salary increase	2.00%	2.00%
Turnover rate	0.90%	1.01%

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

	December 31	
	2020	2019
Discount rate		
0.25% increase	\$ (9,993)	\$ (8,361)
0.25% decrease	\$ 10,377	\$ 8,691
Expected rate of salary increase		
0.25% increase	\$ 10,181	\$ 8,561
0.25% decrease	\$ (9,858)	\$ (8,281)
Turnover rate		
10% increase	\$ (270)	\$ (325)
10% decrease	\$ 271	\$ 327

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2020	2019
The expected contributions to the plan for the next year	\$ 5,916	\$ 4,897
The average duration of the defined benefit obligation	10 years	11 years

18. EQUITY

a. Ordinary shares

	December 31	
	2020	2019
Number of shares authorized (in thousands)	1,000,000	1,000,000
Shares authorized	\$ 10,000,000	\$ 10,000,000
Number of shares issued and fully paid (in thousands)	330,866	309,579
Shares issued	\$ 3,308,663	\$ 3,095,789

Fully paid ordinary shares, which have a par value of \$10, carry one vote per share and carry a right to dividends.

On September 17, 2020, the Company's board of directors resolved to issue 12,000 thousand ordinary shares, with a par value of \$10, for a consideration of \$195 per share. On October 20, 2020, the above transaction was approved by the FSC, and the subscription base date was determined as at December 22, 2020 by the board of directors.

According to the Company Act, the issuance of ordinary shares for cash shall appropriate 10% of the total amount of new shares for subscription by employees. According to IFRS2 "Share-based Payment", the Company recognized salary expense and share premium in the amount of \$65,196 thousand in 2020.

b. Capital surplus

	December 31	
	2020	2019
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)		
Issuance of ordinary shares	\$ 5,509,020	\$ 3,230,834
<u>May only be used to offset a deficit</u>		
Changes in percentage of ownership interests in subsidiaries (2)	84,098	-
Invalid employee shares	<u>7,450</u>	<u>5,440</u>
	<u>\$ 5,600,568</u>	<u>\$ 3,236,274</u>

- 1) Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and to once a year).
- 2) Such capital surplus arises from the effects of changes in ownership interests in subsidiaries resulting from equity transactions other than actual disposals or acquisitions.

c. Retained earnings and dividend policy

The shareholders of the Company held their regular meeting on June 28, 2019 and in that meeting, resolved the amendments to the Articles of Incorporation of the Company. Under the dividends policy as set forth in the amended Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, until the accumulated legal reserve equals the Company's paid-in capital, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit shall be distributed as dividends, where the dividends distributed should not exceed 6% of the remaining profit. The Company's profit may be distributed in the form of cash or share dividends; however, the ratio of share dividends distributed shall not exceed two-thirds of the Company's total amount of dividends and bonuses distributed to shareholders. A distribution plan is also to be made by the board of directors and should be resolved in the shareholder's meeting. The dividends could be distributed in whole or in part by cash after the resolution has been passed by more than half of the directors present at the meeting of the board of directors, in which at least two-thirds of the total number of directors should be present. In addition, a report of such distribution shall be submitted to the shareholders' meeting. For the policies on the distribution of compensation of employees and remuneration of directors after the amendment, refer to compensation of employees and remuneration of directors in Note 19-c.

The legal reserve may be used to offset deficits. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

The appropriations of cash dividends per share for 2019 had been approved by the board of directors on May 5, 2020 and the appropriations of earnings for 2019 and 2018 which have been approved in the shareholders' meetings on June 19, 2020 and June 28, 2019, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	For the Year Ended December 31		For the Year Ended December 31	
	2019	2018	2019	2018
Legal reserve	\$ 186,532	\$ 539,226		
Reversal of special reserve	-	(250,940)		
Cash dividends	557,242	2,103,934	\$ 1.8	\$ 7.0
Share dividends	92,874	90,169	0.3	0.3

The appropriations of earnings for 2020 had been proposed by the Company's board of directors on March 23, 2021. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 179,002	
Cash dividends	661,733	\$ 2
Share dividends	99,260	0.3

The appropriation of earnings for 2020 is subject to the resolution of the shareholders in their meeting to be held on June 28, 2021.

19. NET PROFIT FROM CONTINUING OPERATIONS

a. Finance costs

	For the Year Ended December 31	
	2020	2019
Interest on bank loans	\$ 115,115	\$ 100,109
Interest on lease liabilities	<u>3,461</u>	<u>3,581</u>
	<u>\$ 118,576</u>	<u>\$ 103,690</u>

Information about capitalized interest is as follows:

	For the Year Ended December 31	
	2020	2019
Capitalized interest	\$ 13,568	\$ 43,930
Capitalization rates (%)	1.08-1.45	1.38-1.48

b. Employee benefits expense, depreciation and amortization expenses

	Operating Costs	Operating Expenses	Total
<u>For the Year Ended December 31, 2020</u>			
Short-term employee benefits			
Salary	\$ 2,406,155	\$ 812,537	\$ 3,218,692
Labor and health insurance	205,526	68,257	273,783
Post-employment benefits			
Defined contribution plans	86,313	33,481	119,794
Defined benefit plans (Note 17)	3,229	277	3,506
Equity-settled share-based payments	38,303	26,893	65,196
Remuneration to directors	-	78,633	78,633
Other employee benefits	119,888	30,872	150,760
Depreciation expenses	1,542,089	185,728	1,727,817
Amortization expenses	14,660	2,007	16,667

For the Year Ended December 31, 2019

Short-term employee benefits			
Salary	1,610,256	612,210	2,222,466
Labor and health insurance	219,491	67,966	287,457
Post-employment benefits			
Defined contribution plans	91,072	34,843	125,915
Defined benefit plans (Note 17)	3,130	379	3,509
Remuneration to directors	-	76,102	76,102
Other employee benefits	161,705	34,798	196,503
Depreciation expenses	1,488,905	173,258	1,662,163
Amortization expenses	24,063	4,523	28,586

As of 2020 and 2019, the Company had an average of 4,564 and 5,008 employees, respectively. There were 6 directors who did not serve concurrently as employees for both years. The headcounts were based on those used in the calculation of employee benefit expense.

As of 2020 and 2019, the average of employee benefits expense was \$841 thousand and \$567 thousand, respectively; as of 2020 and 2019, the average of employee salaries was \$706 thousand and \$444 thousand, respectively, and the change in the average employee salaries was 59%.

The Company did not have supervisor in 2019 and 2020; there is no remuneration for supervisor.

The annual salary provided by the Company to employees is higher than the industry average, and the salary of new employees in Taiwan and around the world is higher than the local minimum salary. Adhering to the concept of equal pay for equal work and retaining employees, all assessments are taken into consideration. Through new assessments, quarterly assessments, year-end assessments, and project assessments, the Company encourages and rewards the contributions of outstanding employees. Payment of different bonuses is also a key feature of the reward scheme; for example, the lifetime premium system, which is the new technology developed by employees to make more profits. The Company will regularly pay bonuses equivalent to the authorization fee to employees, so that employees and the Company can share their achievements.

In addition, the managers of the Company are regarded as ordinary employees receiving salaries, and various bonuses, dividends and benefits are paid according to the operation and profit status, taking into account the Company's operating results and the scope of management and responsibility of each manager in the Company. The condition and the results of the annual performance evaluation are given

reasonable remuneration; the policy for remuneration of managers is based on the Company's salary scale, salary treatment method and the scope of rights and responsibilities of the position in the Company and the contribution to the Company's operating performance for the payment of dividends, year-end bonuses and other remuneration.

The Company sets the remuneration procedures for directors, which is based on director's performance evaluation and remuneration system, board performance evaluation method and manager's performance evaluation and bonus system as the basis of evaluation; In addition to the Company's overall operating performance, future risks and development trends of the industry, it also refers to the results obtained from the performance evaluation standards and its contribution to the Company which pays reasonable remuneration; the remuneration of the general manager and deputy general manager is based on salary and various treatment procedures and takes into account the relevance of the manager's performance and the Company's overall business performance and future risks, and the salary and compensation committee will make recommendations to the board of directors for resolution, based on the actual operating conditions and relevant regulations of the remuneration system to balance the Company's sustainable operation and risk control measures.

c. Compensation of employees and remuneration of directors

According to the Articles of Incorporation of the Company, the Company accrues compensation of employees and remuneration of directors at rates of no less than 1% and no higher than 4%, respectively, of net profit before income tax, compensation of employees, and the remuneration of directors and supervisors. The compensation of employees and remuneration of directors and supervisors for the years ended December 31, 2020 and 2019 which have been approved by the Company's board of directors on March 23, 2021 and March 25, 2020, respectively, were as follows:

Cash	For the Year Ended December 31			
	2020		2019	
	Accrual rate	Amount	Accrual rate	Amount
Compensation of employees	5.9%	\$ 154,385	5.9%	\$ 149,304
Remuneration of directors	2.9%	77,193	2.9%	74,652

If there will be a change in the amounts after the annual financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

There was no difference between the actual amounts of compensation of employees and remuneration of directors paid and the amounts recognized in the financial statements for the years ended December 31, 2019 and 2018.

Information on the compensation of employees and remuneration of directors resolved by the Company's board of directors in 2021 and 2020 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

20. INCOME TAXES

- a. Major components of income tax expense recognized in profit or loss

	For the Year Ended December 31	
	2020	2019
Current tax		
In respect of the current year	\$ 214,243	\$ 299,636
Income tax of unappropriated earnings	29,113	58,654
Land value increment tax	34,729	-
Adjustments for prior years	42,114	25,718
Deferred tax		
In respect of the current year	<u>146,402</u>	<u>75,561</u>
Income tax expense recognized in profit or loss	<u>\$ 466,601</u>	<u>\$ 459,569</u>

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

	For the Year Ended December 31	
	2020	2019
Income tax expense calculated at the statutory rate	\$ 479,266	\$ 464,977
Non-deductible expenses in determining taxable income	634	348
Tax-exempt income	(97,422)	(58,948)
Others	795	3,707
Income tax on unappropriated earnings	66,690	147,172
Investment tax credits used	<u>(139,498)</u>	<u>(206,008)</u>
Current tax	310,465	351,248
Land value increment tax	34,729	-
Unrecognized deductible temporary differences	79,293	82,603
Adjustments for prior years' tax	<u>42,114</u>	<u>25,718</u>
Income tax expense recognized in profit or loss	<u>\$ 466,601</u>	<u>\$ 459,569</u>

In July 2019, the president of the ROC announced the amendments to the Statute for Industrial Innovation, which stipulate that the amounts of unappropriated earnings in 2018 and thereafter that are reinvested in the construction or purchase of certain assets or technologies are allowed as deduction when computing the income tax on unappropriated earnings. When calculating the tax on unappropriated earnings, the Company only deducts the amount of the unappropriated earnings that has been reinvested in capital expenditure.

In accordance with Rule No. 10904550440 issued by the Ministry of Finance (MOF) of the ROC, the Company used the losses incurred in the first quarter of 2020 to estimate losses for the first six months of 2020 and this amount is deducted from the Company's unappropriated earnings for 2018 for filing the additional tax. For the 2020 financial reporting purpose, the tax on unappropriated earnings for 2018 is measured based on the actual profit for 2020, and the current income tax payable is adjusted accordingly.

In addition, in accordance with Rule No. 10904558730 issued by the MOF, the Company has deducted the amount of dividends distributed in 2020 attributable to the increase in the beginning retained earnings for 2018 as a result of initial adoption of IFRS 9 when calculating the tax on unappropriated earnings for 2018.

b. Income tax expense (gain) recognized in other comprehensive income

	For the Year Ended December 31	
	2020	2019
<u>Deferred tax</u>		
In respect of the current year:		
Translation of foreign operations	\$ 18,176	\$ (33,482)
Remeasurement of defined benefit plans	<u>(14,874)</u>	<u>7,751</u>
	<u>\$ 3,302</u>	<u>\$ (25,731)</u>

c. Deferred tax assets and liabilities

	For the Year Ended December 31, 2020			
	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Unrealized intercompany profit	\$ 121,474	\$ (23,514)	\$ -	\$ 97,960
Defined benefit obligations	17,417	(7,568)	14,874	24,723
Allowance for inventory devaluation	45,600	17,800	-	63,400
Impairment loss on financial assets	7,022	(2,951)	-	4,071
Payable for annual leave	16,540	4,855	-	21,395
Financial liabilities at FVTPL	-	1,440	-	1,440
Provisions	3,071	121	-	3,192
Exchange difference on foreign operations	102,456	-	(18,176)	84,280
Unrealized loss on foreign currency exchange	14,705	(14,705)	-	-
Others	<u>32</u>	<u>(1)</u>	<u>-</u>	<u>31</u>
	<u>\$ 328,317</u>	<u>\$ (24,523)</u>	<u>\$ (3,302)</u>	<u>\$ 300,492</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Unappropriated earnings of subsidiaries	\$ 399,207	\$ 91,798	\$ -	\$ 491,005
Gain from bargain purchase	-	9,254	-	9,254
Unrealized gain on foreign currency exchange	-	21,338	-	21,338
Financial assets at FVTPL	<u>511</u>	<u>(511)</u>	<u>-</u>	<u>-</u>
	<u>\$ 399,718</u>	<u>\$ 121,879</u>	<u>\$ -</u>	<u>\$ 521,597</u>

For the Year Ended December 31, 2019				
	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Unrealized intercompany profit	\$ 235,579	\$ (114,105)	\$ -	\$ 121,474
Defined benefit obligations	26,832	(1,664)	(7,751)	17,417
Allowance for inventory devaluation	32,000	13,600	-	45,600
Impairment loss on financial assets	7,022	-	-	7,022
Payable for annual leave	23,164	(6,624)	-	16,540
Financial liabilities at FVTPL	1,099	(1,099)	-	-
Provisions	4,979	(1,908)	-	3,071
Exchange difference on foreign operations	68,974	-	33,482	102,456
Unrealized loss on foreign currency exchange	-	14,705	-	14,705
Others	<u>33</u>	<u>(1)</u>	<u>-</u>	<u>32</u>
	<u>\$ 399,682</u>	<u>\$ (97,096)</u>	<u>\$ 25,731</u>	<u>\$ 328,317</u>

Deferred tax liabilities

Temporary differences				
Unappropriated earnings of subsidiaries	\$ 412,487	\$ (13,280)	\$ -	\$ 399,207
Unrealized gain on foreign currency exchange	8,766	(8,766)	-	-
Financial assets at FVTPL	<u>-</u>	<u>511</u>	<u>-</u>	<u>511</u>
	<u>\$ 421,253</u>	<u>\$ (21,535)</u>	<u>\$ -</u>	<u>\$ 399,718</u>

- d. Deductible temporary differences and unused loss carryforwards for which no deferred tax assets have been recognized in the balance sheets

	December 31	
	2020	2019
Investment loss	<u>\$ 2,306,601</u>	<u>\$ 1,910,137</u>

- e. Information about tax-exemption

As of December 31, 2020, profits attributable to the following expansion projects were exempted from income tax for a 5-year period:

<u>Expansion of Construction Project</u>	<u>Tax-exemption Period</u>
Cash injection in 2009	January 2016 to December 2020

- f. Income tax assessments

The tax returns of the Company through 2018 have been assessed by the tax authorities.

21. EARNINGS PER SHARE

	Net profit	Number of Shares (In Thousands)	Earnings Per Share (NT\$)
<u>For the Year Ended December 31, 2020</u>			
Basic earnings per share			
Profit for the year	\$ 1,929,730	319,194	<u>\$ 6.05</u>
Effect of potentially dilutive ordinary shares			
Compensation of employees	<u>-</u>	<u>580</u>	
Diluted earnings per share			
Profit for the year plus effect of potentially dilutive ordinary shares	<u>\$ 1,929,730</u>	<u>319,774</u>	<u>\$ 6.03</u>
<u>For the Year Ended December 31, 2019</u>			
Basic earnings per share			
Profit for the year	\$ 1,865,316	318,866	<u>\$ 5.85</u>
Effect of potentially dilutive ordinary shares			
Compensation of employees	<u>-</u>	<u>962</u>	
Diluted earnings per share			
Profit for the year plus effect of potentially dilutive ordinary shares	<u>\$ 1,865,316</u>	<u>319,828</u>	<u>\$ 5.83</u>

The weighted average number of shares outstanding used for the earnings per share computation was adjusted retroactively for the issuance of bonus shares on August 18, 2020. The basic and diluted earnings per share adjusted retrospectively for the year ended December 31, 2019 were as follows:

	Unit: NT\$ Per Share	
	Before Retrospective Adjustment	After Retrospective Adjustment
Basic earnings per share	<u>\$ 6.03</u>	<u>\$ 5.85</u>
Diluted earnings per share	<u>\$ 6.01</u>	<u>\$ 5.83</u>

Since the Company offered to settle compensation paid to employees in cash or shares, the Company assumed the entire amount of the compensation will be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

22. ACQUISITION OF SUBSIDIARY WITH OBTAINED CONTROL

Subsidiary	Principal Activity	Date of Acquisition	Proportion of Voting Equity Interests Acquired (%)	Consideration Transferred (Cash)
Hiwin Schweiz	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	April 1, 2020	50	<u>\$ 66,300</u>

Hiwin Schweiz was acquired by the Company in order to expand the development in the field of drive control, enhance its competitive advantage and increase the scale of operations. For the details about the acquisition of Hiwin Schweiz, refer to Note 23 to the consolidated financial statements for the year ended December 31, 2020.

23. PARTIAL ACQUISITION OF SUBSIDIARIES - WITHOUT LOSS OF CONTROL

On December 1, 2020, the Company acquired additional shares of Hiwin Schweiz; thus, the Company's continuing interest increased from 50% to 81%.

On February 29, 2020, the Company did not subscribe for any newly issued shares of Matrix Precision; thus, the Company's continuing interest decreased from 71% to 51%, and recognized the amount of \$84,098 thousand in capital surplus.

On January 14, April 1 and April 30, 2019, the Company acquired additional shares of Matrix Precision; thus, the Company's continuing interest increased from 58% to 71%.

On July 1, 2019, the Company acquired additional shares of Matrix; thus, the Company's continuing interest increased from 52% to 100%.

The above transactions were accounted for as equity transactions, since the Company did not cease to have control over these subsidiaries.

24. CAPITAL MANAGEMENT

To support the needs for expansion and upgrade of its plant and equipment, the Company has to maintain an appropriate amount of capital. Therefore, the Company manages its capital to ensure it has the necessary financial resources and operating plan to support the required operating funds, capital expenditures, research and development fees, debt repayment and dividend payments in the next 12 months to achieve an overall balanced capital structure.

Key management personnel of the Company review the capital structure periodically. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Company may adjust the amount of dividends paid to shareholders and the amount of new debt issued or existing debt redeemed.

25. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments measured at fair value on a recurring basis

1) Fair value hierarchy

The Company's financial assets and liabilities at FVTPL are measured at fair value using Level 2 inputs, and the financial assets at FVTOCI are measured at fair value using Level 1 inputs and Level 3 inputs.

2) Valuation techniques and inputs applied for the purpose of Level 2 fair value measurement

Financial Instruments	Valuation Techniques and Inputs
Derivatives - foreign currency forward contracts	Discounted cash flow. Future cash flows are estimated based on observable forward exchange rates at the end of the reporting period and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

b. Categories of financial instruments

	December 31	
	2020	2019
<u>Financial assets</u>		
FVTPL		
Mandatorily classified as at FVTPL	\$ 128	\$ 2,584
Financial assets at amortized cost (1)	7,467,411	5,739,837
Financial assets at FVTOCI		
Equity instruments	944,234	1,023,074
<u>Financial liabilities</u>		
FVTPL		
Mandatorily classified as at FVTPL	7,327	29
Financial liabilities at amortized cost (2)	12,166,775	16,894,262

1) The balances included financial assets measured at amortized cost, which comprise cash and cash equivalents, notes receivable, trade receivables (including from related parties), financial assets at amortized cost - non-current and refundable deposits.

2) The balances included financial liabilities measured at amortized cost, which comprise short-term borrowings, notes payable, trade payables (including from related parties), other payables, long-term borrowings (including those due within one year) and guarantee deposits received.

c. Financial risk management objectives and policies

The Company's major financial instruments include equity and debt investments, trade receivables, trade payables, lease liabilities and borrowings. The Company's Corporate Treasury function provides services to the business, monitors and manages the financial risks relating to the operations of the Company. These risks include market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk.

The plans for material treasury activities are reviewed by the audit committee and the board of directors in accordance with procedures required by relevant regulations and internal controls.

1) Market risk

The Company entered into some derivative financial instruments, mainly forward foreign exchange contracts, to manage its exposure to foreign currency risk arising on translation of sales and receivables from the export of precision component to USA, Germany, Japan and China.

There had been no change to the Company's exposure to market risks or the manner in which these risks were managed and measured.

a) Foreign currency risk

The Company's operating activities and net investment in foreign operations are denominated in foreign currencies. Consequently, the Company is exposed to foreign currency risk. To protect against reductions in value and the volatility of future cash flows caused by changes in foreign exchange rates, the Company utilizes foreign exchange forward contracts to hedge its currency exposure. These instruments help to reduce, but do not eliminate, the impact of foreign currency exchange rate movements.

Since the Company's net investments in foreign operations are held for strategic purposes, they are not hedged.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities and derivatives exposed to foreign currency risk at the end of the reporting period are set out in Note 29.

Sensitivity analysis

The Company was mainly exposed to the USD, EUR, JPY and RMB.

The sensitivity analysis of foreign currency risk used when reporting foreign currency risk internally to key management personnel mainly focuses on foreign currency denominated monetary items at the end of the reporting period. When the NTD had increased by 1% against the relevant foreign currency, the post-tax profit for the years ended December 31, 2020 and 2019 would have decreased by \$52,143 thousand and \$40,909 thousand, respectively.

b) Interest rate risk

The Company is exposed to interest rate risk because the Company borrowed funds at both fixed and floating interest rates.

The carrying amounts of the Company's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows.

	December 31	
	2020	2019
Fair value interest rate risk		
Deposits in bank	\$ 238,546	\$ 222,590
Lease liabilities	237,601	239,587
Short-term borrowings	-	2,020,000
		(Continued)

	December 31	
	2020	2019
Cash flow interest rate risk		
Deposits in bank	\$ 1,001,104	\$ 798,153
Short-term borrowings	1,980,000	4,470,000
Long-term borrowings	5,956,718	7,299,130
		(Concluded)

Sensitivity analysis

For floating rate liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 1% increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 1% higher and all other variables were held constant, the Company's post-tax profit for the years ended December 31, 2020 and 2019 would have decreased by \$55,485 thousand and \$87,768 thousand, respectively.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company. At the end of the reporting period, the counterparties are all creditworthy organizations; thus, no significant credit risk is expected.

The counterparties of the Company's trade receivables cover a large number of customers, spread across diverse industries. Ongoing credit evaluation is performed on the financial condition of the counterparties of trade receivables.

The Company's credit risk by geographical locations was mainly concentrated in Asia, which accounted for 85% and 82% of the total trade receivables as of December 31, 2020 and 2019, respectively.

3) Liquidity risk

The Company manages liquidity risk by monitoring and maintaining a level of cash deemed adequate to finance the Company's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Company relies on bank borrowings as a significant source of liquidity. As of December 31, 2020 and 2019, the Company had available unutilized bank loan facilities of \$8,740,930 thousand and \$4,293,761 thousand, respectively.

The following table details the Company's remaining contractual obligations for its financial liabilities with agreed repayment periods. The tables below had been drawn up based on the undiscounted contractual maturities of the financial liabilities.

	Less Than 1 Year	1-5 Years	5+ Years
<u>December 31, 2020</u>			
Non-derivative financial liabilities			
Non-interest bearing	\$ 4,229,073	\$ -	\$ -
Lease liabilities	60,530	99,629	110,207
Variable interest rate liabilities	<u>2,962,093</u>	<u>2,657,422</u>	<u>2,317,203</u>
	<u>\$ 7,251,696</u>	<u>\$ 2,757,051</u>	<u>\$ 2,427,410</u>
Derivative financial liabilities			
Foreign exchange forward contracts	<u>\$ 7,327</u>	<u>\$ -</u>	<u>\$ -</u>
<u>December 31, 2019</u>			
Non-derivative financial liabilities			
Non-interest bearing	\$ 3,105,032	\$ -	\$ -
Lease liabilities	53,735	97,882	107,515
Fixed interest rate liabilities	2,020,000	-	-
Variable interest rate liabilities	<u>5,708,479</u>	<u>3,153,088</u>	<u>2,907,563</u>
	<u>\$ 10,887,246</u>	<u>\$ 3,250,970</u>	<u>\$ 3,015,078</u>
Derivative financial liabilities			
Foreign exchange forward contracts	<u>\$ 29</u>	<u>\$ -</u>	<u>\$ -</u>

Additional information about the maturity analysis for lease liabilities:

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years
<u>December 31, 2020</u>					
Lease liabilities	<u>\$ 60,530</u>	<u>\$ 99,629</u>	<u>\$ 55,763</u>	<u>\$ 45,370</u>	<u>\$ 9,074</u>
<u>December 31, 2019</u>					
Lease liabilities	<u>\$ 53,735</u>	<u>\$ 97,882</u>	<u>\$ 44,798</u>	<u>\$ 44,798</u>	<u>\$ 17,919</u>

26. TRANSACTIONS WITH RELATED PARTIES

The significant transactions between the Company and its related parties, other than those disclosed in other notes, are summarized as follows:

a. Related party name and categories

Related Party Name	Related Party Categories
Hiwin Germany	Subsidiary
Hiwin USA	Subsidiary
Hiwin Japan	Subsidiary
Eterbright	Subsidiary

(Continued)

Related Party Name	Related Party Categories
Hiwin Singapore	Subsidiary
Hiwin Korea	Subsidiary
Hiwin China	Subsidiary
Matrix Precision	Subsidiary
Hiwin Healthcare Corp.	Subsidiary
Hiwin Italy	Subsidiary
Matrix	Subsidiary
Hiwin Schweiz	Subsidiary
Mega-Fabs Motion Systems Ltd. (Mega-Fabs)	Associate
Hiwin Mikrosystem	Other related party
Hiwin Investment and Holding Corporation (Hiwin Investment Corporation)	Other related party
Hiwin Technologies Foundation in Education (Hiwin Education Foundation)	Other related party

(Concluded)

b. Operating transactions

	For the Year Ended December 31	
	2020	2019
1) Sales of goods		
Hiwin China	\$ 2,496,837	\$ 1,564,865
Subsidiaries	2,603,847	2,808,567
Others	<u>86,739</u>	<u>42,276</u>
	<u>\$ 5,187,423</u>	<u>\$ 4,415,708</u>

Due to the differences in product specifications, the selling prices of goods sold to related parties and those sold to third parties are not comparable. The selling price is quoted at cost plus a reasonable margin based on the market and competitor pricing.

	For the Year Ended December 31	
	2020	2019
2) Purchases of goods		
Others	\$ 46,509	\$ 155,051
Subsidiaries	<u>8,451</u>	<u>39,318</u>
	<u>\$ 54,960</u>	<u>\$ 194,369</u>

The products purchased from related parties and those from third parties are not the same, therefore, their prices are not comparable.

3) Other operating transactions

	For the Year Ended December 31	
	2020	2019
Non-operating income - dividend income (classified as other income)		
Hiwin Mikrosystem	<u>\$ 375</u>	<u>\$ 7,613</u>

		For the Year Ended December 31	
		2020	2019
Non-operating income - other income			
Subsidiaries		\$ 40,384	\$ 33,855
Others		<u>274</u>	<u>2,347</u>
		<u>\$ 40,658</u>	<u>\$ 36,202</u>
Manufacturing and operating expenses			
Others		\$ 3,214	\$ 2,006
Subsidiaries		<u>3,074</u>	<u>10,115</u>
		<u>\$ 6,288</u>	<u>\$ 12,121</u>
Operating expenses - donations			
Hiwin Education Foundation		<u>\$ 8,400</u>	<u>\$ 18,000</u>
		December 31	
		2020	2019
4) Trade receivables			
Hiwin China		\$ 981,980	\$ 601,582
Subsidiaries		<u>1,170,911</u>	<u>1,024,591</u>
		<u>\$ 2,152,891</u>	<u>\$ 1,626,173</u>
5) Other receivables (classified as other current assets)			
Subsidiaries		\$ 4,258	\$ 7,220
Others		<u>-</u>	<u>93</u>
		<u>\$ 4,258</u>	<u>\$ 7,313</u>
6) Prepayments for investments (classified as other non-current assets)			
Matrix Precision		<u>\$ 124,850</u>	<u>\$ -</u>
7) Trade payables			
Subsidiaries		\$ 6,525	\$ 21,050
Others		<u>5,872</u>	<u>6,362</u>
		<u>\$ 12,397</u>	<u>\$ 27,412</u>
8) Other payables			
Subsidiaries		\$ 4,121	\$ 7,656
Others		<u>1,036</u>	<u>58</u>
		<u>\$ 5,157</u>	<u>\$ 7,714</u>

		December 31	
		2020	2019
9) Prepayments for machinery and equipment			
Subsidiaries		\$ <u>76,070</u>	\$ <u>165,065</u>
c. Loans to related parties			
		December 31	
		2020	2019
<u>Other receivables (classified as other current assets)</u>			
Hiwin Japan		\$ 224,911	\$ 161,664
Hiwin Italy		<u>31,269</u>	<u>133,996</u>
		\$ <u>256,180</u>	\$ <u>295,660</u>
		For the Year Ended December 31	
		2020	2019
<u>Interest income</u>			
Subsidiaries		\$ <u>4,883</u>	\$ <u>4,344</u>
The Company provided Hiwin Japan and Hiwin Italy with short-term loans at rates comparable to market interest rates.			
d. Acquisition of property, plant and equipment			
		Purchase Price	
		For the Year Ended December 31	
		2020	2019
Subsidiaries		\$ 46,971	\$ 78,122
Others		<u>8,749</u>	<u>5,400</u>
		\$ <u>55,720</u>	\$ <u>83,522</u>
e. Lease arrangements			
Lease arrangements represented the lease prices of the Company's factory. The lease prices were determined in accordance with mutual agreements and were based on the market price of the nearby factories and the lease area. The rental expenses were paid monthly.			
		For the Year Ended December 31	
		2020	2019
<u>Acquisition of right-of-use assets</u>			
Others		\$ <u>-</u>	\$ <u>8,303</u>

	December 31	
	2020	2019
<u>Lease liabilities</u>		
Others	<u>\$ 2,051</u>	<u>\$ 6,304</u>
	For the Year Ended December 31	2019
	2020	2019
<u>Finance costs</u>		
Others	<u>\$ 58</u>	<u>\$ 44</u>

f. Acquisition of financial assets

Related Party Category	Line Item	For the Year Ended December 31, 2020		
		Number of Shares (%)	Underlying Assets	Purchase Price
Hiwin Investment Corporation	Investment accounted for using the equity method	31	Hiwin Schweiz	<u>\$ 200,000</u>

g. Endorsements and guarantees

For the information about the endorsements and guarantees for subsidiaries as of December 31, 2020, refer to Table 2.

h. Acquisition of additional interests in related parties

	For the Year Ended December 31	
	2020	2019
Matrix	\$ -	\$ 220,864
Matrix Precision	<u>-</u>	<u>81,260</u>
	<u>\$ -</u>	<u>\$ 302,124</u>

i. Compensation of key management personnel

	For the Year Ended December 31	
	2020	2019
Short-term employee benefits	\$ 163,073	\$ 171,300
Share-based payments	1,087	-
Termination benefits	1,060	-
Post-employment benefits	<u>539</u>	<u>556</u>
	<u>\$ 165,759</u>	<u>\$ 171,856</u>

The remuneration of directors and key executives was determined by the remuneration committee having regard to the performance of individuals and market trends.

27. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets had been pledged or mortgaged as collateral for short-term and long-term bank loans:

	December 31	
	2020	2019
Property, plant and equipment	<u>\$ 13,920,763</u>	<u>\$ 14,262,145</u>

28. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

- As of December 31, 2020 and 2019, unused letters of credit for purchases of raw materials and machinery and equipment amounted to \$186,454 thousand and \$149,030 thousand, respectively.
- As of December 31, 2020 and 2019, commitment for acquisition of property, plant and equipment amounted to \$330,561 thousand and \$698,246 thousand, respectively.

29. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Company's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies and the related exchange rates between foreign currencies and respective functional currencies are as follows:

	December 31, 2020			December 31, 2019		
	Foreign Currencies	Exchange Rate	Carrying Amount	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>						
Monetary items						
USD	\$ 19,134	28.480	\$ 544,950	\$ 17,190	29.980	\$ 515,346
EUR	25,191	35.02	882,175	28,838	33.59	968,669
JPY	2,073,446	0.2763	572,893	1,940,254	0.2760	535,510
RMB	1,096,141	4.377	4,797,810	754,848	4.305	3,249,621
Non-monetary items						
USD	25,479	28.480	725,654	26,174	29.980	784,705
EUR	65,139	35.02	2,281,179	57,623	33.59	1,935,546
ILS	13,639	8.740	119,202	11,397	8.666	98,764
RMB	429,927	4.377	1,881,788	413,485	4.305	1,780,053
JPY	327,492	0.2763	90,486	965,910	0.2760	266,591
GBP	5,723	38.90	222,623	7,134	39.36	280,805
CHF	6,306	32.31	203,745	-	-	-
SGD	467	21.56	10,065	-	-	-
<u>Financial liabilities</u>						
Monetary items						
USD	2,775	28.480	79,029	3,107	29.980	93,142
EUR	1,461	35.02	51,156	677	33.59	22,734
JPY	496,900	0.2763	137,293	104,526	0.2760	28,849
RMB	2,861	4.377	12,524	2,501	4.305	10,765
Non-monetary items						
KRW	2,511,016	0.0264	66,391	1,672,635	0.0262	43,773
SGD	-	-	-	1,776	22.28	39,569

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

Foreign Currencies	For the Year Ended December 31			
	2020		2019	
	Exchange Rate	Net Foreign Exchange Gain (Loss)	Exchange Rate	Net Foreign Exchange Gain (Loss)
USD	29.549	\$ (25,080)	30.912	\$ (3,819)
JPY	0.2769	7,373	0.2837	4,789
EUR	33.71	53,184	34.61	(42,458)
RMB	4.282	<u>132,186</u>	4.472	<u>(127,210)</u>
		<u>\$ 167,663</u>		<u>\$ (168,698)</u>

31. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 1) Financing provided to others. (Table 1)
- 2) Endorsements/guarantees provided. (Table 2)
- 3) Marketable securities held (excluding investments in subsidiaries, associates and joint controlled entities). (Table 3)
- 4) Marketable securities acquired and disposed at costs or prices at least NT\$300 million or 20% of the paid-in capital. (None)
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital. (None)
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital. (Table 4)
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 5)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 6)
- 9) Trading in derivative instruments. (Notes 7 and 25)
- 10) Information on investees. (Table 7)

b. Information on investments in mainland China

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 8)

- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:
- a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period. (None)
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period. (Table 5)
 - c) The amount of property transactions and the amount of the resultant gains or losses. (None)
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the year and the purposes. (None)
 - e) The highest balance, the end of year balance, the interest rate range, and total current period interest with respect to financing of funds. (None)
 - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services. (None)
- c. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 9)

TABLE 1**HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES****FINANCING PROVIDED TO OTHERS
FOR THE YEARS ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)**

No.	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period (Note 4)	Ending Balance (Note 4)	Actual Amount Borrowed	Interest Rate	Nature of Financing (Note 2)	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 1)	Aggregate Financing Limit (Note 3)
													Item	Value		
0	The Company	Hiwin Japan	Other receivables from related parties	Yes	\$ 320,165	\$ 224,911	\$ 224,911	1.49%	1	Sales \$560,400	-	\$ -	-	\$ -	\$ 4,134,319	\$ 8,268,638
0	The Company	Hiwin Italy	Other receivables from related parties	Yes	155,289	31,269	31,269	1.49%	1	Sales 457,788	-	-	-	-	4,134,319	8,268,638
0	The Company	Hiwin Korea	Other receivables from related parties	Yes	166,619	-	-	1.49%	2	-	Operating capital	-	-	-	4,134,319	8,268,638
0	The Company	Matrix	Other receivables from related parties	Yes	39,640	-	-	1.49%	2	-	Operating capital	-	-	-	4,134,319	8,268,638

Note 1: The total amount for lending to a single company shall not exceed 15% of the net assets of the Company based on its latest financial statements. For financing provided by the Company due to business dealings, other than the aforementioned restrictions, the amount of financing is also limited to the higher of the total purchase or sales amount between the two parties within 1 year from the date of financing or in the most recent year based on the principle that business transactions have already occurred between the two parties.

Note 2: The nature of financing is numbered as follows:
1. A company that has business dealings with the lender.
2. A company with short-term financing needs.

Note 3: The total amount of the Company's accumulated financing provided should not exceed 30% of the Company's net assets as shown in its latest financial statements.

Note 4: The ending balance has been approved by the board of directors.

TABLE 2

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEARS ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars and Foreign Currencies)

No.	Endorser/Guarantor	Endorsee/Guaranteed Party		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note 1)	Maximum Amount Endorsed/ Guaranteed During the Year (Note 3)	Outstanding Endorsement/ Guarantee at the End of the Year (Notes 3 and 4)	Actual Amount Borrowed (Note 4)	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 2)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship										
0	The Company	Matrix	Subsidiary	\$ 2,756,213	\$ 79,280 (GBP 2,000)	\$ 77,800 (GBP 2,000)	\$ 46,680 (GBP 1,200)	\$ -	0.3%	\$ 9,646,745	Yes	-	-
0	The Company	Hiwin Italy	Subsidiary	2,756,213	350,800 (EUR 10,000)	350,200 (EUR 10,000)	113,015 (EUR 3,227)	-	1.3%	9,646,745	Yes	-	-
0	The Company	Eterbright	Subsidiary	2,756,213	2,550,000	2,250,000	1,847,000	-	8.2%	9,646,745	Yes	-	-
0	The Company	Hiwin Singapore	Subsidiary	2,756,213	177,780 (USD 6,000)	170,880 (USD 6,000)	32,752 (USD 1,150)	-	0.6%	9,646,745	Yes	-	-
0	The Company	Hiwin Korea	Subsidiary	2,756,213	346,680 (USD 12,000)	341,760 (USD 12,000)	160,912 (USD 5,650)	-	1.2%	9,646,745	Yes	-	-
0	The Company	Hiwin Japan	Subsidiary	2,756,213	1,284,318 (JPY 4,660,080)	734,129 (JPY 2,657,000)	595,612 (JPY 2,155,671)	-	2.7%	9,646,745	Yes	-	-
0	The Company	Matrix Precision	Subsidiary	2,756,213	900,000	900,000	599,000	-	3.3%	9,646,745	Yes	-	-

Note 1: The limit on the endorsements/guarantees provided for a single enterprise is 10% of the Company's net assets as shown in its most recent financial statements. If approved by the board of directors, the amount of endorsements/guarantees provided by the Company for its subsidiaries is not subject to the foregoing limitations; however, it must not exceed 50% of the Company's net assets in its most recent financial statements.

Note 2: The aggregate endorsement/guarantee limit is 35% of the Company's net assets as shown in its latest financial statements.

Note 3: The ending balance has been approved by the board of directors.

Note 4: The amounts denominated in foreign currencies were converted into New Taiwan dollars based on exchange rate prevailing at the end of last month.

TABLE 3

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2020				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
The Company	<u>Government bond</u> Central Government Bond 2012-1	-	Financial assets at amortized cost - non-current	-	\$ 2,906	-	\$ 2,906	
	<u>Share capital</u> Hiwin Mikrosystem	-	Financial assets at FVTOCI - non-current	9,431,363	860,140	8	860,140	
	Ever Fortune. AI Co., Ltd.	-	Financial assets at FVTOCI - non-current	2,573,000	45,017	3	45,017	
	Taichung International Country Club	-	Financial assets at FVTOCI - non-current	1	2,650	-	2,650	
	Sunengine	-	Financial assets at FVTOCI - non-current	588,149	-	10	-	
	King Kong Iron Work Ltd.	-	Financial assets at FVTOCI - non-current	76,300	-	-	-	
	Kaland	-	Financial assets at FVTOCI - non-current	323,289	36,427	19	36,427	

Note: For information on the investments in subsidiaries and associates, see Tables 7 and 8.

TABLE 4

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

**DISPOSAL OF INDIVIDUAL REAL ESTATE AT PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEARS ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)**

Seller	Property	Event Date	Original Acquisition Date	Carrying Amount	Transaction Amount	Collection	Gain (Loss) on Disposal	Counterparty	Relationship	Purpose of Disposal	Price Reference	Other Terms
The Company	Property, plant and accessory equipment on Tanxing Section, Tanzi District, Taichung City, Taiwan	2020.7.24	1982.12.31-2018.12.21	\$ 333,136	\$ 680,000 (Tax included)	\$ 680,000	\$ 302,707	SHANG HAO BIOMEDICAL TECHNOLOGY CO., LTD.	None	Re-planning and consolidation of production plants and enhancing asset utilization	Valuation amount of \$652,847 thousand appraised by Honest Specialty Appraiser Group	-

TABLE 5**HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES****TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL****FOR THE YEARS ENDED DECEMBER 31, 2020****(In Thousands of New Taiwan Dollars)**

Company Name	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
The Company	Hiwin China	Subsidiary	Sale	\$ (2,496,837)	(15%)	O/A 120 days	\$ -	-	\$ 981,980	16%	(Note 1)
	Hiwin Germany	Subsidiary	Sale	(1,080,275)	(6%)	O/A 90 days	-	-	265,352	4%	
	Hiwin Italy	Subsidiary	Sale	(401,721)	(2%)	O/A 180 days	-	-	314,169	5%	
	Hiwin Japan	Subsidiary	Sale	(320,186)	(2%)	O/A 150 days	-	-	221,840	4%	
	Hiwin USA	Subsidiary	Sale	(267,617)	(2%)	O/A 120 days	-	-	96,283	2%	
	Hiwin Korea	Subsidiary	Sale	(194,858)	(1%)	O/A 180 days	-	-	73,435	1%	
	Eterbright	Subsidiary	Sale	(123,808)	(1%)	T/T 120 days	-	-	129,817	2%	
	Hiwin Singapore	Subsidiary	Sale	(119,117)	(1%)	O/A 120 days	-	-	47,121	1%	
Hiwin China	The Company	Parent company	Purchase	2,496,837	96%	O/A 120 days	-	-	(981,980)	(97%)	
Hiwin Germany	The Company	Parent company	Purchase	1,080,275	60%	O/A 90 days	-	-	(265,352)	(82%)	(Note 2)
	Hiwin Mikrosystem	Other related parties	Purchase	128,255	7%	O/A 90 days	-	-	(31,797)	(10%)	
	Hiwin S.R.O.	Other related parties	Sale	(155,978)	(6%)	O/A 45 days	-	-	8,854	7%	
Hiwin Italy	The Company	Parent company	Purchase	401,721	82%	O/A 180 days	-	-	(314,169)	(86%)	
Hiwin Japan	The Company	Parent company	Purchase	320,186	84%	O/A 150 days	-	-	(221,840)	(92%)	
Hiwin USA	The Company	Parent company	Purchase	267,617	48%	O/A 120 days	-	-	(96,283)	(69%)	
	Hiwin Mikrosystem	Other related parties	Purchase	191,649	35%	O/A 90 days	-	-	(36,487)	(26%)	
Hiwin Korea	The Company	Parent company	Purchase	194,858	85%	O/A 180 days	-	-	(73,435)	(95%)	
Eterbright	The Company	Parent company	Purchase	4,828	9%	T/T 120 days	-	-	(194)	(2%)	
			Purchase	118,980	-	-	-	-	(129,623)	-	
Hiwin Singapore	The Company	Parent company	Purchase	119,117	84%	O/A 120 days	-	-	(47,121)	(76%)	

Note 1: Unrealized gain on investment in Hiwin China amounted to \$83,439 thousand.

Note 2: Eterbright recognized property, plant and equipment and payables for purchase of equipment in the balance sheets.

TABLE 6

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
The Company	Hiwin Japan	Subsidiary	Trade receivables from related parties	\$ 221,840	1.36	\$ -	-	\$ -
	Hiwin Japan	Subsidiary	Other receivables from related parties	225,880	-	-	-	32,152
	Hiwin Germany	Subsidiary	Trade receivables from related parties	265,352	4.37	-	-	264,303
	Hiwin Italy	Subsidiary	Trade receivables from related parties	314,169	1.29	-	-	69,514
	Hiwin Italy	Subsidiary	Other receivables from related parties	31,605	-	-	-	31,605
	Hiwin China	Subsidiary	Trade receivables from related parties	981,980	3.15	-	-	498,278
	Eterbright	Subsidiary	Trade receivables from related parties	129,817	1.69	-	-	191

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTEEES
FOR THE YEARS ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars and Foreign Currencies)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2020			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2020	December 31, 2019	Number of Shares	%	Carrying Amount			
The Company	Hiwin Germany	Germany	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	\$ 224,257	\$ 224,257	-	100	\$ 1,934,803	\$ 184,400	\$ 184,400	Subsidiary
	Hiwin USA	United States of America	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	353,844	353,844	2,148,000	100	648,513	103,997	103,997	Subsidiary
	Hiwin Japan	Japan	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	817,642	817,642	54,200	100	39,300	(176,778)	(176,778)	Subsidiary
	Mega-Fabs	Israel	Research, manufacture and sale of drivers and controllers	42,444	42,444	240,000	40	152,032	48,985	19,594	Investment accounted for using the equity method
	Eterbright	Taiwan	Research, development, design, manufacture and sale of solar cell, electronic components, electric power supply, electric transmission and power distribution machinery products	2,983,556	2,983,556	171,449,427	74	(643,793)	(534,534)	(396,464)	Subsidiary
	Hiwin Singapore	Singapore	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	117,550	117,550	5,000,000	100	(885)	48,063	48,063	Subsidiary
	Hiwin Korea	Korea	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	202,945	202,945	1,440,000	100	(85,532)	(21,203)	(21,203)	Subsidiary
	Matrix Precision	Taiwan	Research, development, production, manufacture and sale of gear cutting tools and machinery	603,244	603,244	2,171,075	51	95,313	(212,378)	(115,153)	Subsidiary
	Hiwin Healthcare Corp.	Samoa	Sale of medical robots	3,108	3,108	100,000	100	2,706	(32)	(32)	Subsidiary
	Hiwin Italy	Italy	Manufacture and sale of aerospace parts, ballscrews, linear guideways, and industrial robots	296,580	296,580	-	100	88,729	28,376	28,376	Subsidiary
	Matrix	United Kingdom	Design integrated application, research, development, manufacture and sale of thread forming machinery	461,344	461,344	4,649,500	100	261,614	(53,544)	(49,337)	Subsidiary
	Hiwin Schweiz	Switzerland	Manufacture and sale of aerospace parts, ballscrews, linear guideways, and industrial robots	266,300	-	243,000	81	206,720	19,398	16,110	Subsidiary
Hiwin Germany	Hiwin S.R.O.	Czech Republic	Sale of aerospace parts, ballscrews, linear guideways, and industrial robots	104 (CZK 70)	104 (CZK 70)	-	32	67,800 (EUR 1,936)	(Note 1)	(Note 1)	Investment accounted for using the equity method
	Hiwin Schweiz	Switzerland	Manufacture and sale of aerospace parts, ballscrews, linear guideways, and industrial robots	3,320 (EUR 72)	3,320 (EUR 72)	57,000	19	45,066	19,398	-	Subsidiary

Note 1: Exempted from disclosure in accordance with regulations.

Note 2: For information on investments in mainland China, see Table 8.

TABLE 8

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEARS ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars and Foreign Currencies)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investments from Taiwan as of January 1, 2020	Remittance of Funds		Accumulated Outward Remittance for Investments from Taiwan as of December 31, 2020	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2020	Accumulated Repatriation of Investment Income as of December 31, 2020
					Outward	Inward						
YIFU Finance	Finance leasing	\$ 239,602 (USD 8,413)	(Note 1)	\$ 139,733 (USD 5,017)	\$ -	\$ 120,477 (USD 4,213)	\$ 19,256 (USD 804)	\$ (34,829)	19	(Note 3)	\$ 36,427	\$ 110,732 (USD 3,614)
Hiwin China	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	1,498,040 (RMB 300,000)	(Note 2)	1,498,040 (RMB 300,000)	-	-	1,498,040 (RMB 300,000)	70,402	100	\$ 70,402 (Note 4)	1,798,349	-
Luren Shanghai	Sale of gear cutting tools and machinery	14,047 (USD 439)	(Note 2)	14,047 (USD 439)	-	-	14,047 (USD 439)	(6,790)	51	(3,686) (Note 4)	2,183	-
Suzhou Matrix	Sale of gear cutting tools and machinery	9,076 (RMB 2,000)	(Note 2)	9,076 (RMB 2,000)	-	-	9,076 (RMB 2,000)	153	51	83 (Note 4)	2,797	-

Investor Company	Accumulated Outward Remittance for Investments in Mainland China as of December 31, 2020	Investment Amounts Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA
The Company	\$ 1,517,296 (USD 804 and RMB 300,000)	\$ 1,583,660 (USD 9,500 and RMB 300,000)	(Note 5)
Matrix Precision	\$ 23,123 (USD 439 and RMB 2,000)	\$ 23,123 (USD 439 and RMB 2,000)	\$ 58,733 (Note 5)

Note 1: The investment in the company in mainland China was made through reinvestment in an existing company established in a third country.

Note 2: The investment in mainland China was made directly.

Note 3: The investment in Kaland was accounted for as a financial asset measured at FVTOCI; thus, no investment gain or loss was recognized.

Note 4: The investment gain (loss) is recognized according to the financial statements audited by the Company's independent auditors.

Note 5: Calculated in accordance with the "Regulations on Screening and Approval of Investment and Technical Cooperation in Mainland China" issued by the Investment Commission of the Ministry of Economic Affairs, the Company has been certified by the Industrial Development Bureau of the Ministry of Economic Affairs as an enterprise that has conformed to the scope of operations of the headquarters; therefore, there is no investment limit. The upper limit on the amount of investments in Matrix Precision is 60% of the net assets of Matrix Precision.

TABLE 9**HIWIN TECHNOLOGIES CORPORATION****INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2020**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership
Hiwin Investment Corporation	22,363,669	6.75%

Note 1: The information on major shareholders disclosed in the table above was calculated by the Taiwan Depository & Clearing Corporation based on the number of ordinary and preference shares held by shareholders with ownership of 5% or greater, that had completed dematerialized registration and delivery (including treasury shares) as of the last business day of the current quarter. The share capital recorded in the financial statements may differ from the number of shares that have completed dematerialized registration and delivery due to differences in the basis of preparation.

Note 2: If the above information is related to shareholders who have delivered their shares held to a trust, the information is separately disclosed by each trustor's account opened by the trustee. As for the declaration of insider shareholdings exceeding 10% in accordance with the securities and exchange act, the shareholdings include the shares held by the shareholder as well as those that have been delivered to the trust and for which the shareholder has the right to determine the use of trust property. For information on the declaration of insider shareholdings, refer to the Market Observation Post System website of the TWSE.

THE CONTENTS OF STATEMENTS OF MAJOR ACCOUNTING ITEMS

ITEM	STATEMENT INDEX
MAJOR ACCOUNTING ITEMS IN ASSETS, LIABILITIES AND EQUITY	
STATEMENT OF CASH AND CASH EQUIVALENTS	1
STATEMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	Note 7
STATEMENT OF NOTES RECEIVABLE	2
STATEMENT OF TRADE RECEIVABLES FROM UNRELATED PARTIES	3
STATEMENT OF INVENTORIES	4
STATEMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NON-CURRENT	5
STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD	6
STATEMENT OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT	Note 12
STATEMENT OF CHANGES IN ACCUMULATED DEPRECIATION AND ACCUMULATED IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT	Note 12
STATEMENT OF CHANGES IN RIGHT-OF-USE ASSETS	7
STATEMENT OF CHANGES IN ACCUMULATED DEPRECIATION OF RIGHT-OF-USE ASSETS	7
STATEMENT OF DEFERRED INCOME TAX ASSETS	Note 20
STATEMENT OF SHORT-TERM BANK BORROWINGS	8
STATEMENT OF TRADE PAYABLES TO UNRELATED PARTIES	9
STATEMENT OF OTHER PAYABLES	Note 16
STATEMENT OF LONG-TERM BANK BORROWINGS	10
STATEMENT OF LEASE LIABILITIES	11
STATEMENT OF DEFERRED INCOME TAX LIABILITIES	Note 20
MAJOR ACCOUNTING ITEMS IN PROFIT OR LOSS	
STATEMENT OF NET REVENUE	12
STATEMENT OF OPERATING COSTS	13
STATEMENT OF OPERATING EXPENSES	14
STATEMENT OF NON-OPERATING INCOME AND EXPENSES	STATEMENT OF COMPREHENSIVE INCOME
STATEMENT OF FINANCE COSTS	Note 19
STATEMENT OF LABOR, DEPRECIATION AND AMORTIZATION BY FUNCTION	Note 19

HIWIN TECHNOLOGIES CORPORATION**STATEMENT OF CASH AND CASH EQUIVALENTS****DECEMBER 31, 2020****(In Thousands of New Taiwan Dollars and Foreign Currencies)**

Item	Foreign Currency	Exchange Rate	Amount
Cash on hand			
NTD			\$ 115
Foreign currencies			<u>1,516</u>
			<u>1,631</u>
Cash in banks			
Checking accounts			91,841
Demand deposits			351,839
Foreign deposits			
USD	2,857	28.480	81,372
EUR	2,187	35.02	76,586
RMB	83,236	4.377	364,323
JPY	456,537	0.2763	126,141
GBP	22	38.90	<u>843</u>
			<u>1,092,945</u>
Cash equivalents			
Foreign time deposits			
RMB	54,500	4.377	<u>238,546</u>
			<u>\$ 1,333,122</u>

HIWIN TECHNOLOGIES CORPORATION**STATEMENT OF NOTES RECEIVABLE****DECEMBER 31, 2020****(In Thousands of New Taiwan Dollars)**

Client Name	Amount
Unrelated parties	
Company 16	\$ 6,998
Company 31	4,168
Company 27	2,932
Others (Note)	<u>37,922</u>
	52,020
 Less: Allowance for impairment loss	 <u>(520)</u>
	 <u>\$ 51,500</u>

Note: The amount of individual client included in others does not exceed 5% of the account balance.

HIWIN TECHNOLOGIES CORPORATION**STATEMENT OF TRADE RECEIVABLES FROM UNRELATED PARTIES****DECEMBER 31, 2020****(In Thousands of New Taiwan Dollars)**

Client Name	Amount
Unrelated parties	
Company 28	\$ 1,397,685
Company 9	510,508
Company 22	342,921
Company 13	274,472
Company 21	217,274
Company 25	202,104
Others (Note)	<u>972,100</u>
	3,917,064
Less: Allowance for impairment loss	<u>(457)</u>
	<u>\$ 3,916,607</u>

Note: The amount of individual client included in others does not exceed 5% of the account balance.

HIWIN TECHNOLOGIES CORPORATION**STATEMENT OF INVENTORIES****DECEMBER 31, 2020****(In Thousands of New Taiwan Dollars)**

Item	Amount	Market Price (Note 1)
Merchandise	\$ 2,017	\$ 2,017
Finished goods	353,127	659,641
Work in process	1,236,217	1,236,217
Raw materials	1,880,914	1,880,914
Inventories in transit	<u>203,634</u>	<u>203,634</u>
	<u>\$ 3,675,909</u>	<u>\$ 3,982,423</u>

Note 1: Inventories are stated at the lower of cost or net realizable.

Note 2: Inventories are not provided as collateral.

HIWIN TECHNOLOGIES CORPORATION

STATEMENT OF FINANCIAL ASSET AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NON-CURRENT
 FOR THE YEAR ENDED DECEMBER 31, 2020
 (In Thousands of New Taiwan Dollars)

Investees	Balance, January 1, 2020		Additions		Decrease		Balance, December 31, 2020		Collateral
	Shares	Fair Value	Shares	Amount	Shares	Amount	Shares	Fair Value	
Hiwin Mikrosystem	9,375,113	\$ 787,509	56,250	\$ 72,631	-	\$ -	9,431,363	\$ 860,140	None
Sunengine (Note 1)	2,063,681	-	-	-	1,475,532	-	588,149	-	None
Taichung International Country Club	1	2,500	-	150	-	-	1	2,650	None
King Kong Iron Work Ltd.	76,300	-	-	-	-	-	76,300	-	None
Kaland (Note 2)	323,289	205,055	-	-	-	168,628	323,289	36,427	None
Ever Fortune	2,000,000	<u>28,010</u>	573,000	<u>17,007</u>	-	<u>-</u>	2,573,000	<u>45,017</u>	None
		<u>\$ 1,023,074</u>		<u>\$ 89,788</u>		<u>\$ 168,628</u>		<u>\$ 944,234</u>	

Note 1: The shares decreased this year due to reduction in capital for offsetting deficit.

Note 2: The amounts decreased this year due to return of share premium of \$120,477 thousand.

HIWIN TECHNOLOGIES CORPORATION

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investees	Balance, January 1, 2020		Additions		Decrease (Note 2)		Change of Subsidiaries' Ownership Equity	Share of Profit (Loss) and Other Comprehensive Income (Loss) of Subsidiaries and Associates Accounted for Using the Equity Method	Exchange Differences on Translating of Foreign Operations	Unrealized Gain	Balance, December 31, 2020			Net Equity Value	Original Investment Cost December 31, 2020	Collateral
	Shares	Amount	Shares	Amount	Shares	Amount					Shares	Ownership (%)	Amount			
Investments in subsidiaries																
Hiwin Germany	-	\$ 1,589,621	-	\$ -	-	\$ -	\$ -	\$ 226,536	\$ 85,720	\$ 32,926	-	100	\$ 1,934,803	\$ 2,118,990	\$ 224,257	Nil
Hiwin USA	2,148,000	546,203	-	-	-	-	-	103,997	(35,353)	33,666	2,148,000	100	648,513	700,038	353,844	Nil
Hiwin Japan	54,200	183,404	-	-	-	-	-	(176,778)	673	32,001	54,200	100	39,300	90,486	817,642	Nil
Eterbright (Note 1)	171,449,427	(235,410)	-	-	-	-	-	(396,464)	-	(11,919)	171,449,427	74	(643,793)	(631,874)	2,983,556	Nil
Hiwin Singapore (Note 1)	5,000,000	(53,375)	-	-	-	-	-	48,063	1,570	2,857	5,000,000	100	(885)	10,065	117,550	Nil
Hiwin Korea (Note 1)	1,440,000	(73,892)	-	-	-	-	-	(21,203)	(1,416)	10,979	1,440,000	100	(85,532)	(66,391)	202,945	Nil
Hiwin China	-	1,709,476	-	-	-	-	-	70,403	31,333	(12,863)	-	100	1,798,349	1,881,788	1,498,040	Nil
Matrix Precision	21,710,747	120,994	-	-	(19,539,672)	-	84,098	(110,234)	5	450	2,171,075	51	95,313	46,454	603,244	Nil
Hiwin Healthcare Corp.	100,000	2,881	-	-	-	-	-	(32)	(143)	-	100,000	100	2,706	2,706	3,108	Nil
Hiwin Italy	-	23,882	-	-	-	-	-	26,851	6,527	31,469	-	100	88,729	162,189	296,580	Nil
Matrix	4,649,500	315,544	-	-	-	-	-	(49,337)	(4,637)	44	4,649,500	100	261,614	183,614	461,344	Nil
Hiwin Schweiz	-	-	243,000	266,300	-	-	(79,407)	16,110	5,757	(2,040)	243,000	81	206,720	251,537	266,300	Nil
		<u>\$ 4,129,328</u>		<u>\$ 266,300</u>		<u>\$ -</u>	<u>\$ 4,691</u>	<u>\$ (262,088)</u>	<u>\$ 90,036</u>	<u>\$ 117,570</u>			<u>\$ 4,345,837</u>	<u>\$ 4,749,602</u>	<u>\$ 7,828,410</u>	
Investments in associates																
Mega-Fabs	240,000	<u>\$ 131,594</u>	-	<u>\$ -</u>	-	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,594</u>	<u>\$ 843</u>	<u>\$ -</u>	240,000	40	<u>\$ 152,031</u>	<u>\$ 119,202</u>	<u>\$ 42,444</u>	Nil

Note 1: The balance as of December 31, 2020 was accounted for as credit balance for investments accounted for using the equity method.

Note 2: The shares decreased due to reduction in capital for offsetting deficit.

HIWIN TECHNOLOGIES CORPORATION

STATEMENT OF CHANGE IN RIGHT-OF-USE ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars)

	Balance at January 1, 2020	Additions	Disposals	Balance at December 31, 2020
Cost				
Land	\$ 142,040	\$ 2,660	\$ -	\$ 144,700
Building	138,343	83,586	41,904	180,025
Total cost	<u>280,383</u>	<u>\$ 86,246</u>	<u>\$ 41,904</u>	<u>324,725</u>
Accumulated depreciation				
Land	7,891	\$ 8,048	-	15,939
Building	34,140	54,446	16,681	71,905
Total accumulated depreciation	<u>42,031</u>	<u>\$ 62,494</u>	<u>\$ 16,681</u>	<u>87,844</u>
Right-of-use assets	<u>\$ 238,352</u>			<u>\$ 236,881</u>

HIWIN TECHNOLOGIES CORPORATION**STATEMENT OF SHORT-TERM BANK BORROWINGS****DECEMBER 31, 2020****(In Thousands of New Taiwan Dollars)**

Type	Maturity Date (Note)	Interest Rates (%)	Amount
Loans for export sales			
The Export-Import Bank of the Republic of China, Taichung Branch	2021.9.29	0.51	<u>\$ 710,000</u>
Line of credit borrowings			
Mizuho Bank Ltd., Taichung Branch	2021.6.28	0.82	620,000
Bank of Taiwan, Taichung Industrial Park Branch	2021.2.25	0.88	400,000
Land Bank of Taiwan, Taichung Branch	2021.3.28	0.85	200,000
HSBC Bank (Taiwan) Limited, Taichung Branch	2021.3.29	0.77	<u>50,000</u>
			<u>1,270,000</u>
			<u>\$ 1,980,000</u>

Note: The maturity date is the last date of multiple loans.

HIWIN TECHNOLOGIES CORPORATION

STATEMENT OF TRADE PAYABLES TO UNRELATED PARTIES

DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars)

Vendor Name	Amount
Unrelated parties	
Others (Note)	<u>\$ 3,056,834</u>

Note: The amount of individual vendor in others does not exceed 5% of the account balance.

HIWIN TECHNOLOGIES CORPORATION

STATEMENT OF LONG-TERM BANK BORROWINGS
DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Type	Borrowing Period (Note 2)	Repayment	Interest Rate (%)	Current Portion	Non-Current Portion	Total
Secured loan						
Bank of Taiwan, Taichung Industrial Park Branch	2011.6.16-2034.2.21	Repayable monthly from November 30, 2013 in 48, 60, 144 and 180 installments	1.01-1.49	\$ 782,093	\$ 4,951,558	\$ 5,733,651
The Export-Import Bank of the Republic of China, Taichung Branch	2020.4.30-2027.4.15	Repayable monthly from May 15, 2023 in 48 installments	0.36	-	18,641	18,641
Chang Hwa Commercial Bank, Hsitun Branch	2020.5.26-2027.5.15	Repayable monthly from May 15, 2023 in 48 installments	0.90	-	1,581	1,581
Unsecured loan						
KGI Bank, Shizheng Branch	2019.2.1-2021.2.1	Repayable every 120 days, due for renewal	0.89	200,000	-	200,000
Bank of Taiwan, Taichung Industrial Park Branch	2020.4.30-2027.4.15	Repayable monthly from May 15, 2023 in 48 installments	0.70	<u>-</u>	<u>2,845</u>	<u>2,845</u>
				<u>\$ 982,093</u>	<u>\$ 4,974,625</u>	<u>\$ 5,956,718</u>

Note 1: Property, plant and equipment pledged as collateral in the amount of \$13,920,763 thousand for bank borrowings.

Note 2: The period indicates the earliest loan date and the last due date of the multiple borrowings.

HIWIN TECHNOLOGIES CORPORATION**STATEMENT OF LEASE LIABILITIES****DECEMBER 31, 2020****(In Thousands of New Taiwan Dollars)**

Item	Lease Term	Discount Rate (%)	Amount
Land	17 years	1.45	\$ 128,899
Building	1 to 7 years	1.45	<u>108,702</u>
			237,601
Less: Current portion			<u>(48,593)</u>
Lease liabilities - non-current			<u>\$ 189,008</u>

HIWIN TECHNOLOGIES CORPORATION**STATEMENT OF NET REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)**

Item	Shipments (In thousands of units)	Amount
Linear guideways	About 21,470	\$ 11,580,875
Ballscrews	About 1,297	3,135,843
Others		<u>2,069,878</u>
		16,786,596
Less: Sales return		(466)
Sales discount		<u>(2,998)</u>
Sales		<u>\$ 16,783,132</u>

HIWIN TECHNOLOGIES CORPORATION

STATEMENT OF OPERATING COSTS
 FOR THE YEAR ENDED DECEMBER 31, 2020
 (In Thousands of New Taiwan Dollars)

Item	Amount	
Raw materials, beginning of year	\$ 2,563,836	
Raw materials purchased	4,437,189	
Sale of raw materials	(71,184)	
Raw materials scrapped	(10,922)	
Raw materials, end of year	<u>(1,581,511)</u>	
Raw materials used		\$ 5,337,408
Supplies, beginning of year	830,882	
Supplies purchased	1,496,414	
Sale of supplies	(21,074)	
Transferred to manufacturing expense and prepayments for machinery and equipment	(1,605,340)	
Supplies, end of year	<u>(700,882)</u>	
Supplies used		-
Direct labor		2,324,953
Manufacturing expenses		<u>4,957,748</u>
Manufacturing cost		12,620,109
Work in process, beginning of year		1,092,713
Work in process, end of year		<u>(1,262,127)</u>
Cost of finished goods		12,450,695
Finished goods, beginning of year		723,602
Finished goods, end of year		(446,373)
Transferred to research and development and selling expense		(129,887)
Other adjustment		<u>(58,272)</u>
Cost of goods sold		12,539,765
Merchandise, beginning of year	3,351	
Merchandise purchased	1,414	
Transferred to manufacturing expense	(797)	
Transferred from prepayment for machinery and equipment	111,228	
Merchandise, end of year	<u>(2,017)</u>	
Cost of merchandise sold		113,179
Cost of raw materials and supplies sold		92,258
Inventory write-downs		89,000
Loss from inventories scraps		10,922
Maintenance and warranty expense		25,632
Unallocated fixed overhead		142,866
Revenue from sale of scraps		<u>(80,439)</u>
Operating costs		<u>\$ 12,933,183</u>

HIWIN TECHNOLOGIES CORPORATION

STATEMENT OF OPERATING EXPENSES
 FOR THE YEAR ENDED DECEMBER 31, 2020
 (In Thousands of New Taiwan Dollars)

Item	Selling and Marketing Expenses	General and Administrative Expenses	Research and Development Expenses	Total
Salary	\$ 97,095	\$ 391,668	\$ 463,587	\$ 952,350
Depreciation expense	4,405	94,151	87,172	185,728
Donation	-	40,469	-	40,469
Shipping expense	60,076	802	1,135	62,013
Others	<u>105,871</u>	<u>196,782</u>	<u>248,322</u>	<u>550,975</u>
Total	<u>\$ 267,447</u>	<u>\$ 723,872</u>	<u>\$ 800,216</u>	<u>\$ 1,791,535</u>